

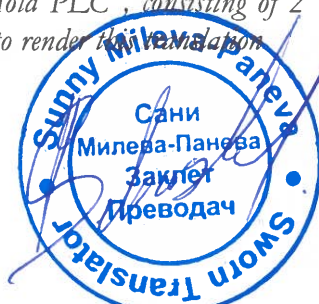
**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL REPORTING YEAR 2025**

TRACE GROUP HOLD PLC

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I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true and accurate translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled “Cover Page and Contents of the consolidated financial statements of Trace Group Hold PLC”, consisting of 2 (two) pages, and that I am competent in both English and Bulgarian languages to render this translation.



	Note	31.12.2025 BGN'000	31.12.2024 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	1.1.	64 007	79 517
Investment property	1.2.	21 264	12 816
Non-current intangible asset	1.3.	847	991
Investments accounted for using the equity method	1.4.	2	3
Non-current trade receivables	1.5.	25 311	21 705
Other non-current receivables and assets	1.6.	6 565	5 453
Deferred tax assets	1.7.	6 076	6 172
Total non-current assets		124 072	126 657
Current assets			
Inventories	1.8.	88 065	93 931
Current trade receivables	1.9.	275 369	386 211
Other current receivables and assets	1.10.	12 495	20 185
Current financial assets	1.11.	633	172
Cash and cash equivalents	1.12.	27 985	9 398
Total current assets		404 547	509 897
Total assets		528 619	636 554

The accompanying notes on pages 7 to 115 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 1 to 115 were approved for issue by the Board of Directors and signed on 30 April 2026 by:

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	Note	31.12.2025 BGN'000	31.12.2024 BGN'000
EQUITY AND LIABILITIES			
Equity			
Share capital	1.13.1.	24 200	24 189
Registered capital		24 200	24 200
Treasury shares		-	(11)
Share premium	1.13.2.	21 748	21 739
Translation reserve	1.13.3.	(635)	(445)
Reserves	1.13.4.	116 952	94 005
Retained earnings	1.13.5.	10 381	32 724
Accumulated profit / (loss)		(31)	(145)
Profit / (Loss) for the year		10 412	32 869
Equity attributable to shareholders of the parent company		172 646	172 212
Non-controlling interests		(226)	(214)
Total equity		172 420	171 998
Non-current liabilities			
Non-current financial liabilities	1.15.	12 308	14 674
Non-current trade payables	1.16.	7 491	10 318
Non-current provisions	1.17.	13 320	18 876
Deferred tax liabilities	1.18.	1 235	1 096
Other non-current payables and liabilities	1.19.	2 209	486
Total non-current liabilities		36 563	45 450
Current liabilities			
Current financial liabilities	1.20.	62 706	80 117
Current trade payables	1.21.	224 702	303 211
Tax payables	1.22.	14 842	12 852
Employee benefits payables	1.23.	7 224	7 290
Current provisions	1.24.	6 564	12 663
Other current payables and liabilities	1.25.	3 598	2 973
Total current liabilities		319 636	419 106
Total equity and liabilities		528 619	636 554

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	Note	2025 BGN'000	2024 BGN'000
Income			
Revenue from contracts with customers	2.1.1.	435 912	661 875
Revenue from construction contracts		374 524	617 085
Revenue from finished goods		56 023	30 103
Revenue from sales of goods		4 940	14 145
Revenue from sales of services		425	542
Other operating income/(losses), net	2.1.2.	22 062	4 786
Finance income	2.1.3.	1 074	725
Total Income		459 048	667 386
Expenses			
Expenses by nature		(431 423)	(619 181)
Raw materials, materials and consumables	2.2.1.	(121 023)	(214 582)
Cost of external services	2.2.2.	(235 931)	(316 449)
Depreciation and amortisation expenses	2.2.3.	(6 658)	(6 345)
Employee benefits (salaries and wages, and social insurance contributions)	2.2.4.	(51 851)	(46 866)
Impairment losses	2.2.5.	(990)	(3 100)
Other expenses	2.2.6.	(14 970)	(31 839)
Allowances	2.2.7.	(4 570)	(2 888)
Net book value of assets disposed of (excluding finished goods)		(4 702)	(13 473)
Capitalised costs		5 986	8 478
Changes in inventories of finished goods and work in progress		(5 854)	2 107
Finance costs	2.2.8.	(9 701)	(6 138)
Total expenses, excluding tax expenses		(445 694)	(628 207)
Profit / (Loss) before income tax		13 354	39 179
Tax expense	2.2.9.	(2 960)	(6 334)
Current tax expense		(2 728)	(10 240)
Deferred tax changes		(232)	3 906
Profit / (Loss) from continuing operations		10 394	32 845
Profit / (Loss)		10 394	32 845
attributable to shareholders of the parent company		10 412	32 869
attributable to non-controlling interests		(18)	(24)
		2025 BGN	2024 BGN
Primary Net Earnings per Share		0,43	1,36
from continuing operations	1.13.	0,43	1,36

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	Note	2025 BGN'000	2024 BGN'000
Profit / (Loss)		10 394	32 845
<i>Other comprehensive income</i>	2.3.1.	(294)	60
<i>Items that will not be reclassified subsequently to profit or loss, including:</i>		(104)	(234)
Actuarial gains / (losses)		(104)	(234)
<i>Items that may be reclassified subsequently to profit or loss, including:</i>		(190)	294
Gains / (Losses) from translation of foreign operations		(190)	294
Total comprehensive income		10 100	32 905
attributable to shareholders of the parent company		10 118	32 929
attributable to non-controlling interests		(18)	(24)

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	2025 BGN'000	2024 BGN'000
Cash flows from operating activities		
Proceeds from contractors	680 071	614 629
Payments to contractors	(558 206)	(667 930)
Net cash flows for employee benefits (salaries and wages, and social insurance contributions)	(52 325)	(43 722)
Tax paid (excluding corporate income tax)	(5 578)	(13 132)
Tax refunds received (excluding corporate income tax)	5 490	13 665
Corporate tax paid	(9 541)	(2 540)
Dividend payments	(10 097)	(6 108)
Payments of guarantees	(2 491)	(3 503)
Net foreign exchange gains / (losses)	(717)	(215)
Other cash flows from operating activities	(482)	(332)
Net cash flows from operating activities	46 124	(109 188)
Cash flows from investing activities		
Payments for acquisitions of non-current assets	(1 737)	(3 709)
Proceeds from disposals of non-current assets	759	1 125
Payments under loans granted	(450)	-
Proceeds from interest on loans granted	11	-
Net Cash flows from investing activities	(1 417)	(2 584)
Cash flows from financing activities		
Cash outflows on dividends for non-controlling interests	(18)	(13)
Proceeds under loans received	89 710	135 029
Repayments of loans received	(109 064)	(61 323)
Interest and fees paid on borrowings	(3 880)	(3 007)
Lease payments	(2 946)	(2 986)
Other cash flows from financing activities	(9)	(16)
Net Cash flows from financing activities	(26 207)	67 684
Net cash increase / (decrease) in cash and cash equivalents	18 500	(44 088)
Cash and cash equivalents as at 1 January	6 463	50 554
Translation reserve	(34)	3
Effect of the application of IFRS 9	(14)	(6)
Cash and cash equivalents as at 31 December	24 915	6 463

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	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 31.12.2023	24 179	21 739	(739)	84 415	15 728	145 322	(190)	145 132
Transactions with owners and other changes in equity for 2024	10	-	294	9 590	16 996	26 890	(24)	26 866
<i>Other comprehensive income</i>	-	-	294	-	(234)	60	-	60
Actuarial gains / (losses)					(234)	(234)		(234)
Translation of foreign operations			294			294		294
<i>Profit / (loss) for the period</i>					32 869	32 869	(24)	32 845
Total Comprehensive Income for 2024	-	-	294	-	32 635	32 929	(24)	32 905
Treasury shares	10					10		10
Dividends					(6 049)	(6 049)		(6 049)
Other changes in equity				9 590	(9 590)	-		-
Balance as at 31.12.2024	24 189	21 739	(445)	94 005	32 724	172 212	(214)	171 998
Transactions with owners and other changes in equity for 2025	11	9	(190)	22 947	(22 343)	434	(12)	422
<i>Other comprehensive income</i>	-	-	(190)	-	(104)	(294)	-	(294)
Actuarial gains / (losses)					(104)	(104)		(104)
Translation of foreign operations			(190)			(190)		(190)
<i>Profit / (loss) for the period</i>					10 412	10 412	(18)	10 394
Total Comprehensive Income for 2025	-	-	(190)	-	10 308	10 118	(18)	10 100
Treasury shares	11	9				20		20
Dividends					(9 678)	(9 678)		(9 678)
Profit distribution				22 947	(22 947)	-		-
Acquisitions / disposals of subsidiaries					(26)	(26)	6	(20)
Balance as at 31.12.2025	24 200	21 748	(635)	116 952	10 381	172 646	(226)	172 420

The accompanying notes on pages 7 to 115 are an integral part of these consolidated financial statements.

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I. General information, accounting policies, basis

1. General information on the Group

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

Parent company

Trace Group Hold PLC (the “Parent company”) is a joint stock company incorporated and operating under the laws of the Republic of Bulgaria, registered with the Stara Zagora District Court under company file №255/2005 and entered into the Commercial Register with the Registry Agency with UIC: 123682269. The Entity’s registered office and principal place of business are located at: №96 “Prof. Tsvetan Lazarov” Blvd., entr. B, 1582, Sofia.

The principal activity of the Parent company includes the acquisition, management, valuation and disposal of interests in Bulgarian and foreign entities; acquisition, management and disposal of bonds; acquisition, management and disposal of patents; granting licenses for the use of patents to entities in which the holding company has an interest; financing entities in which the holding company has an interest; design, construction, reconstruction, rehabilitation and major repair of roads, road facilities and infrastructure facilities, including motorways, road and street, bridges, tunnels and other transport facilities; design, construction, reconstruction, furnishing, repairs and investor supervision of commercial and residential construction projects and sites, railway lines and aircraft runways (new construction, overhaul and rehabilitation); metro stations; hydropower plants, hydro-amelioration facilities and systems, water supply systems, port and coastal protection facilities and systems; execution of all types of construction and installation works; consulting services; trading activities; and rental and sublease of non-current assets.

The principal activities of the entities within the Group are concentrated in the construction sector, with the exception of certain entities whose principal activities include trading, rental and leasing of assets, and investment activities.

Trace Group Hold is a public company pursuant to the provisions of the Public Offering of Securities Act (“POSA”).

The Entity has established branches in Serbia, Romania, Ukraine, Greece, Montenegro and North Macedonia.

The structure of the Group comprises Trace Group Hold PLC, as the parent company, and the subsidiaries listed below:

<i>Subsidiaries domiciled in Bulgaria</i>	<i>31.12.2025 Ownership interest %</i>	<i>31.12.2024 Ownership interest %</i>	<i>Date control obtained</i>	<i>Date of loss of control disposal / merger</i>
Trace BG EOOD (LTD)	100.00	100.00	-	-
Trace Yambol AD (JSC)	99.48	99.48	-	-
Infra Commerce EOOD (LTD)	100.00	100.00	-	-
Asphalt Commerce EOOD (LTD)	100.00	100.00	-	-
USM AD (JSC) – in liquidation	-	98.68	-	18.03.2025

“TRACE GROUP HOLD” PLC

Consolidated Financial Statements for the financial reporting year 2025



Trace Mechanization EAD (JSC)	100.00	100.00	-	-
Trace Properties EOOD (LTD)	100.00	100.00	-	-
Trace Rent EOOD (LTD)	100.00	100.00	-	-

* *Effective ownership interest %*

** *Indirect ownership interest*

<i>Subsidiaries domiciled abroad</i>	31.12.2025	31.12.2024	<i>Date</i>	<i>Date of</i>
	<i>Ownership</i>	<i>Ownership</i>	<i>control</i>	<i>loss of control</i>
	<i>interest</i>	<i>interest</i>	<i>obtained</i>	<i>disposal / merger</i>
	<i>%</i>	<i>%</i>		
Trace Serbia, Serbia	100.00	100.00	-	-
Trace Build, Serbia	100.00	100.00	-	-
Trace Group Hold, USA	100.00	100.00	06.09.2024	-

* *Effective ownership interest %*

** *Indirect ownership interest*

Subsidiaries

The following entities, together with their principal activities, are subsidiaries of the Group as at 31.12.2025:

- TRACE – BG EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
The Entity operates in the Republic of Romania
Principal activity: Construction, current repairs and maintenance of motorways, roads, streets and related infrastructure;
- TRACE YAMBOL AD (JSC), YAMBOL, BULGARIA – 99.48% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities;
- INFRA COMMERCE EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
The entity has an established branch in the Republic of Serbia
Principal activity: Trading activities in Bulgaria and abroad, commercial representation and mediation;
- ASPHALT COMMERCE EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Production and trading activities in Bulgaria and abroad, commercial representation and mediation;
- USM AD (JSC) – in liquidation, STARA ZAGORA, BULGARIA – 98.68% owned by Trace Group Hold PLC – until its dissolution and deletion from the Commercial Register on 18.03.2025
Principal activity: Rendering of construction mechanisation services;
- TRACE MECHANIZATION EAD (JSC), STARA ZAGORA, BULGARIA – 100.00% owned by Trace Group Hold PLC
Principal activity: Rendering of construction mechanisation services;
- TRACE PROPERTIES EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Property management and related auxiliary services, and other services;

- TRACE RENT EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Lease (rental) of machinery and equipment, rendering of mechanised services, domestic and international passenger and cargo transportation;
- TRACE SERBIA, 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 Group Hold PLC
Principal activity: Real estate investments for the implementation of projects in the real estate sector, including acquisition, construction and/or furnishing activities, and others;
- TRACE GROUP HOLD, USA – 100% owned by Trace Group Hold PLC
Principal activity: Design, construction, reconstruction, rehabilitation and overhaul of roads, road facilities, motorway facilities, bridges, tunnels and related infrastructure facilities;

Entities and Alliances established under the Law on Obligations and Contracts:

- OBEDINENIE METRO TRACE (transl. Metro Trace Alliance), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 55% participating interest held by Trace Group Hold PLC and 15% participating interest held by Trace BG EAD (JSC).
Principal activity: Other specialised construction activities;
- OBEDINENIE METRO MLADOST (transl. Metro Mladost Alliance), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 70% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of roads, aircraft runways and sports facilities;
- MAGISTRALA TRACE (transl. Trace Motorway), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 75% participating interest held by Trace Group Hold PLC and 10% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of roads, aircraft runways and sports facilities;
- KARDZHALI 2010, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 52% participating interest held by Trace BG EAD (JSC) and 24% participating interest held by Trace Yambol AD (JSC)
Principal activity: Construction of roads, aircraft runways and sports facilities;
- STARA ZAGORA 2010, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 55% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of roads, aircraft runways and sports facilities;
- TRACE BOURGAS – SK-13 TRANSSTROY, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 55% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of electrical installations;
- SOFIA 2010, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 52% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of residential and non-residential buildings;
- HEMUS A2, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 60% participating interest held by Trace Group Hold PLC
Principal activity: Construction of roads, aircraft runways and sports facilities;

- TRACE SVOGE, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 60% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways;
- TRACE SOP, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 60% participating interest held by Trace Group Hold PLC and 20% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of roads, aircraft runways and sports facilities;
- LYULIN TRACE, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 55% participating interest held by Trace Group Hold PLC and 5% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- TRACE STARA ZAGORA, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 100% participating interest held by Trace BG EAD (JSC)
Principal activity: General construction of buildings and construction sites;
- PS 2014, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 70% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- TMA, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 100% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of other facilities and infrastructure projects not classified elsewhere;
- TSARIGRADSKO, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 95% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways;
- CHEPELARE, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 51% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways;
- TRACE PRIBOR, a Company established under the Bulgarian LAW ON OBLIGATIONS AND Contracts, BULGARIA – 51% participating interest held by Trace Group Hold PLC, 19% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- PB – MARK, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 51% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- MARKIROVKA (transl. Marking) 2014, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 84.99% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways;
- SAMARA 2015, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 70% participating interest held by Trace Group Hold PLC
Principal activity: Construction of other facilities and infrastructure projects not classified elsewhere;
- GABROVO CENTAR (transl. Gabrovo Center), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 50% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;

- EE KYUSTENDIL BLOCK 27, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 91% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of other facilities and infrastructure projects not classified elsewhere;
- EE KYUSTENDIL BLOCK 82 AND BLOCK 83, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 90% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of residential and non-residential buildings;
- TRACE ALFA, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 50% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- EE LUKOVIT, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 95% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of residential and non-residential buildings;
- ZHELEZOPATNA INFRASTUKTURA (transl. Railway Infrastructure), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 50.5% participating interest held by Trace Group Hold PLC
Principal activity: Construction of underground and above-ground railway infrastructure;
- MARAZH 2018, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 77% participating interest held by Trace Yambol AD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- VIK (transl. Water Supply And Sewerage) STROY – GOURKOVO 2018, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 90% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of transmission and distribution pipelines;
- METRO STROITELSTVO (transl. Metro Construction), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 97.99% participating interest held by Trace Group Hold PLC
Principal activity: Construction of underground and above-ground railway infrastructure;
- TRACE BUILD, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 80% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways;
- VODOPROVODI (transl. Water Mains) KARLOVO 2019, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 90% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of other facilities and infrastructure projects not classified elsewhere;
- PROEKT (transl. Project) PLOVDIV, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 90% participating interest held by Trace Group Hold PLC
Principal activity: Construction of underground and above-ground railway infrastructure;
- ULITSI (transl. Streets) IVAYLOVGRAD, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 50% participating interest held by Trace BG EAD (JSC)
Principal activity: Other specialised construction activities not classified elsewhere;
- TRACE ZONA (transl. Zone) 1, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 99.99% participating interest held by Trace Group Hold PLC
Principal activity: Other specialised construction activities not classified elsewhere;

- OBEDINENIE ULITSI BORO VAN (transl. Borovan Streets Alliance), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 50% participating interest held by Trace Group Hold PLC
Principal activity: Participation in public procurement procedures related to: “Repairs and rehabilitation of streets within the Municipality of Borovan”;
- VIK (transl. Water Supply And Sewerage) STARA ZAGORA, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 60.40% participating interest held by 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 (transl. Zone) 3, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 99.99% participating interest held by Trace Group Hold PLC
Principal activity: Other specialised construction activities not classified elsewhere;
- POMORIE 2018, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 59.99% participating interest held by Trace Group Hold PLC since 09.02.2021
Principal activity: Construction of motorways, roads and aircraft runways;
- ULITSI LOM (transl. Lom Streets), a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 99.99% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of motorways, roads and aircraft runways;
- TRZP STARA ZAGORA, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 87.00% participating interest held by Trace BG EAD (JSC)
Principal activity: Other specialised construction activities not classified elsewhere;
- KR SVOGE, a Company established under the Bulgarian Law On Obligations And Contracts, BULGARIA – 99.99% participating interest held by Trace Group Hold PLC
Principal activity: Other specialised construction activities not classified elsewhere;
- POMORIE 2020, a Company established under the Bulgarian Law On Obligations And Contract – 50.00% participating interest held by Trace Group Hold PLC
Principal activity: Execution of building and construction works under the project for “Rehabilitation and reconstruction of the street networks in Aheloy and Kableshkovo, Pomorie Municipality”.
- DRAGALEVTSI 2021, a Company established under the Bulgarian Law On Obligations And Contracts – 50.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of other facilities and infrastructure projects not classified elsewhere.
- PODDARZHANE (transl. Maintenance) 2022, a Company established under the Bulgarian Law On Obligations And Contracts – 70.00% participating interest held by Trace Group Hold PLC and 30.00% participating interest held by Trace BG EAD (JSC)
Principal activity: Construction of underground and above-ground railway infrastructure;
- METRO SLATINA, a Company established under the Bulgarian Law On Obligations And Contracts – 50.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of underground and above-ground railway infrastructure;
- DRUM 2022, a Company established under the Bulgarian Law On Obligations And Contracts – 50.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of other facilities and infrastructure projects not classified elsewhere;

- SHIPKA, a Company established under the Bulgarian Law On Obligations And Contracts – 98.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of underground and above-ground railway infrastructure;
- GARA PLISKA (transl. Pliska Station), a Company established under the Bulgarian Law On Obligations And Contracts – 99.99% participating interest held by Trace Group Hold PLC
Principal activity: Other specialised construction activities not classified elsewhere;
- SKOBELEVO 2022, a Company established under the Bulgarian Law On Obligations And Contracts – 50.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways
- BRATOVO, a Company established under the Bulgarian Law On Obligations And Contracts – 50.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways
- SERDIKA, a Company established under the Bulgarian Law On Obligations And Contracts – 90.00% participating interest held by Trace Group Hold PLC
Principal activity: Construction of motorways, roads and aircraft runways

Contracts for new companies (subsidiaries, joint ventures and associates) established under the Bulgarian Law on Obligations and Contracts (POSA) were signed with partners (entities within the Group and external unrelated parties) during the current and prior reporting periods. Such entities had not commenced operations as at year-end. Entities established for projects already completed were terminated.

Following the completion of the liquidation proceedings, the deletion of “USM” AD (JSC) was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 18.03.2025. The entity was dissolved effective from the same date.

The decision to terminate the Prague branch of “Trace Group Hold” PLC, under case № 76684, was entered into Section A of the Commercial Register of the Czech Republic on 06.05.2025.

A branch of “Trace Group Hold” PLC was registered in Podgorica (Montenegro) on 29.07.2025. The branch has registered office in Nikic Building, 19, “Kralja Nikole” Str., entr. ½, apt. 35, Podgorica. The principal activities of the branch include construction of roads and motorways, residential buildings, and other construction activities. Stoyko Meshkov was appointed as Manager of the Entity’s branch.

Joint ventures

The Group did not hold any participating interests in joint ventures as at 31.12.2025.

Associates

As at 31.12.2025, associates include the following entities (together with their principal activities):

- Belchin 3 OOD (LTD) – 33.60% participating interest held by Trace Properties EOOD (LTD);
Principal activity: Domestic and foreign trade, sale of goods and services, consulting activities, commercial representation and mediation;

Following the completion of the relevant proceedings, the deletion of VODEN PROEKT STARA ZAGORA – a Company established under the Bulgarian Law on Obligations and Contracts, from the

BULSTAT Register was entered on 06.06.2025. The entity was dissolved effective from the same date. “Trace Group Hold” PLC held 30% participating interest and Trace BG EOOD (LTD) held 4% participating interest in VODEN PROEKT STARA ZAGORA – a Company established under the Bulgarian Law on Obligations and Contracts.

1.1. Ownership and management of the parent company

The share capital of the parent company is distributed among 24,200,000 registered, dematerialised shares, each with a nominal value of BGN 1. The Entity does not have an ultimate parent company; however, it has a majority shareholder (a private individual).

The ownership structure as at 31.12.2025 is distributed as follows:

	%
Nikolay Mihaylov	67,01%
Galini-N EOOD (LTD)	9,00%
Other individuals and legal entities	23,99%
	100,00%

The Entity operates under a two-tier management system, comprising a Supervisory Board and a Managing Board, as well as an Audit Committee appointed by the General Meeting of Shareholders.

Members of the Supervisory Board as at 31.12.2025:

Nikolay Mihaylov	Chairperson
Manol Denev	Member
Mariela Rounteva	Member

Members of the Managing Board as at 31.12.2025:

Desislava Lyubenova	Chairperson
Boyan Delchev	Member
Manol Kavrakov	Member

As at 31.12.2025, the parent company is managed and represented by the Executive Director – Eng. Boyan Delchev.

Members of the Audit Committee as at 31.12.2025:

Yordan Galabov	Chairperson
Hristina Nikolova	Member
Diana Deyanova – Rangelova	Member

Pursuant to a resolution of the General Meeting of Shareholders dated 30.06.2025, Hristo Savchev was released from the Audit Committee and Yordan Galabov was appointed in his place.

1.2. Other information

Compiler of the annual consolidated financial statements: Boyan Hristov

Legal counsel: Hristina Arihteva

Independent Auditor: “Parker Russell Bulgaria” LTD – an auditing company registered under № 195, represented by Kalin Apostolov – Manager, Registered Auditor (CPA) and Audit Engagement Partner

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

1.3. Macroeconomic environment

The Group operates in conditions of heightened geopolitical instability and within a continuing, albeit stabilising, inflationary environment. Management has succeeded in maintaining the Group’s financial stability by indexing revenue and expenses in accordance with prevailing market conditions and within reasonable limits, while also reflecting the public measures adopted by the countries in which the Group operates. Direct effects of the changing macroeconomic environment include increases in:

- Cost of direct materials and raw materials: as a result of disrupted global supply chains and increased market prices, including higher raw material and logistics costs; increased volatility driven by geopolitical conflicts has necessitated the maintenance of higher inventory levels;
- Energy costs (heating and electricity): following significant increases in energy price levels;
- Discount rate used by the Group in testing its investments and other non-current assets for impairment.
- Personnel costs: due to increased pressure on operating expenses arising from the indexation of remuneration aimed at retaining key personnel;
- Currency risk: due to increased exchange rate volatility in regions with restricted access to liquidity;

The Group maintains a stable capital structure and leverage ratio.

1.4. Military conflicts – impact and effects

The military conflicts that have arisen, together with the related economic sanctions and other measures undertaken by governments worldwide, have a significant effect on both the local economies of individual countries and the global economy. The Group continues to monitor developments relating to the military conflict in Ukraine, as well as the related sanctions regimes and other measures adopted by governments worldwide, which continue to significantly affect both local economies and the global marketplace.

The Group has a registered branch in Ukraine, which is currently temporarily suspended from performing administrative functions and does not carry out any commercial activity, nor does it hold any assets. Management’s initial assessments indicate that the Russia – Ukraine military conflict does not currently have a significant impact on the Group, as the Group does not maintain relationships with, nor conduct business activities involving, individuals or entities subject to the aforementioned sanctions. Nevertheless, due to the unpredictable nature of the situation and the potential escalation of the conflict, it is currently not possible to reliably assess or quantify its potential long-term effects.

1.5. Climate-related matters

The Group regards environmental protection and efforts to mitigate adverse climate changes as an integral part of its corporate social responsibility policy. The Group operates, develops and expands its activities in compliance with the applicable environmental protection requirements and guidelines.

The Group monitors and analyses climate change and the transition to a low-carbon economy in order to determine whether, and to what extent, such developments may create risks to its financial position. Management reviews and analyses these risks in the context of the following two aspects:

Physical risks: Assessment of the potential damage to non-current assets and disruptions of supply chains resulting from extreme weather events. To date, no indicators of impairment of current assets directly related to physical climate risks have been identified.

Transition risks: Assessing of the impact of new environmental regulations, carbon taxes and changes in market demand. The Group has analysed the useful lives of its production facilities and has confirmed that the current decarbonisation plans and investments in renewable energy do not require accelerated depreciation or the recognition of significant decommissioning provisions.

The Group has also analysed climate-related risks specific to the construction sector that could affect its financial position:

Assessment of physical risks affecting construction activities: Due to the nature of its projects and construction sites, the Group assesses the risk of extreme weather conditions and events (e.g. floods, heatwaves and others), which may result in physical damage or deterioration of construction sites and projects in progress and/or delays in construction schedules.

Transition risks related to mechanisation: The Group owns a fleet of construction machinery and monitors developments in emission regulations, as well as sensitivity to fluctuations in the prices of energy-intensive materials (e.g., steel, concrete).

Green certification and financing: In line with sustainability requirements, the Group seeks to participate in projects with a lower environmental footprint.

The Group has not identified any significant climate-related risks that could have a material adverse effect on its assets and liabilities as at 31 December 2025. The Group continues to monitor legislative developments related to climate matters and has not identified any potential direct impact on the future cash flows, financial results or financial position of the Group.

2. Accounting policies – significant information

2.1. Basis of preparation of the consolidated financial statements

The annual consolidated financial statements for the year ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. These comprise IFRS Standards and Interpretations issued by the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), as well as International Accounting Standards (IAS) and Interpretations issued by the Standing Interpretations Committee (SIC) (SIC Interpretations), endorsed by the International Accounting Standards Committee (IASC), effective as from 01 January 2025.

IFRS, as adopted by the European Union (EU), represents the generally accepted accounting framework equivalent to the “International Accounting Standards (IAS) as defined in § 1, item 8 of the Additional Provisions of the Bulgarian Accountancy Act.

The accounting policies applied by the Group have been developed in compliance with the Bulgarian Accountancy Act and the International Financial Reporting Standards (IFRS).

The significant accounting policies applied in the preparation of these consolidated financial statements are presented below.

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) requires Management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities at the reporting date of the consolidated financial statements.

These estimates, accruals and assumptions are based on information available at the reporting date of the consolidated financial statements; however, actual results may differ from those estimates. Areas involving a higher degree of subjective judgement or complexity, as well as assumptions and accounting estimates that are significant to the consolidated financial statements, are disclosed in *Note № 1.19*.

For the current financial reporting 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 (IFRIC), respectively, which have been endorsed by the European Union (EU) and are relevant to its activities.

The adoption of these new and/or revised Standards and Interpretations, applicable to entities domiciled in the Republic of Bulgaria for annual reporting periods beginning on or after 1 January 2025, has not resulted in changes to the accounting policies applied by the Group, except for certain new or expanded disclosure requirements. Their application has not led to changes in the classification or measurement of individual reporting items and transactions.

The new and/or revised Standards and Interpretations include:

Amendments to **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**, effective for annual reporting periods beginning on or after 01.01.2025, as adopted by the EU.

These amendments clarify and introduce requirements for entities to apply a consistent approach in assessing

- a) whether one currency is exchangeable into another currency and, when it is not, how the exchange rate to be applied should be determined, as well as the related disclosures to be provided, through the introduction of specific definitions for this purpose. A currency is considered exchangeable into another currency if the entity is able to obtain the other currency within a reasonable timeframe that includes only a normal administrative delay and through a market or exchange mechanism in which the exchange transaction would create enforceable rights and obligations. Where an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is considered not exchangeable into the other currency;
- b) how to estimate the spot exchange rate at the measurement date when a currency is not exchangeable into another currency, by introducing two approaches: 1) the first is the use of an observable exchange rate without further adjustment, such as an observable rate for another purpose or the first exchange rate at which exchange subsequently becomes possible; 2) the second is through the use of another estimation technique;
- c) information that the entity is required to disclose when one currency is not exchangeable into another currency, in order to enable users of the financial statements to understand how the lack of

exchangeability affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. The amendments are applied retrospectively.

At the date of issue for approval for issue of these consolidated financial statements, several new Standards and Interpretations, as well as amendments to existing Standards and Interpretations, had been issued but were not yet effective for annual reporting periods beginning on or after 01 January 2025 and had not been early adopted by the Group.

Amendments to **IFRS 9 Financial Instruments** and **IFRS 7 Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity**, effective for annual reporting periods beginning on or after 01.01.2026, as adopted by the European Commission (EC).

The amendments introduce additional requirements and disclosures relating to contracts referencing nature-dependent electricity, including: a) additional factors and guidance that an entity is required to consider when applying paragraph 2.4 of IFRS 9 to contracts for the purchase and delivery of renewable electricity, in order to clarify the circumstances under which purchased electricity may be considered “for own use” and therefore qualify for the “own use exemption”; b) additional disclosure requirements relating to contracts referencing nature-dependent electricity when such contracts are designated as hedging instruments; and c) new disclosure requirements intended to enable users of the financial statements (investors) to understand the effect of such contracts on the financial performance and cash flows of entities using these arrangements.

Amendments to **IFRS 9 Financial Instruments** and **IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments**, effective for annual reporting periods beginning on or after 01.01.2026, as adopted by the European Commission (EC)

The amendments relate to: a) clarifying the date of initial recognition and derecognition of financial assets and financial liabilities, and introducing a new exception for certain financial liabilities settled through electronic payment systems; b) providing additional guidance for assessing whether the contractual cash flows of a financial asset meet the “solely payments of principal and interest” (SPPI) criterion; c) updating disclosure requirements for equity instruments measured at fair value through other comprehensive income; and d) introducing new disclosure requirements for certain financial instruments containing contractual terms that may change the timing or amount of contractual cash flows.

Annual Improvements to IFRS Accounting Standards – Volume 11, including amendments to: **IFRS 1 First-time Adoption of International Financial Reporting Standards**, **IFRS 7 Financial Instruments: Disclosures**, the **Guidance on Implementing IFRS 7 Financial Instruments: Disclosures**, **IFRS 9 Financial Instruments**, **IFRS 10 Consolidated Financial Statements** and **IAS 7 Statement of Cash Flows**, effective for annual reporting periods beginning on or after 01.01.2026, as adopted by the EC

These annual improvements introduce limited amendments to the following standards: A) IFRS 1: the amendments revise the hedge accounting requirements applicable to first-time adopters of Accounting Standards in order to align the “hedge accounting” terminology and references between IFRS 1 and IFRS 9. The term “conditions” for hedge accounting in IFRS 1 has been replaced with “qualifying criteria”, and references are made to the relevant provisions of IFRS 9 relating to hedge accounting; B) IFRS 7: 1) the amendments relating to disclosures of gains or losses arising from the derecognition of financial assets. The amendments remove an obsolete reference to paragraph 27A of IFRS 7, which was deleted upon the introduction of IFRS 13 Fair Value Measurement, and replace it with references to the relevant paragraphs of IFRS 13. The terminology “material information that was not based on observable market data” has been

replaced with “significant unobservable inputs”; 2) Amendments to the Guidance on Implementing IFRS 7: - a) the Introduction clarifies that the guidance does not illustrate all disclosure requirements contained in the referenced paragraphs of IFRS 7; - b) addressing inconsistencies between paragraph IG14 of the guidance and paragraph 28 of IFRS 7, arising following the adoption of IFRS 13, have been resolved by clarifying that deferred differences between fair value and transaction price on initial recognition of financial instruments are subject to disclosure, c) wording relating to credit risk disclosure has been revised in order to improve clarity and consistency, enabling users of financial statements to understand easier and more accurately the text; C) IFRS 9: 1) derecognition of lease liabilities: the amendments add a reference to paragraph 3.3.3 of IFRS 9 in order to eliminate potential ambiguity for lessees applying derecognition requirements in the standard; - 2) transaction price: the term “transaction price” has been removed from paragraph 5.1.3 and Appendix A of IFRS 9, and paragraph 5.1.3 now refers directly to the definition provided in IFRS 15 (namely to the meaning required for the purpose of the respective paragraph); D) IFRS 10: determining “de facto agents” – the amendments remove inconsistencies between paragraphs B73 and B74 relating to the assessment of whether a party acts as a de facto agent, thereby reducing potential interpretational uncertainty; E) IAS 7: Cost Method – the amendments remove the definition of the “cost method” from paragraph 37 of IAS 7, as the term is no longer defined in IFRS Accounting Standards.

IFRS 18 – Presentation and Disclosure in Financial Statements, effective for annual periods beginning on or after 01.01.2027, adopted by the European Commission

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements in IAS 1 that remain unchanged have been transferred either to IFRS 18, with only minor editorial amendments, or to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures (again with only minor editorial amendments). The new standard also introduces limited consequential amendments to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. IFRS 18 is primarily focused on improving the presentation of financial performance (results) and aims to enhance financial reporting in the statement of profit or loss by: a) changing the structure of the statement of profit or loss through the introduction of categories (operating, investing and financial) and subtotals (operating profit and profit before financing and income taxes) in the statement of profit or loss, with the objective of improving comparability and consistency of financial information; b) requiring disclosures in the notes to the financial statements regarding management-defined performance measures (profitability and efficiency indicators related to the statement of profit or loss), with the aim of increasing transparency regarding their calculation and providing users with insight into how Management assesses the Group’s financial performance (results); c) introducing new principles for the grouping (aggregation and disaggregation) of information and clarifying whether information should be presented in the primary financial statements or disclosed in the notes thereto. These principles are intended to improve the usefulness and effectiveness of disclosed information by establishing guidance on the appropriate level of detail. Although IFRS 18 will not affect the manner in which entities calculate their financial performance (results), the standard is expected to introduce changes in the presentation and disclosure of financial information for all reporting entities.

IFRS 19 – Subsidiaries without Public Accountability: Disclosure, effective for annual reporting periods beginning on or after 01.01.2027, not yet adopted by the European Commission (EC)

IFRS 19 permits qualifying subsidiaries to apply reduced disclosure requirements while continuing to apply the recognition, measurement and presentation requirements of IFRS Accounting Standards in their financial statements. The reduced disclosure requirements introduced by IFRS 19 are intended to achieve an appropriate balance between the information needs of users of financial statements and the cost and effort required for qualifying subsidiaries to provide the full disclosures otherwise required under IFRS Accounting Standards.

IFRS 19 is a voluntary standard available to qualifying subsidiaries. A qualifying subsidiary is an entity that: does not have public accountability; and has an ultimate or intermediate parent that prepares consolidated financial statements available for public use and compliant with full disclosures required under IFRS Accounting Standards.

Amendments to **IFRS 19 – Subsidiaries without Public Accountability: Disclosures**, effective for annual reporting periods beginning on or after 01.01.2027, not yet adopted by the European Commission (EC).

The amendments update the reduced disclosure requirements in IFRS 19 to reflect newly issued and amended IFRS Accounting Standards, in accordance with the principles applied in developing the reduced disclosure framework under IFRS 19. The relevant disclosure requirements were incorporated in full in the version of the standard issued in May 2024. The amendments introduce reduced disclosure requirements in relation to the following standards and amendments: IFRS 18 – Presentation and Disclosure in Financial Statements; Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Contracts Referencing Nature-Dependent Electricity; IAS 7 Statements of Cash Flows – Supplier Finance Arrangements; Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules; and Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

Amendments to **IAS 21 – The Effects of Changes in Foreign Exchange Rates**: Translation into a Hyperinflationary Presentation Currency, effective for annual reporting periods beginning on or after 01.01.2027, not yet adopted by the European Commission (EC).

These amendments provide guidance on the translation of financial statements of entities whose functional currency is the currency of a non-hyperinflationary economy into a presentation currency that is the currency of a hyperinflationary economy. Where an entity translates amounts from a functional currency of a non-hyperinflationary economy into a presentation currency of a hyperinflationary economy, the entity is required to translate those amounts, including comparative information, using the closing exchange rate at the date of the most recent statement of financial position. Where the entity’s presentation currency ceases to be the currency of a hyperinflationary economy while its functional currency continues to be the currency of a non-hyperinflationary economy, the entity shall apply prospectively, without restating comparative information, the method currently prescribed by IAS 21 for similar circumstances.

IFRS 10 (amended) – Consolidated Financial Statements and IAS 28 (amended) – Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associates or Joint Ventures, with the effective date deferred indefinitely by the IASB

These amendments address the accounting treatment of sales or contributions of assets between an investor and its associates or joint venture. The amendments clarify that the accounting treatment depends on whether (or not) the assets sold or the non-monetary assets contributed constitute a “business” within the meaning of IFRS 3. Where the assets sold or contributed do not constitute a “business”, the investor recognises a gain or loss only to the extent of the interests held by unrelated investors in the associate or joint venture. Where the assets sold or non-monetary assets contributed constitute a “business”, the investor recognises the full amount of the gain or loss arising from the transaction. The amendments are to be applied prospectively. The IASB has deferred indefinitely the mandatory effective date of these amendments.

Management is currently in the process of reviewing, analysing and assessing the potential effects of the above-mentioned new standards, amendments to existing standards and interpretations on the Group’s financial statements and accounting policies.

2.2. Going concern

The consolidated financial statements of the Group for the year ended 31.12.2025 have been prepared on a going concern basis.

Management continuously monitors the potential business and financial risks affecting the Group and, based on the significance of the identified risks, considers and/or undertakes appropriate measures, including those related to the implementation and financing of the large-scale projects executed by the Group in Bulgaria and abroad. Management believes that the identified risks have been appropriately addressed, including through securing the necessary financing (*refer to note 3.9*).

The Group has reassessed its ability to continue as a going concern by considering all relevant factors and reviewing all available information regarding foreseeable future developments, including performance expectations and financial forecasts covering a period of at least twelve months from the date of approval of these consolidated financial statements. Based on the sensitivity analysis performed and the assessment of the Group's going concern assumptions, Management has concluded that it remains appropriate to prepare the consolidated financial statements on a going concern basis and that, despite the identified uncertainties and risk factors, no material uncertainties exist that may cast significant doubt upon the Group's ability to continue as a going concern during the period following the reporting date.

Due to the inherent limitations of forecasting, the assumptions applied in the going concern assessment cannot fully reflect the potential effects arising from ongoing military conflicts, geopolitical developments and changes therein, as well as dynamic political processes and developments in neighbouring countries, including jurisdictions in which the Group operates. These factors also include potential changes in measures undertaken or planned by relevant public authorities, to the extent that such circumstances remain outside the control of the Group. In this regard, Management continues to monitor developments closely and regularly assesses the operational, technical and financial adaptability of the Group, including the progress of large-scale projects and their potential impact on the Group's activities. This assessment includes consideration of risks affecting the Group's financial performance, financial position and cash flows, with the objective of enabling timely implementation of measures to mitigate or eliminate potential adverse effects, where necessary.

2.3. Changes in the accounting policies

The accounting policies adopted are consistent with those applied in the previous reporting period, except for the effects arising from the initial application of new and amended Standards and Interpretations, as well as requirements applied prospectively, with which the Group has fully complied.

2.4. Functional currency and recognition of foreign exchange gains/(losses)

The accounting records of the Group are maintained in Bulgarian lev (BGN), in accordance with the requirements of Bulgarian legislation.

The amounts presented in these consolidated financial statements are disclosed in thousands of Bulgarian leva (BGN '000) , unless otherwise explicitly stated.

The Bulgarian Lev (BGN) is the functional currency of the entities within the Group domiciled in Bulgaria and the presentation currency of the Group. Under the Law on the Bulgarian National Bank (BNB), the Bulgarian lev is pegged to the euro at a fixed exchange rate of BGN 1.95583 = EUR 1.

Foreign operations and foreign subsidiaries are translated from their respective functional currencies into the Group's presentation currency in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates (*Note № 1.8*).

2.5. Comparative information

The Group presents comparative information in these consolidated financial statements for one preceding financial year and, where applicable, as at the respective reporting date. When necessary, comparative information has been reclassified and/or restated in order to ensure comparability with the presentation adopted in the current reporting period.

2.6. Consolidated financial statements

Parent company

A parent company is an entity, including an unincorporated entity such as a partnership, that controls one or more other entities in which it has invested. Control exists where an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those return through its power over the investee.

Trace Group Hold PLC, Bulgaria, is the parent company of the Group (*refer to Note № **Error! Reference source not found.***).

Subsidiaries

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

Subsidiaries are consolidated from the date on which effective control is obtained by the Group and cease to be consolidated from the date on which such control is lost. The subsidiaries are consolidated using the full consolidation method.

The subsidiaries of the Group are disclosed in *Note № **Error! Reference source not found.***

Joint ventures

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

Joint ventures are included in the consolidated financial statements of the Group using the equity method from the date on which joint control is obtained by the venturer (in particular – the parent company) and cease to be accounted for (consolidated) under the equity method from the date on which the arrangement is transformed into a subsidiary or when joint control is lost or transferred from the venturer to third parties.

The joint ventures of the Group are disclosed in *Note № **Error! Reference source not found.***

Associates

Associates are entities over which the Group exercises significant influence, being the power to participate in the financial and operating policy decisions of the entity in which the Group has invested (investee), but without having control or joint control over those policies. Significant influence is generally presumed where the Group directly or indirectly holds between 20% and 50% of the voting shares in the investee. Investments in associates are accounted for using the equity method and are initially recognised at acquisition cost.

Under the equity method, the carrying amount of the investment presented in the Consolidated Statement of Financial Position is increased or decreased to recognise the Group's share of the post-acquisition (after the acquisition date) profit or loss of the associate. The Group's share of the profit or loss of associates is recognised in the Consolidated Statement of Profit or Loss. Dividends received from associates reduce the carrying amount of the investment. The carrying amount of the investment is also adjusted for changes in the Group's proportionate interest arising from movements recognised in the associate's (investee's) other comprehensive income. The Group's share of such movements is recognised in other comprehensive income.

Unrealised gains arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated, unless the economic transaction provides evidence of impairment of the transferred assets. Where necessary, the accounting policies of associates are adjusted to ensure consistency with the accounting policies adopted by the Group.

The associates of the Group are disclosed in *Note №* **Error! Reference source not found.**

Non-controlling interest

Non-controlling interests represent the equity interest in subsidiaries not attributable, directly or indirectly, to shareholders of the parent company (i.e., attributable to shareholders /partners that are third parties). Non-controlling interests are presented 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 comprise the financial statements of the parent company, its subsidiaries, joint ventures and associates, prepared as at the reporting date of the Group.

For consolidation purposes, the financial statements of subsidiaries, joint ventures and associates are prepared for the same reporting period as that of the parent company and in accordance with uniform accounting policies.

2.7.1. Consolidation of subsidiaries

The financial statements of subsidiaries included in the consolidation are included in the consolidated financial statements using the full consolidation method on a line-by-line basis, applying uniform accounting policies for similar transactions and events under comparable circumstances. The investments held by the parent company are eliminated against the parent's share in the equity of subsidiaries at the acquisition date. Intragroup balances and transactions, including unrealised intragroup profits and losses, are fully eliminated upon consolidation. Deferred tax effects arising from consolidation eliminations are also recognised.

Interests held by shareholders partners other than those of the shareholders of the parent company are presented separately as “non-controlling interest” in the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity. Non-

controlling interests comprise: (a) the share of third party shareholders (partners) at the date of initial consolidation, measured at the fair value (found value) of the identifiable assets acquired and liabilities assumed, including contingent (crystallised) liabilities recognised in relation to each subsidiary, determined under the proportionate share method, and (b) subsequent changes in the share of those persons in the equity of the respective subsidiaries from the date of initial consolidation until the end of the current reporting period.

2.7.2. Acquisition of subsidiaries

Business combinations in which a subsidiary (entity) is acquired by the Group are accounted for using the acquisition method. The consideration transferred includes the fair value, at the acquisition date, of the assets transferred, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for obtaining control over the acquiree. The consideration transferred also includes the fair value of any contingent consideration arrangements. Acquisition-related costs are recognised as expenses in the period in which they are incurred, except for costs related to the issuance of debt or equity instruments, which are recognised in accordance with the applicable IFRS requirements for such instruments (as a component of equity).

All identifiable assets acquired and liabilities assumed in a business combination, including contingent liabilities that meet the recognition criteria under IFRS, are initially measured at their fair value at the acquisition date. Any excess of the consideration transferred (measured at fair value), the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree (in the case of a step acquisition), over the fair value of the identifiable net assets acquired, including the separately identifiable intangible assets, is recognised as goodwill. Where the Group's share in the fair value of the identifiable net assets acquired exceeds the aggregate of the consideration transferred, the amount of non-controlling interest and the fair value of any previously held equity interest in the acquiree, the resulting excess is recognised immediately in the Consolidated Statement of Profit or Loss as a gain on bargain purchase (gains/(losses) on acquisition/disposal of subsidiaries). Non-controlling interests in a business combination are measured at the proportionate share of the acquiree's identifiable net assets.

2.7.3. Disposal of subsidiaries

Upon disposal of a subsidiary, or upon any transaction resulting in the loss of control over a subsidiary:

- The assets and liabilities of the subsidiary, including goodwill, where applicable, are derecognised at their carrying amounts at the date control is lost;
- The carrying amount of the non-controlling interest, including the related components recognised in other comprehensive income, is derecognised at the date control is lost;
- The consideration received from the transaction, event or circumstances resulting in the loss of control is recognised at fair value;
- All amounts previously recognised in other comprehensive income in relation to that subsidiary are reclassified to profit or loss or transferred directly to retained earnings, as required by the relevant IFRS applicable to the respective component of equity
- Any resulting gain or loss attributable to the parent company is recognised in the Consolidated Statement of Comprehensive Income as “gain or loss on the disposal (sale) of a subsidiary”.
- The retained interest in the former subsidiary, including investments in associates, joint ventures or other long-term equity investments, is initially recognised at fair value at the date control is lost (i.e., date of sale) and is subsequently accounted for in accordance with the applicable accounting policies adopted by the Group.

2.7.4. Non-controlling interest transactions

The Group accounts for transactions with non-controlling interests as transactions with owners in their capacity of owners of the Group's equity instruments. The effects of disposals of interests by the parent company, without loss of control, to holders of non-controlling interests are not treated as components of the Group's current profit or loss but as modifications, and are recognised directly in equity, usually within “retained earnings”. Similarly, any difference between the consideration paid for the acquisition of additional interests in a subsidiary by the parent company, without obtaining control over additional shares of the interest of owners of non-controlling interests, and the corresponding share acquired in the carrying amount of the subsidiary's net assets is recognised directly in the Consolidated Statement of Changes in Equity, usually within retained earnings. When the Group loses control over a subsidiary, joint control over a joint arrangement, or significant influence over an associate, any retained minority investment in the respective entity's capital is remeasured at fair value at the date when such control or influence is lost. Any resulting difference between the fair value of the retained investment and its carrying amount is recognised in the profit or loss of the period. Amounts previously recognised in other components of comprehensive income in relation to the respective subsidiary, joint venture or associate are accounted for in the same manner as would be required if the related assets or liabilities (related with the initial investment in subsidiary, joint venture or associate) had been directly disposed of, in accordance with the applicable IFRS requirements.

2.7.5. Consolidation of associates and joint ventures

Associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment of the parent company is initially recognised at cost and is subsequently adjusted to reflect the investor's share (in particular the share of the parent company) in the post-acquisition changes in the net assets of associates and joint ventures. The carrying amount of the Group's investments in associates and joint ventures includes any goodwill identified on acquisition, net of accumulated impairment losses, where applicable.

The Group's profit or loss after acquisition of associates and joint ventures (by the parent company) for the respective reporting period represents its share of their net financial results (after tax) from their economic activity for that period, and this share is recognised and presented in a separate line in the Consolidated Statement of Comprehensive Income. Similarly, the Group's share in changes recognised directly in the other components of the comprehensive income of associates and joint ventures post-acquisition is recognised and presented as a modification in the other components of comprehensive income in the Consolidated Statement of Comprehensive Income, and respectively – in the Group's consolidated reserves in the Statement of Changes in Equity. The Group recognises its share of losses of associates and joint ventures up to the carrying amount of the respective investment, including the internally granted to them loans, unless the Group has incurred legal or constructive obligations or has made 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 arising from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the respective associate or joint venture. Unrealised losses are also reviewed on whether there are any indications for impairment. Deferred tax effects arising from such consolidation adjustments are recognised where applicable.

Investments in associates and joint ventures, including the related goodwill, are tested for impairment at the date of each set of consolidated financial statements. Any impairment losses recognised are presented in the Consolidated Statement of Profit or Loss, whenever there are indications that the investment may be impaired and its amount is defined.

Investments in associates and joint ventures are derecognised when the rights deriving from them are transferred to others (upon the existence of legal grounds for such) and thus the significant influence or joint control over the economic benefits of the investment is lost. Any resulting gains or losses on disposal are recognised in the Consolidated Statement of Profit or Loss, within “Finance income from operations in financial instruments” (in 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 in 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 if it does not meet the criteria for classification 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 an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Liabilities are classified as non-current if they do not meet the criteria for classification as current.

Liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months and an agreement to refinance or reschedule payments on a long-term basis is concluded after the reporting period and before the consolidated 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 accordance with the accounting policies adopted, assets with an acquisition cost below this threshold are recognised as an expense in profit or loss in the period of acquisition. On acquisition, each item of property, plant and equipment is measured at cost, as determined in accordance with the requirements of IAS 16 (*Note № 1.1*).

In accordance with IAS 16, the Group has adopted the policy to measure each item of Property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for lease liability revaluations.

Property, plant and equipment are initially measured at cost, which comprises the purchase price, including custom duties and non-refundable purchase taxes, as well as all directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating as intended by Management.

Subsequent costs relating to an item of property, plant and equipment are recognised in the carrying amount of the asset only when the recognition principle under IAS 16 has been applied and it is probable that economic benefits associated with the item and exceeding its initially estimated standard effectiveness 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, including right-of-use assets for which ownership is transferred or for which a purchase option is provided in the contract, are depreciated using the straight-line method over their estimated useful lives, and the depreciable amount is allocated on a systematic basis over those periods. Depreciation is recognised as an expense and reduces the carrying amount of the assets. The average useful life, in years, of the main groups of non-current tangible assets are as follows:

Group	Years
Buildings	25 years – 50 years
Plant	10 years – 25 years
Machinery, production equipment and apparatuses	10 years – 20 years
Transport vehicles, excluding cars	5 years – 15 years
Cars	5 years – 10 years
All other depreciable assets	3 years – 7 years

Right-of-use assets, for which the right of use is terminated upon expiration of the respective contract term, are depreciated over the shorter of the useful life of the assets and the respective contract term.

Depreciation begins when the property, plant and equipment 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.

Depreciation of an asset ceases at the earlier of:

- the date the asset is classified as “held for sale” in accordance with IFRS 5; and
- the date the asset is 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 changes in 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 its 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, such assets are transferred to inventories at their carrying amount when they cease to be rented and become held for sale. IFRS 5 does not apply in such cases, nor to assets held for sale in the ordinary course of business. In accordance with IFRS 15 Revenue from Contracts with Customers, proceeds from the sale of such assets are recognised as revenue when control passes to the customer and the respective performance obligation is satisfied.

Gains or losses arising from derecognition of an item of property, plant and equipment are recognised in profit or loss when the item is derecognised, unless IFRS 16 requires otherwise in relation to sale and leaseback transactions. Gains or losses arising from derecognition of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The result (gain or loss) is presented on a net basis in the Consolidated Statement of Profit or Loss within “Other income”.

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

2.10. Investment property

In accordance with IAS 40, land and/or buildings, or parts of buildings, held primarily 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 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 associated with it will flow to the Group and the cost of the investment property can be measured reliably.

Transfers to, or from, investment property are 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 accordance with IAS 40, investment property is initially measured at cost, which includes and transaction costs directly attributable to the acquisition.

After initial recognition, investment property is carried under the cost model (i.e., at cost less accumulated depreciation and accumulated impairment losses), in accordance with the requirements of IAS 16 for this model.

Investment property is depreciated using the straight-line method over its estimated useful life, and the depreciable amount is systematically allocated over that period. Depreciation is recognised as an expense and reduces the carrying amount of investment property. The average useful life, in years, of investment property is:

Group	Years
Buildings	30 years – 50 years

Investment property is derecognised on retirement (disposal or upon 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. In accordance with IFRS 15 Revenue from Contracts with Customers, proceeds from the sale of such

assets are recognised as revenue when the control over the assets is transferred to the customer and the respective performance obligation is satisfied.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gains or losses arising from the retirement or disposal of investment property are recognised in profit or loss for the period and are presented on a net basis in the Consolidated Statement of Profit or Loss within “Other income”, unless IFRS 16 requires otherwise in relation to sale and leaseback transactions.

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 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 accordance with IAS 38 and comprises its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, as well as any directly attributable costs of preparing the asset for its intended use.

In accordance with IAS 38, the cost of an internally generated intangible asset is the cost of that asset, comprised of the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and 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 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 amortised.

Intangible assets with finite useful lives are amortised using the straight-line method over their estimated useful lives, and the amortisable amount is systematically allocated over those periods. Amortisation is recognised as expense and reduces 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, programme products	2 years – 5 years
All other assets, subject to amortisation	3 years – 7 years
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 Management.

Amortisation ceases at the earlier of:

- The date the assets is classified as held for sale (or included in a disposal group classified as held for sale) in accordance with IFRS 5; and
- The date 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. In accordance with IFRS 15 Revenue from Contracts with Customers, proceeds from the sale of such assets are recognised as revenue when control of the asset is transferred to the customer and the respective performance obligation is satisfied. IFRS 16 applies to disposals effected through finance leases or sale-and-leaseback transactions.

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. Such gains or losses are presented on a net basis in the Consolidated Statement of Profit or Loss within “Other income”, unless IFRS 16 requires otherwise in relation to sale and leaseback transactions.

2.12. Impairment of non-current assets

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

The amount by which the carrying amount exceeds the recoverable amount is recognised as an impairment loss in profit or loss. The recoverable amount is the higher of fair value less costs of disposal and value in use.

For the purpose of impairment testing, the Group’s assets are grouped into the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

2.13. Goodwill

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

Goodwill arising on the acquisition of a subsidiary is presented separately in the Consolidated Statement of Financial Position, while goodwill arising on the acquisition of joint ventures and associates (entities) is included in the carrying amount of the respective investment and is presented under “investments in joint ventures” or “investments in associates”, respectively.

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

Any recognised goodwill is allocated to a cash-generating unit upon completion of the business combination is realised and that cash-generating unit is used for the purposes of impairment testing. In determining the cash-

generating units, consideration is given to the units expected to benefit from the synergies of the business combination from which the goodwill arose.

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

1.1. 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, in the form of materials or suppliers to be 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 №0*).

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

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

Write-down of inventories to net realisable value are recognised whenever the carrying amount of inventories exceeds their net realisable value. Such write-downs are recognised in the Consolidated Statement of Profit or Loss. The cost of consumption (derecognition) of inventories is determined using the weighted average cost method.

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

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

1.2. Assets held for sale

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

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

An impairment loss is recognised for any initial or subsequent write-down of the assets classified as held for sale.

In accordance with IAS 36 and IFRS 5, any subsequent increase in the fair value less costs to sale of assets held for sale is recognised as a gain, but only to the extent of the cumulative impairment losses previously recognised in respect of that asset held for sale.

1.3. Financial instruments

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

Financial asset is any asset that is: cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset from another entity; a contractual right 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; a contractual obligation 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 own equity instruments, or, a derivative that will, or may be, settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments.

1.3.1. Financial assets

1.3.1.1. Recognition and classification of financial assets

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

The Group classifies financial assets in the following categories for subsequent measurement: “financial assets at amortised cost”, “financial assets at fair value through other comprehensive income (FVOCI)”, and “financial assets at fair value through profit or loss (FVTPL)”, in accordance with IFRS 9, based on the contractual cash flow characteristics of the instruments and the business models within which the asset is held by the Group. Classification is determined at initial recognition and reflects the nature and purpose of financial assets.

In case of regular way purchases and sales, financial instruments are recognised and derecognised on a “trade basis”. The Group consistently applies this method to all transactions in financial assets across all categories. In addition, the Group distinguishes between: “financial assets designated at fair value through profit or loss (FVTPL) upon initial recognition”, separately from those for which this measurement is required under IFRS 9, and “investments in equity instruments for which the Group has made an irrevocable election to present subsequent changes in fair value in other comprehensive income (FVOCI)”, separately from those that are mandatorily measured at fair value through profit or loss.

1.3.1.2. Initial recognition

Except for trade receivables, at initial recognition all financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, unless the financial asset is measured at fair value through profit or loss, in which case transaction costs are expensed in profit or loss. Trade

receivables that do not contain a significant financing component, and for which the Group applies the practical expedient under IFRS 15, are initially measured at the transaction price in accordance with IFRS 15. For all other financial assets acquired under market conditions, the Group considers the transaction price to be the best evidence of fair value at initial recognition. Where the transaction price differs from fair value at initial recognition, financial instruments with quoted prices in active markets or based on observable market inputs are measured at fair value, and any difference (excess / deficit) between the transaction price and fair value is recognised in profit or loss. For all other financial instruments, fair value is adjusted to defer the difference, which is recognised in profit or loss only to the extent that it arises from a change in a factor that market participants would consider when pricing the asset.

1.3.1.3. Subsequent measurement and presentation

For subsequent measurement and presentation purposes, financial assets are classified into one of the following three categories: “financial assets at amortised cost”, “financial assets at fair value through other comprehensive income (FVOCI)”, and “financial assets at fair value through profit or loss (FVTPL)”.

i. Financial assets at amortised cost

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

Such financial assets include cash and cash equivalents, trade receivables, loans receivable, receivables arising from cession arrangements, trade receivables and other receivables for which the Group has a contractual right (as a party to a contract or an arrangement) to receive cash.

Subsequent measurement is carried out using the effective interest method, under which interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for credit-impaired financial assets. For purchased or originated credit-impaired financial assets, the credit-adjusted effective interest rate is applied. For financial assets that subsequently become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost (i.e. net carrying amount) of the asset.

No interest is accrued on short-term trade and other receivables overdue by up to 3 months. Financial assets measured at amortised cost are subject to impairment assessment at each reporting date (the date of the Group’s consolidated financial statements). Changes in impairment allowances are recognised in profit or loss.

ii. Financial assets at fair value through other comprehensive income (FVOCI)

The Group measures its financial assets at fair value through other comprehensive income when these financial assets are held within a business model whose objective is achieved both by collecting contractual cash flows and selling those financial assets, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Financial assets under this category include equity instruments, representing minority shareholdings that are not held for trading and for which the Group has made an irrecoverable election at initial recognition to present subsequent changes in fair value in other comprehensive income.

These financial assets are subsequently measured at fair value, and changes therein are recognised in other comprehensive income. Fair value is determined based on quoted prices in an active market and, in the absence of such prices, by using valuation techniques, typically discounted cash flow analysis. In limited circumstances, where fair value cannot be determined using observable inputs (typically where there are no quoted prices for equity instruments measured at fair value through other comprehensive income and no available up-to-date information exists and/or a wide range of possible valuations exist), cost may be used as an approximation of fair value, where appropriate under IFRS 9.

Financial assets measured at fair value through other comprehensive income that meet the SPPI (solely payments of principal and interest) criterion and are held in a “hold to collect and sell” business model are subject to impairment assessment at each reporting date (i.e., the date of the Group’s consolidated financial statements). Impairment losses and reversals are recognised in profit or loss, while other changes in fair value are recognised in other comprehensive income (without reducing the carrying amount of the assets in the Consolidated Statement of Financial Position).

iii. Financial assets at fair value through profit or loss (FVTPL)

The Group measures all financial assets at fair value through profit or loss, except for those classified as measured at amortised cost or at fair value through other comprehensive income.

The Group may, upon initial recognition, apply the option in IFRS 9 and irrevocably designate a financial asset at fair value through profit or loss, including contracts for the delivery of non-financial items, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or recognising gains and losses on different bases. Such financial assets are disclosed separately in the notes to the consolidated financial statements from those mandatorily classified in this category.

Financial assets in this category include equity and debt instruments (of issuer companies), traded in active markets.

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

iv. Composition of financial assets

The financial assets of the Group include:

- Cash and cash equivalents, loans granted, receivables arising from cession arrangements, and trade and other receivables, classified as “financial assets at amortised cost”;

1.3.1.4. Impairment of financial instruments

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

The Group recognises the amount of the expected credit losses (ECLs), or their reversal, as an impairment gain or loss in profit or loss. ECLs represent the present value of cash shortfalls over the expected life of the financial instrument, being the difference between the contractual cash flows due to the entity under a contract and the cash flows that the entity expects to receive, discounted at the original effective interest rate, or where appropriate, a credit-adjusted effective interest rate in accordance with the contractual terms and the type of instrument. Expected cash flows include 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 using a three-stage expected credit loss model, as follows: Stages 1 and 2: as expected credit losses for losses that may result from default events; and Stage 3: as credit impairment (loss allowance) for which there is objective evidence of impairment as a result of potential or actual defaults of the instrument.

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

At each reporting date, the Group assesses whether the credit risk of financial instruments has increased significantly since initial recognition, based on all reasonable and supportable information available without undue cost or effort. This assessment includes, but is not limited to, internal credit ratings of the borrower, modifications or restructuring on the borrower's obligations, and relevant external factors that the Group considers may affect (separately or collectively) the recoverability of receivables. The Group also assesses whether to apply a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when the contractual payments are more than 90 days past due. However, in some cases, a financial asset may also be considered to be in default where internal or external information indicates that it is unlikely that the Group will collect all outstanding contractual amounts, without considering any credit enhancements. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

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

The Group uses historical credit loss experience on trade receivables and contract assets from contracts with customers as output data in estimating the expected credit losses. Historic data (over a period of 3 to 5 years) is grouped by type and customer segment models, and is adjusted for forward-looking information, including macroeconomic forecasts.

Trade receivables and contract assets from contracts with customers are typically not interest-bearing and are generally settled within 60 to 180 days and 180 to 360 days, respectively. The Group considers trade receivables and contract assets from a contract with a customer to be in default when they are past due for more than 360 days and 540 days, respectively. However, in some cases, receivables or contract asset from a contract with a customer may be considered to be in default where internal or external information indicates that it is unlikely

that the Group will collect all outstanding contractual amounts. The Group also considers all reasonable and supportable information, available without undue cost or effort, thus eliminating the possibility of unreliable presentation of individual or collective credit risk.

For cash and cash equivalents, including bank deposits and current accounts, the Group assesses ECLs based on external credit ratings and other publicly available information on the creditworthiness of the respective financial institutions, similar to and in line with the general model for impairment of financial assets against changes in the credit risk of the instruments.

Impairment losses and reversals, including expected credit loss allowances and credit impairment losses, are recognised in profit or loss. For debt instruments measured at FVOCI (Fair Value through Other Comprehensive Income), the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the respective financial instrument.

1.3.1.5. Derecognition, gains and losses

Financial assets are derecognised when the contractual rights to receive cash flows expire or are transferred, and the Group transfers 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 assumes a contractual obligation to pass those cash flows to one or more 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 equivalent amounts and is restricted from selling or pledging the original asset other than as security for the 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 control is not retained, the Group derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. If control over the financial asset is retained, the financial asset is recognised to the extent of the Group's continuing involvement.

The gain or loss on derecognition of a financial asset, representing the difference between the consideration received and its carrying amount at the date of derecognition, is recognised at its net amount in profit or loss in the Consolidated Statement of Profit or Loss under “Finance income” or “Finance cost”, as appropriate.

When financial assets mandatorily measured at fair value through other comprehensive income are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified (recycled) to profit or loss. When equity instruments designated at fair value through other comprehensive income are derecognised, the cumulative gains and losses are transferred directly to retained earnings within equity and are not reclassified to profit or loss.

The Group recognises dividends from financial assets in profit or loss in its financial statements when the Group's right to receive payment 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.

1.3.2. Financial liabilities

1.3.2.1. Recognition and classification

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

The Group classifies financial liabilities into the following categories for subsequent measurement: “financial liabilities subsequently measured at amortised cost”, “financial guarantee contracts”, “financial liabilities at fair value through profit or loss (FVTPL)”, “liabilities arising from transfers of financial assets that do not qualify for derecognition or where the continuing involvement approach applies”, and “loan commitments at a below-market interest rate”.

1.3.2.2. Initial recognition

All financial liabilities are initially measured at fair value minus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit and loss, which are initially measured at fair value with transaction costs recognised in profit or loss. At initial recognition, the Group considers the transaction price (quoted market prices) to be the best evidence of fair value for financial liabilities entered into under market conditions. Where the transaction price differs from fair value at initial recognition, financial instruments with quoted prices in active markets or based on relevant observable inputs are measured at fair value, and any difference between the transaction price and fair value is recognised in profit or loss. For all other financial liabilities, fair value is adjusted to defer the difference, which is recognised in profit or loss only to the extent that it arises from a change in a factor that market participants would consider when pricing the liability.

1.3.2.3. Subsequent measurement

For subsequent measurement and presentation purposes, financial liabilities are classified into 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 (FVTPL)”, “liabilities arising from transfers of a financial assets that do not qualify for derecognition or where the continuing involvement approach applies”, and “loan commitments at a below-market interest rate”.

i. Financial liabilities at amortised cost

The Group measures financial liabilities at amortised cost when they are not classified in any of the other categories under IFRS 9 and when, at initial recognition, the Group has not applied the option to irrevocably designate them at fair value through profit and loss in accordance with IFRS 9.

Financial liabilities measured at amortised cost include borrowings, trade payables and other payables for which the Group has a contractual obligation to deliver cash (i.e., it has become a party to a contract or a commitment that should be settled in net cash).

Financial liabilities measured at amortised cost are subsequently measured using the effective interest rate method. Amortised cost is calculated by considering any discounts or premiums on initial recognition (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 meet the definition of such contracts, namely when the Group has assumed an obligation to make specified payments to reimburse the holder for a loss incurred if a specified debtor fails to make payment when due in accordance with the terms of the debt instrument.

Financial guarantee contracts include guarantee agreements concluded with banks in respect of loans granted to related parties, as well as avalised promissory notes.

Financial guarantee contracts are subsequently measured at the higher of the loss allowance amount determined in the same way as a financial asset measured at amortised cost as described in note “Impairment of financial instruments” (the expected credit loss model under IFRS 9), and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

iii. *Financial liabilities at fair value through profit or loss (FVTPL)*

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

iv. *Liabilities arising from transfers of financial assets that do not qualify for derecognition or where the continuing involvement approach applies*

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

The Group measures financial liabilities in this category at the amount of the consideration received where the financial asset is not derecognised. Where the continuing involvement approach is applied, the financial liability is measured consistently with the measurement basis of the related financial asset (at amortised cost, or fair value of the rights and obligations), reflecting the extent of the Group’s continuing involvement.

v. *Loan commitments at below-market interest rates*

The Group measures financial liabilities as loan commitments at below-market interest rates when they meet the relevant criteria, namely when the Group has assumed a contractual obligation to provide such a loan.

Loan commitments at below-market interest rates are subsequently measured at the higher of the loss allowance amount determined in the same way as a financial asset measured at amortised cost as described in note “Impairment of financial instruments” (the expected credit loss model under IFRS 9), and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

vi. *Composition of financial liabilities*

The financial liabilities of the Group include:

- borrowings (loans obtained), trade and other payables measured at amortised cost; and

1.3.2.4. Derecognition, gains and losses

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

terms, or when the terms of an existing liability are substantially modified, such exchange or modification is accounted for as an extinguishment of the original liability and the 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, is recognised in profit or loss.

1.4. Cash and cash equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group has adopted a policy to classify short-term deposits as cash and cash equivalents, namely deposits with an original maturity of up to 3-months. Accrued interest on such deposits, earned but not received as at the reporting date, is also presented within the “cash and cash equivalents” in the Consolidated Statement of Financial Position.

The Group recognises and measures expected credit losses and impairment losses on bank deposits and current accounts in accordance with the adopted policies and the impairment model applicable to financial instruments.

For the purpose of presenting the Consolidated Statement of Cash Flows:

- Cash receipts from customers and cash payments to suppliers are presented on a gross basis, inclusive of Value Added Tax (VAT) at the applicable rate of 20%;
- Lease payments, comprising principal and interest portions relating to lease liabilities and right-of-use assets recognised in the Consolidated Statement of Financial Position, are presented within “cash flows from financing activities”, while payments relating to short-term leases and leases of low-value assets are presented within “cash flows from operating activities”;
- Interest paid on borrowings (loans obtained) is presented within “cash flows from financing activities”;
- VAT paid on the acquisition of non-current assets in Bulgaria is included within “purchases of non-current assets” under “cash flows from investing activities”; and
- cash balances subject to permanent restrictions for a period exceeding three months are not classified as cash and cash equivalents.

Additionally, a reconciliation between the cash balances in the Consolidated Statement of Financial Position and those presented in the Consolidated Statement of Cash Flows is disclosed in the notes to the consolidated financial statements (*Note № 1.12*).

1.5. Equity and reserves

The Group’s equity comprises share capital, share premium, translation reserves, general and other reserves, and retained earnings (financial result).

1.5.1. Share capital

The share capital of the Group comprises:

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

When issuing or acquiring its own equity instruments, the Group incurs various expenses. Such expenses typically include registration and other statutory fees, legal fees, accounting and other professional advisory costs and other similar expenses. In a capital transaction, transaction costs are accounted as a reduction of equity (net of any related income tax benefits) to the extent that they are incremental costs directly attributable to the capital transaction that would otherwise have been avoided. Cost relating to a capital transaction that is not completed are recognised as an expense in profit or loss.

1.5.2. Share premium

Share premium was formed on the initial public offering of the Group’s shares in 2007 as the difference between the issue price and the nominal value, less costs related to transactions involving treasury shares in subsequent periods.

1.5.3. Translation of foreign operations

The Group has established and registered branches in the Republic of Serbia, Montenegro, North Macedonia, Ukraine, Greece and Romania. Their financial position and operating results are included in the consolidated financial statements through translation from their functional currencies into the presentation currency. The local currency of the branches is considered their functional currency to the extent that it reflects the primarily economic environment in which the respective branches operate and generate cash flows with a significant degree of autonomy.

Foreign exchange differences (gains and losses) arise from the translation of income and expenses at average exchange rates for the period, the translation of assets and liabilities at the closing exchange rate at the reporting date, and the translation of opening net assets at exchange rates different from the prior closing rate.

1.5.4. General and other reserves

General reserves are formed through profit appropriations in accordance with the requirements of the Commercial Act of the Republic of Bulgaria and the Articles of Incorporation of Trace Group Hold PLC. Other reserves are formed pursuant to decisions taken by the General Meeting of Shareholders.

1.5.5. Financial result

The financial result includes retained earnings and accumulated losses from prior periods, adjusted (decreased / increased) to reflect corrections of errors, changes in accounting policies or transitions to new accounting standards, where such adjustments are explicitly permitted, as well as the current period's profit or loss.

1.6. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares is the number of ordinary shares outstanding at the beginning of the period, adjusted for the effects of shares issued and/repurchased during the period, multiplied by a time-weighting factor. The time-weighting factor reflects the proportion of the reporting period during which the specific shares were outstanding relative to the total number of days in the period.

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

1.7. Employee benefits

The labour (employment) and social security relationships between the Group and its employees are governed by the applicable labour and social security legislation in the respective jurisdictions in which the Group operates and employs personnel. For entities domiciled in the Republic of Bulgaria, these relationships are regulated by the Bulgarian Labour Code and the applicable social security legislation. For entities domiciled in the Republic of Serbia, the labour (employment) and social security relationships comply with the applicable Serbian Labour Code and the relevant Collective Labour Agreements.

A fundamental obligation of the employer is the timely accrual and payment of statutory social security contributions in respect of employees, including contributions to pension, health insurance and unemployment funds.

The amounts payable for social security contributions are determined by law. Contributions are allocated between the employer and the insured employee in proportions prescribed by the applicable legislation. For entities domiciled in Bulgaria, such proportions are determined annually in accordance with the Social Security Code.

In addition to the compulsory state social insurance, the applicable legislation also provides for supplementary voluntary pension and health insurance schemes.

The Group does not maintain or operate any privately established voluntary pension or health insurance fund.

The social security and pension schemes (plans) applied by the Group in its capacity as employer are governed by the applicable Bulgarian legislation and by the local legislation in the jurisdictions in which the Group operates and employs personnel. These schemes (plans) are predetermined by law and, by their nature qualify as defined contribution plans. Under such plans, the Group, in its capacity as employer, pays fixed monthly contributions to state-administered pension, health insurance and unemployment funds, as well as to universal and occupational pension funds, where applicable.

The same accounting treatment applies to contributions payable to the Health Insurance Fund. The Group does not maintain or operate a privately established insurance fund.

1.7.1. Short-term employee benefits

Short-term employee benefits, including salaries and wages, bonuses, social security contributions and other benefits, expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related services (or satisfy the conditions for entitlement), are recognised as an expense in the Consolidated Statement of Profit or Loss for the respective period and as a current liability at their undiscounted amount. Social security and health insurance contributions payable by the Group are recognised simultaneously as an expense and as a liability, at their undiscounted amount, in the period in which the related employee services are rendered.

At each reporting date (i.e., the date of the consolidated financial statements), the entities within the Group measure the obligations relating to accumulated compensated absences (paid annual leave) and recognise the related expense based on the estimated future payments expected to arise from unused leave entitlements as at the reporting date. The measurement includes estimates of remuneration expenses and the related statutory social security and health insurance contributions payable by the employer in respect of those amounts.

i. Bonus schemes

Amounts payable to employees, including key management personnel, are determined in accordance with the remuneration policy adopted by the Group. Such remuneration expenses are generally recognised as current expenses and liabilities and are presented in the Consolidated Income Statement under “Employee benefits expenses” and in the Consolidated Statement of Financial Position under “Employee benefit payables”.

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

In accordance with the applicable labour legislation, employers domiciled in the Republic of Bulgaria are required to pay compensation to employees upon retirement (“retirement benefit obligations”). The amount of such obligations depends on the employee’s length of service with the respective employer and generally ranges between 2 and 6 gross monthly salaries, calculated based on the employee’s gross remuneration at the date of termination of employment. In accordance with the labour legislation effective in the Republic of Serbia, employers domiciled in Serbia are also required to pay retirement benefits to employees upon retirement. The amount of such retirement benefits shall not be less than 2 average monthly salaries calculated at the date the benefit becomes payable.

By their nature, these obligations represent defined benefit plans within the scope of IAS 19 Employee Benefits.

The measurement of these obligations requires the involvement of qualified actuaries in order to determine the present value of the defined benefit obligations as at the reporting date. Such obligations are presented in the Consolidated Statement of Financial Position at their present value, while changes in the obligations are recognised as follows: a) current service cost, past service cost, interest expense and the effects of settlements and curtailments are recognised immediately in profit or loss for the period in which they arise and are presented within “Employee benefits expenses”; and b) re-measurements of the defined benefit obligation, comprising actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments, are recognised immediately in other comprehensive income under “Actuarial gains/(losses)”.

At each reporting date (i.e., the date of the consolidated financial statements), the entities within the Group engage certified actuaries who prepare actuarial valuation reports regarding the non-current obligations for retirement benefits.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows expected to be paid over the term of the obligation using market yields at the reporting date on long-term government bonds with maturity terms similar to those of the respective obligations in the jurisdictions in which the relevant entities operate.

iii. Share-based payments

Share-based payments granted to employees and other parties providing similar services are measured at the fair value of the equity instruments at the grant date.

iv. Termination benefits

In accordance with the applicable labour and social security legislation in the jurisdictions in which the entities within the Group operate, employers are required to pay certain types of compensation upon termination of employment contracts prior to retirement.

The Group recognises liabilities for termination benefits when it has a formal and irrevocable commitment, based on an approved plan (including a restructuring plan), to terminate the employment relationships of employees before the normal retirement date, or when employees are formally offered voluntary redundancy in exchange for such benefits.

1.8. Effects of changes in foreign exchange rates

1.8.1. Foreign currency transactions

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

Foreign exchange gains and losses arising on the settlement of monetary items or on the translation of the Group's monetary items at exchange rates different from those at which they were initially recognised, or recognised in prior financial statements, are recognised in profit or loss for the period in which they arise, except for foreign exchange gains or losses arising on monetary items that form part of a net investment in a foreign operation, which are recognised in accordance with IAS 21.

A foreign exchange gain or loss arises when monetary items denominated in a foreign currency are retranslated due to changes in exchange rates between the transaction date and the date of settlement or reporting. When a transaction is settled within the same accounting period in which it occurred, the resulting foreign exchange gain or loss is recognised entirely in that period. When settlement occurs in a subsequent accounting period, foreign exchange gains or losses are recognised in each intermediate period up to the date of settlement, reflecting the changes in exchange rates during each period.

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

When other IFRS require certain gains or losses to be recognised directly in equity and the related asset is measured in a foreign currency, IAS 21 requires the revalued amount to be translated using the exchange rate

at the date when the fair value is determined, with the resulting foreign exchange differences (gains or losses) also recognised in other comprehensive income.

The Group remeasures foreign currency monetary items during the reporting period and at each reporting date.

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

1.8.2. Translation of foreign operations

In translating foreign operations, the functional currency of the foreign operation is determined as the currency of the primary economic environment in which the foreign entity operates and generates operating cash flows with a significant degree of autonomy.

For the purposes of preparing each set of consolidated financial statements, the financial statements of subsidiaries domiciled abroad are translated from the respective subsidiary's functional currency into the presentation currency of the Group (BGN), adopted for the consolidated financial statements, as follows:

- a) all assets and liabilities are translated into the Group's presentation currency using the closing exchange rate of the respective local currency at the reporting date (i.e. the date of the consolidated financial statements), or at the date of disposal of the respective foreign operation;
- b) all income and expense items are translated into the Group's presentation currency using the average exchange rate of the respective local currency for the reporting period;
- c) all exchange differences arising on translation are recognised and presented as a separate component of equity in the Consolidated Statement of Financial Position under “Translation reserves arising from translations of foreign operations into the presentation currency”; and
- d) exchange differences arising from the translation of net investments in foreign operations (domiciled outside Bulgaria), together with loans and other foreign currency instruments designated as hedges of such investments, are recognised directly in equity.

When a foreign operation (foreign-based entity) is disposed of, the cumulative amount of exchange differences previously recognised directly in equity as a separate component is reclassified to profit or loss and recognised in the Consolidated Statement of Comprehensive Income as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation (domiciled outside Bulgaria) are treated as assets and liabilities of that foreign operation and are translated into the presentation currency using the closing exchange rate at the reporting date.

Translation differences (gains or losses) are recognised as a component of “Other comprehensive income” in the Statement of Comprehensive Income and accumulated in equity under “Translation reserves”.

1.9. Revenue, other income, finance income

The Group considers and presents the consideration received from customers and from other transactions, in three categories: as Income from ordinary activities (Revenue from contracts with customers); as Other income arising from activities, other than the principal activities, presented net of the related costs; and as Finance income arising from financial instruments and investments (net of the transaction costs), presented in accordance with the applicable accounting standards.

The Group accounts for a contract with a customer when, and only when, all of the following criteria are met: the parties to the contract have approved the contract and are committed to perform their obligations; the rights of each party regarding the goods or services to be transferred can be identified; the payment terms can be identified; the contract has commercial substance; and it is probable that the Group will collect the consideration to which it expects to be entitled.

1.9.1. Revenue from contracts with customers

The Group recognises consideration as “revenue from contracts with customers”, only when the counterparty to the contract is a customer, i.e. a party that has entered into a contract with the Group to obtain goods or services that are outputs of its ordinary activities in exchange for consideration.

The ordinary activities of the Group include construction, repair, reconstruction and maintenance of infrastructure and other projects and sites of general purpose; the 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 testing and other construction-related services.

The Group acts as a principal in its revenue arrangements, as it typically controls the goods or services before transferring them to the customer. This is particularly the case in construction contracts, whereby the Group has discretion in pricing, is exposed to credit risk and bears primarily responsibility for fulfilling the contract.

1.9.1.1. Identifying a contract

v. Construction contracts

Construction services relating to building and construction, repair and reconstruction of infrastructure and other projects and sites are rendered in respect of assets that are not owned by the Group, over which the Group does not have control, and which do not have an alternative used to the Group. Goods and services under such contracts are typically sold together and represent a single promise to the customer, and accordingly a single performance obligation. These performance obligations are satisfied over time and extend over more than one reporting period. Certain repair and maintenance contracts are framework agreements under which goods and services are transferred in a series and form part of one or more performance obligations satisfied over time.

vi. Sales of output, goods and services

Sales of output, goods and services are performed separately, and in some cases, such outputs, goods or services do not significantly replace, modify or customise other outputs, goods or services. The Group transfers control of goods and services to customers, who are able to benefit from them by using, consuming or selling them. Goods or services, provided under certain framework agreements (such as consulting, project and site management, and transport) are transferred in a series, and control over them is transferred over time, with customers receiving and simultaneously consuming the benefits provided by the Group’s performance.

1.9.1.2. Identifying performance obligations

i. Construction contracts

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

enhanced in the execution of these contracts and, as a result of the Group’s activities, such assets are controlled by the customer as they are created or enhanced. In this regard, the Group identifies performance obligations under these contracts as being satisfied over time, and recognises revenue over time to the extent of progress towards complete satisfaction of those obligations.

ii. Sales of output, goods and services

Separate performance obligations that are distinct from others are identified in sales where the output, goods or services are capable of being used, consumed or sold by customers on their own. Such performance obligations are satisfied at a point in time, and revenue is recognised in the amount to which the Group expects to be entitled to. In sales of goods or services under framework agreements, control is transferred over time when such goods or services form part of one or more performance obligations satisfied over time. Performance obligations satisfied over time are accounted for in a manner consistent with construction contracts.

1.9.1.3. Transaction price - determination and allocation

i. Construction contracts

Transaction price is the amount of consideration that the Group expects to be entitled to in exchange for transferring the promised goods or services, which are typically part of a single performance obligation. Consideration under construction contracts is generally fixed; however, it may change as a result of contractual modifications, price variations and changes in the scope of work.

A contract modification is accounted for as a separate contract, when it adds distinct goods or services at a price that reflects their standalone selling price, from which the customer can benefit. In cases where the modification relates to goods or services that are not distinct and therefore form part of a single performance obligation, the modification is accounted for as part of the existing contract, with the cumulative effect on the transaction price and the measurement of progress towards complete satisfaction of the performance obligation recognised on a cumulative catch-up basis at the date of modification.

ii. Sales of output, goods and services

The transaction price for sales of output, goods or services is the amount of consideration that the Group expects to be entitled to in exchange for those outputs, goods or services. Goods and services may be sold separately or in series and may therefore constitute distinct performance obligations or form part of a single performance obligation. Contracts may be modified with respect to price and/or scope, which may affect the identification and measurement of performance obligations. Consideration from such sales is typically fixed and does not generally include significant variable consideration.

Contract modifications (including changes in transaction price and the scope of work) are accounted for as a separate contract when they add distinct goods and services at their standalone prices, from which the customer can benefit. Contract modifications that modify the goods and services under an existing contract are accounted for as a termination of the contract. Changes in transaction price that do not affect the scope of the contract are allocated to performance obligations that are unsatisfied or partially unsatisfied. When the scope and/or price of contracts involving goods or services that are not distinct and form part of a single (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 on a cumulative catch-up basis at the date of modification.

1.9.1.4. Recognising revenue***i. Construction contracts***

The Group recognises revenue from construction contracts over time, as the performance obligation is satisfied, provided that 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.

A single method is applied to of measure progress for each performance obligation satisfied over time and is applied consistently to similar performance obligations in similar circumstances. Output methods, based on direct measurement of the goods or services transferred to the customer, are applied, where appropriate, to measure progress under contracts for repairs and reconstruction. Such methods include assessments of work performed as at the respective reporting dates and/or achievement of contractually defined milestones. The Group considers the output methods used for measuring progress under these contracts to be appropriate, insofar as reliable and up-to-date information is available regarding the value and volume of goods and services transferred to customers. For framework agreements for repairs and maintenance, output methods based on direct measurement of the activities performed and/or units delivered as at the respective reporting dates are applied where appropriate, considering the specific nature of the contract and the applicable accounting framework. The Group considers such methods to provide reliable information where the performance obligations relating to individual tasks, including specific identifiable and measurable parameters, have been satisfied.

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 expects to recover those costs. This approach is applied to ensure faithful depiction of the Group’s performance, particularly where the costs incurred are not proportionate to the progress in satisfying the performance obligation.

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 it has a right to invoice.

ii. Sales of output, goods and services

Revenue from the sale of output, goods or services is recognised when (or as) performance obligations are satisfied, either at a point in time or over time. Revenue from performance obligations satisfied over time is recognised only when the Group can reasonably measure its progress towards complete satisfaction of the performance obligation, with progress remeasured at the end of each reporting period.

Output methods are generally used to measure progress for outputs and goods, while services are measured using appropriate input or output methods, including direct estimates of the value of outputs and goods transferred, based on the produced and delivered units or time incurred, or estimated costs, adjusted for costs that do not contribute to the progress towards complete satisfaction of the performance obligation or are not proportionate to it. The Group considers the methods applied to be appropriate to provide a reliable measure of performance, as they do not require additional resources, and the Group controls the outputs and goods before transferring them to customers. When measuring progress towards complete satisfaction of performance obligations in the provision of services, the Group does not invest resources but applies methods that provide a faithful depiction of performance, enabling appropriate recognition of cumulative effects where necessary.

The Group recognises revenue for a performance obligation satisfied over time only to the extent of costs incurred when it cannot reasonably measure its progress towards complete satisfaction but expects to recover those costs. This approach is applied to ensure a faithful depiction of performance, particularly where costs incurred are not proportionate to the progress in satisfying the performance obligation.

If the Group has a right to consideration from a customer in an amount that corresponds directly to the value of the performance completed to date (i.e., the “right to invoice” practical expedient), the Group recognises revenue in the amount to which it has a right to invoice.

1.9.1.5. Contract costs

The Group recognises non-current assets for the incremental costs of obtaining a contract with a customer when it expects to subsequently recover those costs. Such costs may include commissions, bonuses or other similar service payments that would not have been incurred if the contract had not been obtained. These assets are recognised as non-current assets and are separately disclosed in the notes to the consolidated financial statements. The Group applies the practical expedient provided by IFRS 15 and does not recognise an asset for the incremental costs of obtaining a contract with a customer if the amortisation period of the asset that would otherwise have been recognised is one year or less.

The Group recognises assets for costs incurred in fulfilling a contract when such costs are not within the scope of another standard and are directly attributable to a contract or to an anticipated contract, they generate or enhance resources of the Group that will be used in satisfying performance obligations in the future, and are expected to be recovered.

1.9.1.6. Contract balances

The Group recognises and presents any unconditional rights to considerations as receivables from contracts with customers. If a customer pays consideration, or the Group has a right to consideration that is unconditional before the transfer of goods or services, the amounts are presented as contract liabilities arising from contracts with customers. When the Group fulfils its obligation and transfers goods and services to customers before receiving payment, the amounts, other than unconditional receivables, are presented as contract assets arising from contracts with customers. Contract assets and contract liabilities arising from contracts with customers are presented in the Consolidated Statement of Financial Position under “receivables” and/or “liabilities”, respectively. Assets and liabilities arising from the same contract are presented on a net basis in the Consolidated Statement of Financial Position.

Unconditional receivables, contract assets and contract liabilities arising from contracts with customers are presented in the Statement of Financial Position under “Trade receivables” and “Trade payables” and are separately disclosed in the notes to the consolidated financial statements. Contract assets arising from contracts with customers are subject to impairment assessment in accordance with the policy disclosed in the note “Impairment of financial instruments” and IFRS 9.

The timing of satisfaction of performance obligations and related cash flows differs significantly between construction contracts and contracts for the sale of output, goods or services. Under construction contracts, the Group satisfies the performance obligations over time, typically over more than one reporting period. Revenue is recognised at the end of each reporting period based on the progress towards complete satisfaction of the performance obligation, while customer approval is generally not required at interim stages. However, projects and project-related activities are subject to specific regulatory requirements, and formal acceptance or approval by the customer and/or a third party is often required upon completion of the contract. As a result, part of the contract balances become unconditional receivables and are subsequently paid. When an asset controlled by the customer is enhanced through construction, the Group is able to unambiguously determine that control of the goods or services has been transferred and, accordingly, recognise revenue as the performance obligation is satisfied. As a result, there is often a timing difference between the revenue recognition time (i.e., the time when revenue from construction contracts is recognised, thereby recognising and

the unconditional receivables and contract assets from those contracts with customers) and cash collection. Payment terms typically range between 60 and 180 days for unconditional receivables and between 180 and 360 days for contract assets from contracts with customers. Sales of output, goods or services are generally not subject to specific regulatory requirements, and control is typically transferred to the customer at a point in time upon delivery or consumption, thereby satisfying the performance obligations. In certain cases involving sales of goods and service, performance obligations are satisfied over time and may require staged or final customer acceptance and/or approval. The related payment terms vary but are within the normal commercial practice.

Payments under construction contracts, which are most significant to the financial statements and to the Group as a whole, are typically defined in terms of timing and amounts, depending on the type and size of the project, and, in certain cases, also based on the contracting authority (assignor) and the source of financing. Payments under construction contracts typically include advance payments of 10% – 20%, interim payments of 60% – 80% and a final payment. Where the entity acts as a subcontractor, the direct or ultimate assignors are public entities, and the main contracts and contractual conditions vary. Accordingly, payment terms and conditions may differ for similar projects. Performance bonds are commonly required by law under construction contracts. These performance bonds represent amounts retained by the customer for specific period, typically for 12 – 24 months, and form part of the Entity’s unconditional receivables. The Group considers that such retained amounts do not contain a significant financing component, as they are required by law and serve as a protection mechanism for the customer rather than a financing arrangement, in accordance with IFRS 15. This assessment is also supported by the fact that, in most cases, the (direct or ultimate) contract parties are public authorities, which are not permitted to engage in financing arrangements of this nature or in general.

With regards to advance payments received from customers before the goods and services are transferred to them, the Group adjusts the transaction price to reflect the time and value of money where a significant financing component exists and when the timing of payments is expected to differ from the transfer of goods or services by more than one year. The effect is recognised as interest expense under Finance costs in the Consolidated Statement of Profit or Loss.

Advance payments are mainly stipulated under construction contracts. The Group believes that there is no significant financing component under such contracts, insofar as the contracts with customers do not contain such clauses, the price is fixed, and there are no differences between the promised consideration and the cash selling price. Furthermore, performance obligations are satisfied over time and advance payments are agreed and offset typically within one year. Such advance payments usually 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 any financing component insignificant for these contracts. In some cases, contract deadlines, particularly under construction contracts, are extended for reasons beyond the Group’s control, and payments are received in respect of some of these extended contracts based on the original expectation that the goods or services would be transferred within one year. In such cases, adjustments are made prospectively when the revised term is expected to exceed one year.

The Group discloses the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or are partially satisfied at the reporting date (part of a contract with an original expected duration of one year or less), together with the expected timing of revenue recognition. This disclosure primarily relates to construction contracts. For sales of output, goods or services, the Group generally applies the practical expedient whereby the amount of consideration to which it is entitled at a given date corresponds directly to the value of performance completed (i.e., the value of goods or services transferred to the customer) to date (i.e., the right-to-invoice approach).

1.9.2. Other income

Net gains (i.e., net positive results) and gross income, other than revenue from the Group’s ordinary activities, and/or income from incidental activities is recognised as “other income”. Other income also includes operating lease income recognised in accordance with the accounting policies and IFRS 16 - Leases, as well as income from the sale of materials and gains on disposals of non-current assets, measured as the difference between the proceeds and the carrying amount of the asset. Such gains are recognised in accordance with IFRS 15, when control of the asset is transferred to the customer and the performance obligation is thereby satisfied. Related expenses are recognised in profit or loss in the period in which the related income is recognised, in accordance with the applicable accounting policies and relevant standards. Other income further includes income arising from the derecognition of liabilities (including financial liabilities and other liabilities) when such liabilities are extinguished or expire, as well as reversals of provisions and other amounts recognised in accordance with IAS 37, and surpluses identified on assets and inventories.

1.9.3. Finance income

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

1.10. Expenses

Expenses of the Group are recognised as they are incurred, in accordance with the accruals basis of accounting and the matching principle, to the extent that this does not result in the recognition of reportable items of assets or liabilities that do not meet the recognition criteria under IFRS and the respective framework.

Deferred expenses are deferred for recognition as current expense in the period to which they relate (i.e. the period in which the contracts to which these expenses relate will be executed). Deferred expenses mainly include prepaid subscriptions, insurance and other similar items, and are presented in the Consolidated Statement of Financial Position under “Other assets and receivables”.

1.10.1. Operating expenses

The Group recognises operating expenses by nature and subsequently allocates them by function in order to present expenses by activity and line of business.

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

Expenses for the current period are recognised in the same period in which the related revenue is recognised.

Expenses are recognised on the basis of systematic and rational allocation procedures 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 in the Consolidated Statement of Profit or Loss immediately when they do not generate 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 Consolidated Statement of Financial Position.

Expenses are recognised in accordance with the accrual basis of accounting. They are measured at the amount of consideration paid or payable (i.e., transaction price), where applicable.

1.10.2. Finance costs

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

1.10.3. Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time, generally at least twelve months, to become ready for its intended use or sale. The amount of borrowing costs eligible for capitalisation as part of the cost of a qualifying asset is determined by applying a capitalisation rate. The capitalisation rate represents the weighted average of borrowing costs applicable to the entity’s borrowings outstanding during the period, excluding borrowings obtained specifically for the purpose of acquiring, constructing or producing a qualifying asset.

Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the following conditions are met: expenditures for the asset have been incurred, borrowing costs have been incurred, and activities necessary to prepare the asset for its intended use or sale are in progress.

Borrowing costs eligible for capitalisation are reduced by any investment income earned from the temporary investment of funds borrowed specifically for the acquisition, construction or production of the qualifying asset.

1.11. Profit or loss for the period

The Group recognises all items of income and expenses in profit or loss for the period, unless IFRS requires or permits otherwise.

Some IFRS require or permit specific items to be recognised outside profit or loss in the current period. Other IFRS define circumstances in which components of other comprehensive income, although meeting the definition of income and expense under the Conceptual Framework, are excluded from profit or loss.

1.12. Corporate tax

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

1.12.1. Current tax

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

Income tax for the current and prior periods is recognised as a liability to the extent that it has not been 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.

Tax benefits relating to tax losses carried forward to cover tax in future periods are recognised as deferred tax assets, to the extent that it is probable that future taxable profits will be available against which those losses can be utilised.

Current tax expense is recognised in profit or loss for the period as an expense, reducing accounting profit or increasing 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 tax rates and applying tax laws that have been enacted or substantively enacted at the end of the reporting period.

Current income tax payable by the entities within the Group domiciled in the Republic of Bulgaria is determined in accordance with the requirements of Bulgarian tax legislation, namely the Corporate Income Tax Act. The corporate income tax rate applicable in Bulgaria for the 2025 reporting period is 10% (2024: 10%).

Subsidiaries, associates, joint ventures and branches domiciled abroad are subject to the tax legislation applicable in the respective jurisdictions in which they operate. The following corporate income tax rates apply:

Country	Tax rate 2025
Serbia	15%
Ukraine	18%
Montenegro	9-15%
North Macedonia	10%
Romania	16%
Greece	22%

1.12.2. Deferred tax assets and deferred tax liabilities

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

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

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

Temporary differences may be either:

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

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

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

The Group reassesses unrecognised deferred tax assets at the end of each reporting period. The Group recognises previously unrecognised deferred tax assets to the extent that it becomes probable that sufficient taxable profits will be realised to allow the deferred tax assets to be utilised.

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

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates expected to apply to the respective transactions in the period in which the assets are expected to be realised or the liabilities are expected to be settled, based on tax laws that have been enacted or substantively enacted by the reporting date and the tax rates applicable in the jurisdiction in which the respective deferred tax asset or liability is expected to be realised or settled.

Deferred tax assets and deferred tax liabilities of an entity within the Group are presented on a net basis when they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to offset current tax assets against current tax liabilities.

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 they relate to:

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

1.13. Government grants

Government grants are various forms of funding provided by the State, including local and central authorities and institutions, and/or under intergovernmental agreements and by international organisations.

Government grants, including municipal, state and international grants and funding under European funds and programmes, are initially recognised as deferred income when there is reasonable assurance that the grant will be received by the Group and that the Group has complied, and will continue to comply, with the conditions attached to the grant.

Government grants intended to compensate expenses incurred are recognised in profit or loss on a systematic basis over the same periods in which the related expenses that the grants are intended to compensate are recognised.

Government grants intended to compensate investment costs incurred for the acquisition of assets are recognised in profit or loss on a systematic basis over the useful life of the respective asset, proportionately to the depreciation expense recognised.

1.14. Provisions, contingent assets and contingent liabilities**1.14.1. Provisions**

Provisions are liabilities of uncertain timing or amount. In accordance with the requirements of IAS 37, provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. Legal and constructive obligations arise from contracts, legislation or from an established pattern of past practice, published policies or specific statements of the Group that create a valid expectation in third parties.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and when the amount of the obligation can be estimated reliably. If these conditions are not met, no provision is recognised. Present obligations include obligations arising from onerous contracts, whereby the unavoidable costs of meeting the contract obligations exceed the expected economic benefits to be received from it.

Provisions are measured at Management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

1.14.2. Contingent assets and contingent liabilities

A contingent liability is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation arising from past events that is not recognised because either 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 reliably.

A contingent asset is a possible asset arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the entity.

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

1.15. Leases

At the commencement date of each contract agreement, 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 group of assets, for a period of time in exchange for consideration. The Group reassesses this determination in the event of contract (lease) modifications.

The Group determines the lease term by considering the non-cancellable period of the lease, together with periods covered by options to extend the lease or terminate the lease, where it is reasonably certain that such options will be exercised, together all relevant facts and circumstances that create an economic incentive to exercise, or not to exercise, the options. The lease term is reassessed upon the occurrence of a significant event or change in circumstances that may affect its assessment of whether it is reasonably certain to exercise an option.

1.15.1. The Group as a lessee

The Group uses assets not owned by it under contracts (leased assets) in accordance with IFRS 16. Right-of-use assets primarily include machinery and equipment, transport vehicles and real estate. Lease agreements are concluded with both unrelated parties (lessors and lessor-manufacturers, or traders) and related parties.

At the commencement date, right-of-use assets are initially measured at cost, comprising: the initial measurement (amount) of the lease liability; any lease payments made at or before the commencement date; any initial direct costs; and an estimate of costs to be incurred in dismantling and removing the assets, where applicable.

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

If the transfer of ownership of the underlying asset is not agreed, the Group depreciates right-of-use assets on a straight-line basis over the shorter of their useful life and the lease term. In all other cases, the useful lives adopted by the Group for the respective classes of assets apply (*refer to Note 2.9*).

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

- Fixed payments less the lease incentives receivable;
- Variable payments that depend on an index or a rate;
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease;
- Amounts expected to be payable under residual value guarantees.

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

Lease payments are allocated between the finance cost (interest on the principal amount outstanding) and the deductible part of the lease liability (principal). Finance costs are recognised in the Consolidated Statement of Profit or Loss on a periodic basis, over the lease term, so as to produce a constant periodic rate of interest on the remaining balance (principal amount outstanding) of the lease liability.

Right-of-use assets are subsequent measured at cost, less accumulated depreciation and 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 arising from changes in the lease scope and/or lease term, and/or changes in lease payments, including changes in indices, rates or market levels. Such remeasurement results in a corresponding adjustment to the carrying amount of the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero, any further adjustments are recognised in profit or loss. Interest expense on the lease liability and variable payments not included in the measurement of the lease liability are also recognised in profit or loss for the period. Where a lease modification increases the scope of the lease and the consideration is commensurate with the stand-alone price of the lease, the modification is accounted for as a separate lease.

The Group’s leasing activities (as a lessee) primarily relate to leases for the use of transport vehicles, machinery and equipment, and real estate. Purchase options are typically included in certain lease agreements (mainly for leases of transport vehicles, and particularly cars) and are considered in the measurement of lease liabilities when reasonably certain to be exercised. Lease agreements generally include fixed payments, and there are no variable lease payments. Options to extend 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 guarantee and termination options are generally not exercised and cover up to three lease payments. Termination options are not significant and therefore are considered when measuring the lease liability.

The Group presents right-of-use assets within the same line items in the Consolidated Statement of Financial Position as the corresponding Group-owned assets and it discloses additional detailed information in this regard in the notes to the consolidated financial statements. Depreciation of right-of-use assets is presented in the Consolidated Statement of Profit or Loss under “Depreciation and amortisation costs”.

The Group applies the recognition exemptions under IFRS 16 for short-term leases and leases of low-value assets. Lease payments under such leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases typically include leases of transport vehicles, machinery and equipment, and real estate used for specific activities performed under construction, reconstruction, repair or maintenance contracts (including as part of the execution of such contracts), with a lease term of up to one year. Leases of low-value assets include contracts related to the use of office fixtures and fittings (furniture), consumables and IT equipment. Expenses under such leases are presented in the Consolidated Statement of Profit or Loss under “Costs of external services”, and the Group discloses detailed information on type of underlying asset in the notes to the consolidated financial statements.

1.15.2. The Group as a lessor

The Group has adopted the practice to lease its own assets and, in limited cases, subleases right-of-use assets. A lease is classified as a financial lease if the lease (of the Group’s own assets) transfers substantially all the risks and rewards incidental to ownership of the underlying asset. A lease is classified as operating lease if the risks and rewards incidental to the ownership of the assets owned are retained.

At the commencement date, assets leased under finance leases are recognised as a receivable at an amount equal to the net investment in the lease, comprising: fixed lease payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option; and payments of penalties for terminating the lease, where applicable.

The derecognition and impairment requirements of IFRS 9 relating to net investment in the lease are subsequently applied to finance leases. Estimated unguaranteed residual values used in calculating the gross investment in the lease are reviewed regularly. If there is a reduction in the estimated unguaranteed residual value, the allocation of income over the lease term is revised, and any reduction in amounts previously recognised is recognised immediately in profit or loss.

Modifications to finance leases are accounted for as a separate lease when the scope of the lease increases (by adding the right to use on one of more underlying fixed assets) and the consideration increases commensurately with the stand-alone price.

Assets owned by the Group and subject to operating leases are recognised in accordance with their nature and the applicable accounting policies, adopted by the Group in this regard. Lease income is recognised on a straight-line basis over the lease term.

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

The Group's leasing activities as a lessor primarily relate to real estate (buildings), machinery and equipment, and transport vehicles, predominantly under operating leases.

The following information is disclosed in the notes to the consolidated financial statements in relation to finance leases: gains on disposal of the underlying asset, its carrying amount derecognised, the resulting net gain or loss, finance income recognised over the lease term, and income from variable lease payments. Income from variable lease payments is presented in the Consolidated Statement of Profit or Loss under “Other income”, while finance income is presented under “Finance income”.

Operating lease income is presented in the Consolidated Statement of Profit or Loss under “Other income”. Assets owned by the Group and leased under operating leases are disclosed separately in the notes to the consolidated financial statements from assets used in the entity's own operations.

1.16. Segment reporting

The Group identifies its reportable segments and discloses information about each segment in its consolidated financial statements in accordance with its organisational and internal reporting structure (at Group level). Operating segments are components of the Group's activities that are regularly reviewed by the chief operating decision makers for the purpose of monitoring performance and allocating resources, based on financial and operational information prepared specifically for each segment. Segment information disclosed in the publicly available financial statements is presented on the same basis as that used for internal reporting to Management, allowing users (including investors) to assess the Group's performance from a management perspective.

The Group operates in a single business sector. The main services rendered, and output produced by all entities are interrelated and represent different stages of the core business activity. Materials and goods produced also form a significant part of the inputs used in building and construction works. Due to the similarity in the nature of activities, customer base and economic environment, the risks and rewards associated with the Group's operations cannot be meaningfully distinguished by business lines. Accordingly, the Group presents segment information based on geographical areas.

The operating segments of the Group are regularly monitored and separately managed, with each operating segment representing a distinct geographical area, serving different markets and customer groups and therefore bearing different business risks and returns depending on its location. These segments are defined as geographical zones based on their economic characteristics and ability to generate cash flows, as follows:

- ✓ Bulgaria;
- ✓ Serbia;
- ✓ Montenegro;
- ✓ Ukraine;
- ✓ Greece;
- ✓ United States of America;
- ✓ Czech Republic until 06.05.2025;
- ✓ Romania; and
- ✓ North Macedonia

1.17. Fair value measurement

For financial reporting purposes, certain assets and liabilities of the Group are measured, presented and / or disclosed at fair value. These primarily include long-term investments in equity instruments classified as “financial assets at fair value through other comprehensive income (FVOCI)”.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date (i.e., an exit price). Fair value is the exit price, and it is based on the assumption that the transaction to sell the asset or transfer the liability takes place 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 potential market participants would use when pricing the respective asset or liability, assuming that market participants act in their economic best interest.

For non-financial assets, fair value measurement is always based on the assumption of what would be the highest and best use of a given asset for the market participants. In certain cases, the transaction price may be used as an approximation of fair value for equity instruments classified as measured at fair value through other comprehensive income (FVOCI), where this is appropriate in accordance with IFRS 9.

The Group applies valuation techniques that are appropriate to the specific circumstances, projects and sites, and for which sufficient data is available, maximising the use of the observable inputs and minimising the use of unobservable inputs.

The Group uses the following three valuation approaches: market approach, income approach and cost approach.

All assets and liabilities measured or disclosed at fair value in the consolidated financial statements are categorised within the three-level fair value hierarchy, as follows:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques using observable inputs, other than quoted market prices in active markets, either directly or indirectly observable, including cases where quoted prices are subject to significant adjustments; and

Level 3 – Valuation techniques using significant unobservable inputs.

The Group predominantly applies Level 2 and Level 3 fair value inputs.

At each reporting date, the Group assesses whether transfers between levels of the fair value hierarchy are required for assets and liabilities measured at fair value on recurring basis, based on the lowest level of input data that is available and significant to the fair value measurement at that date.

1.18. Accounting assumptions and accounting estimates, errors***1.18.1. Accounting assumptions and accounting estimates***

Due to uncertainties inherent in business activities, many items in the consolidated financial statements cannot be measured with precision and are therefore estimated. Estimates are based on Management’s judgement and the most recent, reliable information available on all items in the consolidated financial statements, except of share capital and cash in hand denominated in the functional currency.

The use of reasonable estimates is an essential part of the preparation of consolidated financial statements and does not undermine their reliability. The application of International Financial Reporting Standards (IFRS) requires Management to make assumptions and estimates in preparing the consolidated financial statements and in measuring certain assets, liabilities, income and expenses. All these estimates are based on Management's best estimate at the end of the reporting period. Actual results may differ from those estimates, presented in the financial statements.

An estimate may need revision if circumstances on which it was based change, or as a result of new information or increased experience. A revision of an estimate does not relate to prior periods and does not constitute the correction of an error.

Any change in the measurement basis applied is treated as a change in accounting policy, rather than a change in accounting estimate.

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

The effect of a change in accounting estimates is recognised prospectively 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 an accounting estimate is recognised to the extent that it results in changes in 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.

1.18.2. Errors

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

- Was available when the consolidated financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and considered in the preparation and presentation of those consolidated financial statements.

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

Errors, within the meaning of IAS 8, may arise in the recognition, measurement, presentation or disclosure of elements of the consolidated financial statements. Errors identified in the current period are corrected before the consolidated financial statements are authorised for issue. However, errors are sometimes not discovered until a subsequent period, in which case such prior period errors are corrected in that subsequent period.

The Group corrects material prior period errors retrospectively in the first set of consolidated financial statements authorised for issue after their discovery by:

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

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

1.19. Management’s judgements and key estimates involving a high level of uncertainty

Management has made several accounting assumptions and accounting estimates in determining the amounts of certain assets, liabilities, revenue and expenses in the current consolidated financial statements. All such assumptions and estimates are based on Management’s best estimates and the information available to Management as at the reporting date. Actual results may differ from those presented in these consolidated financial statements.

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

The Group reviews non-current tangible assets, non-current intangible assets and investment property for impairment at each financial year-end. Such reviews consider factors related to the planned use of the respective assets, their physical condition and suitability for use, the impact of statutory requirements, the adverse impact of changes in the economic environment and other factors. Based on such review, Management assesses whether there are indications of impairment and, where such indications are identified, the Group recognises impairment losses in the Consolidated Statement of Comprehensive Income (in profit or loss for the year).

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

Based on the review and assessment performed at the end of the current reporting period, the Group’s Management has concluded that no indications of impairment have been identified (31.12.2024: recognised impairment loss of BGN 2,487 thousand).

1.19.2. Impairment of investments in associates and joint ventures

Joint ventures are entities over which the Group and the other parties exercise joint control and have rights to the entity’s net assets. Associates are entities over which the Group exercises significant influence and generally holds between 20% and 50% of their capital, but which are neither subsidiaries nor joint ventures.

Such investments are accounted for using the equity method and are reviewed for impairment where indicators of impairment exist. At the date of each set of consolidated financial statements, Management conducts an analysis and assesses whether there are indications of impairment of its investments and the amount of any potential impairment loss. Management considers the following circumstances as indicators of impairment of investments in other entities: negative net assets, significant excess of payables over receivables, and significant limitations on activity. When assessing investments, Management applies an individual approach to each investment and the respective indicators. Management has determined that a review of the assessment performed is required where more than one such indicator is identified.

Based on the review and assessment performed by the Group’s Management, no indications of impairment of investments were identified as at year-end.

1.19.3. Impairment of inventories

The entities within the Group review available inventories, including materials, finished goods and goods, in order to determine whether any inventories have a net realisable value lower than their carrying amount. Reviews for impairment of advance payments are also performed on this basis, insofar as the Group is expected to acquire a non-monetary asset in exchange for such advance payments.

No indications of impairment of inventories were identified during the current reporting period based on the review performed as at 31.12.2025 (31.12.2024: none) (*Note №2.2.5*).

1.19.4. Inventories. Normal production capacity

The normal production capacity of each manufacturing entity is determined based on the judgements of the respective entity's Management, following an analysis of the optimal utilisation of its production capacity and the return on investments therein, based on a product structure that has been approved as normal.

1.19.5. Impairment of financial assets

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

The Management of the Group makes a number of significant judgements in measuring the above, such as: (a) defining the criteria for identifying and assessing a significant increase in 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 macroeconomic indicators in order to reflect the effects of forward-looking information in the measurement of expected credit losses; and (e) applying specific assumptions and judgements for certain receivables, including receivables from related parties.

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

The simplified approach under IFRS 9 and a provision matrix are applied in measuring expected credit losses for trade receivables. Receivables are assessed collectively based on the probability of default events and the resulting potential losses, calculated using the Group's historical data for a five-year period. Objective external information and recognised credit impairment are considered for receivables for which sufficient information is available (*Note №1.9*).

Loans granted are reviewed individually for expected credit losses. When assessing credit risk, the Group applies an internal credit rating methodology which, in the context of the “low credit risk” definition, is based on and consistent with the generally accepted definition of low credit risk. Publicly available information, adjusted for the relevant circumstances, is used in determining potential losses, and credit impairment is recognised for receivables for which sufficient information is available.

Financial guarantee contracts are assessed in a manner similar to loans granted, considering the effect of the guarantee issued in favour of the respective beneficiary.

The Group applies the general “three-stage” impairment approach under IFRS 9 to calculate expected credit losses on cash and cash equivalents held with banks. For this purpose, a model based on published bank ratings assigned by internationally recognised rating agencies is applied.

1.19.6. Revenue from contracts with customers

The Group recognises revenue from construction contracts on the basis of performance obligations satisfied over time, only when the Group can reasonably measure its progress towards complete satisfaction of the performance obligation. Progress towards complete satisfaction is remeasured at the end of each reporting period using input methods, in particular estimates of expected and actually incurred costs, which Management considers appropriate. Nevertheless, changes may arise in future periods insofar as facts and circumstances that were not known or were not under Management’s control may not have been taken into account, and due to the fact that, upon completion, these contracts are subject to formal approval and/or acceptance by the customer and/or by a third party, including a state authority (*Note № 1.9.1*)

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

The promised consideration under construction contracts and other supply contracts that are effective and not completed during the period is based on fixed prices, for which no contract modifications are expected.

1.19.7. Provisions

The Group recognises the following types of provisions:

- Provisions for construction contracts, relating to assumed warranty obligations to eliminate possible defects identified by the contracting authority and other related costs incurred under concluded construction contracts;
- Provisions for obligations under legal proceedings;
- Provisions for land reclamation related to 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 recognised provisions represents the best estimate of the expenditure required to settle the present obligation as at the date of the consolidated financial statements.

Provisions are remeasured at each reporting date based on the current best estimate of the amount required to settle the obligation. Changes in estimates may result from changes in the amount or timing of cash outflows, or from changes in interest rates (discount rates) (*Notes № 1.17 and 1.24*).

1.19.7.1. Provisions for construction contracts

In accordance with concluded building and construction contracts, the Group has assumed an obligation to remedy, at its own cost, possible defects identified by the contracting authority within the time frames defined in the respective contracts. Upon completion of each construction project and/or site in respect of which the

Group has assumed such an obligation, provisions for construction contracts are estimated by internal specialists with the requisite qualifications and experience, based on prior experience with similar projects and/or sites. When determining provisions for construction contracts, Management is required to assess, as at the date of the Consolidated Statement of Financial Position, the costs necessary to remedy possible defects identified by the contracting authority. The best estimate of the required provision for construction contracts in respect of warranties provided for the remediation of possible defects and other related costs amounts to BGN 16,883 thousand as at 31.12.2025 (31.12.2024: BGN 28,923 thousand).

1.19.7.2. Provisions for land reclamation

The Group, through two of its subsidiaries – Trace BG EOOD (LTD) and Trace Yambol AD (JSC) – has concluded concession contracts for the extraction of underground natural resources within the territory of Bulgaria. Upon completion of the concession contracts, the Group has an obligation to perform, at its own cost, technological and biological reclamation of the affected land plots. The value of the technological and biological reclamation is determined at each year-end based on the reclamation amounts defined in the concession contracts, which are to be transferred by the entities to special escrow accounts.

Pursuant to an approval obtained from the Ministry of Mining and Energy 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 rehabilitate and recultivate the land after 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 related to the extraction of underground natural resources and the exploitation of mineral raw materials after completion of the activities requires Management to assess the costs of reclamation and post-exploitation care of the land as at the date of the Consolidated Statement of Financial Position. The best estimate of the necessary provisions for land reclamation amounts to BGN 707 thousand as at 31.12.2025 (31.12.2024: BGN 670 thousand).

1.19.7.3. Provisions for obligations under legal proceedings

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

Due to the inherent uncertainty regarding the outcome of these legal claims and proceedings, as well as their complexity, Management, with the support of internal legal experts and external legal advisers, is required to make significant assumptions and apply judgement when assessing the potential effects of litigation and legal proceedings. This includes assessing whether an obligation should be recognised, whether a contingent liability should be disclosed, and whether the potential outflow of resources can be measured reliably. The outcome of these litigation and legal proceedings is uncertain and the actual resources required to settle the obligations may differ from the amounts recognised.

Provisions for litigation claims filed against the Group amounting to BGN 841 thousand were recognised as at 31.12.2025 (31.12.2024: BGN 552 thousand).

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

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

No significant changes in the defined useful lives and residual values of property, plant and equipment or investment property were made during the current reporting period.

1.19.9. Actuarial valuations

Calculations prepared by certified actuaries have been used in determining the present value of the Group's long-term retirement benefit obligations. These calculations are based on assumptions regarding mortality, employee turnover, future wages and salaries, and the discount rate. Management considers these assumptions to be reasonable and appropriate for the Group (*Note №1.17.1*).

1.19.10. Deferred tax assets

The assessment of whether future taxable income will be available against which deferred tax assets can be utilised is based on the latest approved budget forecasts, adjusted for significant non-taxable income and expenses, as well as specific limitations on the utilisation of unused tax credits or tax losses. Deferred tax assets are recognised in full where reliable estimates of taxable income indicate that it is probable that the deferred tax asset will be utilised, particularly in cases where the asset may be used without time restrictions. Management determines, on a case-by-case basis, whether to recognise deferred tax assets that are subject to certain legal or economic constraints or uncertainties, depending on the specific facts and circumstances associated with them.

Based on this approach, Management has decided to recognise a deferred tax asset for tax losses carried forward in the amount of BGN 131 thousand as at 31.12.2025 (31.12.2024: BGN 63 thousand), insofar as the estimates and forecasts prepared provide reasonable assurance that the Group will be able to generate sufficient taxable profits over the next five years against which the tax losses incurred in prior periods can be utilised.

1.19.11. Impairment of goodwill

The Group's Management has performed the necessary procedures for the mandatory impairment testing of goodwill arising from the acquisition of a subsidiary, recognised in the Annual Consolidated Statement of Financial Position. For this purpose, the respective entity is treated as a “cash-generating unit”.

The calculations are prepared by Management. Management also performs a detailed review of whether events or circumstances have occurred that indicate changes in the underlying assumptions and judgements.

Financial budgets prepared by the Management of the respective entity and by the Group as a whole, covering a three-to-five-year period, as well as other medium-term and long-term plans and intentions for the development and restructuring of the Group's activities, are used as the basis for estimating pre-tax cash flows. 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 to which the goodwill relates, which is treated as a separate cash-generating unit, and reflect its specific activities, business environment and risks.

The impairment tests and judgements of the Group's Management regarding recognised goodwill are made in light of Management's estimates and intentions regarding the future economic benefits that the Group expects to obtain from the subsidiary. These include the use of its commercial and industrial experience, revenue generated and expected to be generated in future periods, the securing, development and maintenance of positions on Bulgarian and foreign markets, expectations for future sales, restructuring of activities and other relevant factors.

1.19.12. Leases

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

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

In order to determine whether control over the use of an identified asset is transferred under a contract, the Group assesses whether the following rights exist throughout the period of use:

- The right to obtain substantially all the economic benefits from the use of the asset;
- The right to direct the use of the identified underlying asset.

With regard to recognised leases, Management has concluded that the Group is entitled, within the scope of its right of use as defined in the contract, to make the relevant decisions about how and for what purpose the assets are used, and is able to determine the operating time and the persons who have access to the assets (*Note № 1.14*).

Determining the lease term for leases with extension or termination options where the Group is a lessee

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

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

The Group applies judgement in assessing whether it is reasonably certain that it will exercise an option to extend, or not exercise an option to terminate, the lease, taking into consideration all facts and circumstances that create an economic incentive to exercise the extension option or not to exercise the termination option.

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 that the Group will exercise an option not previously included in the determination of the lease term, or will not exercise an option previously included in the determination of the lease term.

Determining the incremental borrowing rate for leases where the Group is a lessee

Where the Group is a lessee and cannot readily determine the interest rate implicit in the lease, which is required to discount lease liabilities, the Group uses the incremental borrowing rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value to the “right-of-use” asset, over a similar term, with similar security and in a similar economic environment. For contracts for which the Group does not have similar financing, it uses observable publicly available data, such as market lending rates and banking statistics.

Based on an analysis of interest rates on borrowings with similar characteristics, Management has assumed that the incremental borrowing rate is 3%.

- For operating leases of movable property - based on the interest rates under finance leases concluded by the Group
- For operating leases of real estate - based on the interest rates under investment loan agreements concluded by the Group

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

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

1.19.13. Events after the reporting period

Events after the reporting period are events, both favourable and unfavourable, that occur 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 provide evidence of conditions existing at the end of the reporting period (adjusting events); and
- Events that are indicative of conditions that arose 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 related disclosures.

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

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

II. Additional explanatory notes to the consolidated financial statements

1. Consolidated Statement of Financial Position

1.1. Property, plant and equipment

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Carrying amount								
Balance as at 31.12.2023	18 533	15 169	6 835	65 313	27 938	6 947	14 303	155 038
Additions	-	305	518	5 446	3 906	803	8 054	19 032
Disposals	(4 682)	(357)	(349)	(2 525)	(3 345)	(109)	(1 003)	(12 370)
Impairment losses recognised in profit/loss	-	-	-	-	-	-	(326)	(326)
Foreign exchange differences	3	3	1	-	-	-	-	7
Balance as at 31.12.2024	13 854	15 120	7 005	68 234	28 499	7 641	21 028	161 381
Additions	80	8 772	286	4 759	2 369	878	3 546	20 690
Disposals	(5 349)	(836)	(154)	(2 159)	(1 934)	(356)	(23 522)	(34 310)
Foreign exchange differences	(5)	(6)	(3)	(3)	(5)	-	-	(22)
Balance as at 31.12.2025	8 580	23 050	7 134	70 831	28 929	8 163	1 052	147 739
Depreciation								
Balance as at 31.12.2023	-	4 394	5 522	42 977	21 975	4 641	-	79 509
Additions	-	327	407	2 912	1 621	523	-	5 790
Disposals	-	(60)	(327)	(910)	(2 056)	(103)	-	(3 456)
Foreign exchange differences	-	(2)	-	15	-	8	-	21
Balance as at 31.12.2024	-	4 659	5 602	44 994	21 540	5 069	-	81 864
Additions	-	450	227	3 057	1 556	572	-	5 862
Disposals	-	(662)	(153)	(1 484)	(1 475)	(251)	-	(4 025)
Foreign exchange differences	-	1	-	18	24	(12)	-	31
Balance as at 31.12.2025	-	4 448	5 676	46 585	21 645	5 378	-	83 732
Net carrying amount								
Net carrying amount as at 31.12.2024	13 854	10 461	1 403	23 240	6 959	2 572	21 028	79 517
Net carrying amount as at 31.12.2025	8 580	18 602	1 458	24 246	7 284	2 785	1 052	64 007

- The presented values of property, plant and equipment as at 31.12.2025 and 31.12.2024 include land and buildings owned by the subsidiary “Trace Serbia” AD (JSC), for which the entity holds title documents. In accordance with the 2015 Act on Legalisation of Buildings of the Republic of Serbia, these real estate properties are subject to legalisation. Pursuant to this Act, buildings constructed without a use permit may be granted such a permit after completion of the relevant procedure. The use permit is subsequently 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 issued at the beginning of 2016, the entity has submitted requests for conversion of the land owned by it. Under these procedures, “Trace Serbia” AD (JSC) legalised part of its sites during the period 2015–2019 and has filed applications for the remaining sites. These applications are currently being processed. The buildings and land still subject to legalisation and/or conversion amount to BGN 692 thousand as at 31.12.2025 (31.12.2024: BGN 1,179 thousand).
- Leased / right-of-use assets are disclosed in *Note № 1.14 “Leases”*.

- The presented values of non-current tangible assets as at 31.12.2025 include fully depreciated buildings, plant, machinery and equipment, transport vehicles and other assets used in the course of the Group’s activities, with carrying amounts of BGN 115 thousand, BGN 4,033 thousand, BGN 8,769 thousand, BGN 6,243 thousand and BGN 3,592 thousand, respectively.
- The presented values of non-current tangible assets as at 31.12.2025 include land, buildings, plant, machinery and equipment, transport vehicles, other assets and costs for the acquisition of non-current tangible assets, with carrying amounts of BGN 2,349 thousand, BGN 21,265 thousand, BGN 395 thousand, BGN 7,802 thousand, BGN 1891 thousand, BGN 0 thousand and BGN 807 thousand, respectively, which are mortgaged and/or pledged in favour of commercial banks under loan agreements, issued bank guarantees and other payables.
- Capitalised costs amounting to BGN 1,052 thousand as at year-end include:
 - BGN 481 thousand – costs related to properties not yet commissioned;
 - BGN 353 thousand – costs incurred for finishing works on an already commissioned building;
 - BGN 218 thousand – other costs;

1.2. Investment property

	Land	Buildings	Capitalised costs	Total
<i>Carrying amount</i>				
Balance as at 31.12.2023	4 687	4 351	2 836	11 874
Additions	3 177	27	1 709	4 913
Disposals	(185)	(175)	-	(360)
Impairment losses recognised in profit/ loss	(1 985)	-	(176)	(2 161)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2024	5 694	4 203	4 369	14 266
Additions	85	12 881	513	13 479
Disposals	(10)	(266)	(4 222)	(4 498)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2025	5 769	16 818	660	23 247
<i>Depreciation</i>				
Balance as at 31.12.2023	-	1 179	-	1 179
Additions	-	328	-	328
Disposals	-	(57)	-	(57)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2024	-	1 450	-	1 450
Additions	-	617	12	629
Disposals	-	(96)	-	(96)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2025	-	1 971	12	1 983
<i>Net carrying amount</i>				
Net carrying amount as at 31.12.2024	5 694	2 753	4 369	12 816
Net carrying amount as at 31.12.2025	5 769	14 847	648	21 264

- Investment property comprises agricultural land, landed properties, buildings and land adjoining such buildings, as well as separately identifiable parts of buildings held for independent use, intended for long-term rental to related entities and third parties.
- The presented values of investment property as at 31.12.2025 include fully depreciated buildings with carrying amounts of BGN 5 thousand, which are used in the course of the Group’s activities.
- The presented values of investment property as at 31.12.2025 include land and buildings with carrying amounts of BGN 6,358 thousand and BGN 6,829 thousand, respectively, which are mortgaged and/or pledged in favour of commercial banks under loan agreements, issued bank guarantees and other payables.

1.3. Intangible assets

	Rights	Software products	Other assets	Total
<i>Carrying amount</i>				
Balance as at 31.12.2023	2 145	913	120	3 178
Additions	-	8	-	8
Disposals	(1)	(5)	-	(6)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2024	2 144	916	120	3 180
Additions	-	27	-	27
Disposals	(7)	(112)	-	(119)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2025	2 137	831	120	3 088
<i>Amortisation</i>				
Balance as at 31.12.2023	1 298	588	81	1 967
Additions	76	143	8	227
Disposals	-	(5)	-	(5)
Foreign exchange differences	-	-	-	-
Balance as at 31.12.2024	1 374	726	89	2 189
Additions	77	83	7	167
Disposals	(6)	(111)	-	(117)
Foreign exchange differences	1	1	-	2
Balance as at 31.12.2025	1 446	699	96	2 241
<i>Net carrying amount</i>				
Net carrying amount as at 31.12.2024	770	190	31	991
Net carrying amount as at 31.12.2025	691	132	24	847

- The presented values of non-current intangible assets as at 31.12.2025 include fully amortised rights, software and other assets with carrying amounts of BGN 204 thousand, BGN 460 thousand and BGN 89 thousand, respectively, which are used in the course of the Group’s activities.

1.4. Investments accounted for using the equity method

Investments accounted for using the equity method	31.12.2025	31.12.2024
Investments in associates	2	3
Total	2	3

1.4.1. Investments in associates

Investments	31.12.2025		31.12.2024	
	Volume	Amount	Volume	Amount
Voden Proekt (transl. Water Project) Stara Zagora – a Company established under the Bulgarian Law on Obligations and Contracts	-	-	34%	1
Belchin 3 OOD (LTD)	33,60%	2	33,60%	2
Total		2		3

- The Group accounts for investments in associates using the equity method.
- Following the completion of the relevant proceedings, “Voden Proekt (transl. Water Project Stara Zagora – a Company established under the Bulgarian Law on Obligations and Contracts” was deleted from the BULSTAT Register on 06.06.2025. “Trace Group Hold” PLC held 30% participating interest and Trace BG EOOD (LTD) held 4% participating interest in “Voden Proekt (transl. Water Project Stara Zagora – a Company established under the Bulgarian Law on Obligations and Contracts”. The entity was dissolved effective from that date. More details on the disposal are disclosed in *Note 3.10 “Disposal of associates through liquidation”*.
- **Movements in investments in associates are presented below:**

Indicators	Voden Proekt (transl. Water Project) Stara Zagora – a Company established Under the Bulgarian Law on Obligations and Contracts	Belchin 3 OOD (LTD)
Carrying amount at the beginning of the period	1	2
Subscribed capital contributions	-	-
Share of the current period’s profit/(loss)	-	-
Less: accumulated depreciation	-	-
Investment derecognised during the period	(1)	-
Carrying amount as at year-end	-	2

- **Summarised financial information on associates as at 31.12.2025**

Indicators	Belchin 3 OOD (LTD)
Current assets	5
Non-current assets	-
Current liabilities	-
Income	-
Profit/(Loss) from continuing operations	-
Total comprehensive income	-

▪ Summarised financial information on associates as at 31.12.2024

Indicators	Voden Proekt (transl. Water Project) Stara Zagora – a Company established Under the Bulgarian Law on Obligations and Contracts	Belchin 3 OOD (LTD)
Current assets	-	5
Non-current assets	-	-
Current liabilities	-	-
Income	-	-
Profit/(Loss) from continuing operations	-	-
Total comprehensive income	-	-

1.5. Non-current trade receivables

Type	31.12.2025	31.12.2024
Contract receivables from customers (net)	25 167	21 561
Contract receivables from customers	25 308	21 702
Impairment of contract receivables from customers	(141)	(141)
Advance payment receivables (net)	83	83
Advance payment receivables	83	83
Other trade receivables (net)	61	61
Other trade receivables	61	61
Total	25 311	21 705

- Retention amounts under construction contracts that are expected to be realised more than 12 months after the end of the reporting period are presented as non-current trade receivables.
- Retention amounts under construction contracts, amounting to BGN 7,080 thousand (2024: BGN 12,197 thousand), are included in the presented “contract receivables from contracts with customers” as at year-end.
- Changes in the impairment loss related to contract receivables from contracts with customers are disclosed in detail in *Note 1.9*.

1.6. Other non-current receivables and assets

Type	31.12.2025	31.12.2024
Other non-current receivables and assets (net)	6 565	5 453
Guarantees issued and deposits placed	195	32
Prepaid expenses	6 370	5 421
Total	6 565	5 453

- Non-current guarantees issued represent cash collateral provided in respect of performance bonds issued by banks for projects and sites with validity until 2036.
- The non-current portion of costs related to bank guarantees issued in connection with construction contracts is presented under “Prepaid expenses”.

1.7. Deferred tax assets

Temporary difference	31 December 2024		Modification in deferred tax recognised for 2025				31 December 2025	
	Temporary difference	Deferred tax	increase		decrease		Temporary difference	Deferred tax
			Temporary difference	Deferred tax	Temporary difference	Deferred tax		
Amortisation	3 950	370	2 389	264	(995)	(99)	5 344	535
Impairment losses	3 974	527	1 994	201	(5 071)	(507)	897	221
Leave benefits (compensated absences)	1 489	147	331	32	(903)	(90)	917	89
Thin capitalisation	14	1	-	-	-	-	14	1
Tax losses	631	63	718	72	(44)	(4)	1 305	131
Employee benefits	3 091	312	2 469	245	(2 171)	(217)	3 389	340
Provisions	43 426	4 340	33 277	3 327	(31 964)	(3 196)	44 739	4 471
Long-term employee benefits	408	54	544	54	(407)	(41)	545	67
Intra-group profits	2 663	314	-	-	(1 240)	(124)	1 423	190
Right-of-use assets	130	13	2 800	280	(2 930)	(293)	-	-
Statute-barred payables	315	31	10	-	-	-	325	31
Total assets:	60 091	6 172	44 532	4 475	(45 725)	(4 571)	58 898	6 076

- When recognising deferred tax assets, the Group takes into consideration the probability of future reversals of the respective temporary differences and the Group’s ability to generate sufficient taxable profits.
- A deferred tax asset amounting to BGN 900 thousand (31.12.2024: BGN 21 thousand), relating to a tax loss realised by the Group in Bulgaria during the current year, has not been recognised for the period.

1.8. Inventories

Type	31.12.2025	31.12.2024
Materials (net), including:	51 599	62 121
Direct materials	49 258	58 621
Spare parts	1 018	1 132
Fuel, oil and lubricants	1 074	1 322
Auxiliary materials	73	87
Materials held in custody	-	801
Other materials	201	167
Overheads	2	18
Impairment of materials	(27)	(27)
Finished goods (net)	8 438	11 362
Finished goods	8 438	11 362
Goods for resale (net)	144	644
Goods for resale	144	644
Work in progress (net)	27 884	19 804
Work in progress	27 884	19 804
Total	88 065	93 931

- Finished goods and Work in progress include amounts relating to the construction of three sites in Bulgaria and Serbia. As at 31.12.2025, these amounted to BGN 7,208 thousand of finished goods relating to Site 1 (2024:

BGN 10,099 thousand), BGN 8,644 thousand relating Site 2 and BGN 18,551 thousand relating to Site 3 (2024: BGN 5,548 thousand and BGN 16,256 thousand, respectively).

1.9. Current trade receivables

Type	31.12.2025	31.12.2024
Receivables from related parties outside the Group (net)	17 079	1 796
Contract receivables from customers	2 345	1 745
Impairment of contract receivables from customers	-	(154)
Contract assets from customers	14 493	-
Operating lease receivables	231	188
Impairment of operating lease receivables	(19)	(10)
Other trade receivables	29	27
Contract receivables from customers (net)	75 252	129 265
Contract receivables from customers	76 799	131 472
Impairment of contract receivables from customers	(1 547)	(2 207)
Contract assets from customers (net)	162 484	232 807
Contract assets from customers	162 484	232 807
Advance payment receivables (net)	18 289	20 291
Advance payment receivables	19 100	21 185
Impairment of advance payment receivables	(811)	(894)
Operating lease receivables (net)	707	445
Operating lease receivables	739	504
Impairment of operating lease receivables	(32)	(59)
Other trade receivables (net)	1 558	1 607
Other trade receivables	1 786	1 835
Impairment of other trade receivables	(228)	(228)
Total	275 369	386 211

▪ Retention amounts under construction contracts, amounting to BGN 1 thousand and BGN 7,425 thousand, respectively, are included in contract receivables from contracts with customers – related parties and contract receivables from contracts with customers disclosed as at year-end (2024: BGN 62 thousand and BGN 4,548 thousand, respectively).

▪ A special pledge over a portfolio of contract receivables arising from contracts concluded between the Group and third parties has been established by the Group in connection with bank guarantee agreements and bank loans obtained.

▪ Contract assets from contracts with customers include the right to consideration for a performance obligation satisfied to date (measured progress towards complete satisfaction). Such contract assets arise from services rendered and/or partially rendered that have not yet been approved by the customer as at year-end and for which the entities within the Group do not have an unconditional right to payment. Contract assets and liabilities arising under the same contract are presented on a net basis, where applicable. Contract assets from contracts with customers and changes therein are disclosed in detail in *Note № 3.1. “Construction contracts”*.

The ageing analysis of trade receivables, excluding advance payments, is presented below:

	Amount	Relative share
Up to 60 days	215 708	83%

61 days – 120 days	10 127	4%
121 days – 180 days	9 859	4%
181 days – 360 days	4 990	2%
Over 360 days	18 222	7%
Impairment allowance	(1 826)	-
Total	257 080	100%

▪ A significant portion of the overdue receivables arises from contracting authorities. The Group’s policy is to accrue, invoice and collect default interest on some overdue receivables in order to compensate for payment delays and the related costs / losses incurred. Such default interest is accrued, invoiced and collected both under special agreements concluded with the respective debtor and pursuant to legal proceedings.

▪ In 2025, the Group applied the simplified approach under IFRS 9 for measuring expected credit losses on trade receivables, recognising expected credit losses over the entire lifetime of the instrument for all trade receivables (*Note № 1.3.1.4*). On this basis, the loss allowance as at 31 December 2025 is determined as follows:

Movements in impairment loss allowances

Type	31.12.2024	Movements in 2025			31.12.2025
		Increase	Decrease	Transfer/ others	
Impairment allowance for contract receivables from customers	(2 502)	(510)	1 165	159	(1 688)
Impairment allowance for advance payment receivables	(894)	-	-	83	(811)
Impairment allowance for operating lease receivables	(69)	-	-	18	(51)
Impairment allowance for other trade receivables	(228)	-	-	-	(228)
Impairment allowance for other receivables and assets	(135)	(10)	-	(9)	(154)
Impairment allowance for litigation receivables	(776)	-	-	121	(655)
Impairment allowance for financial assets and leases	(681)	(24)	-	1	(704)
Impairment allowance for cash and cash equivalents	(6)	(18)	-	4	(20)
Impairment allowance for property, plant and equipment and investment property	(2 837)	-	-	-	(2 837)
Impairment allowance for inventories	(27)	-	-	-	(27)
Total	(8 155)	(562)	1 165	377	(7 175)

1.10. Other current receivables and assets

Type	31.12.2025	31.12.2024
Receivables from related parties outside the Group (net)	-	-
Other receivables	72	72
Impairment of other receivables and assets	(72)	(72)
Litigation receivables (net)	996	1 036
Litigation receivables	1 651	1 812
Impairment of litigation receivables	(655)	(776)
Social security receivables	10	9

Social security	10	9
Other current receivables	7 363	8 889
Guarantees issued and deposits placed	3 531	4 423
Prepaid expenses	3 193	4 249
Insurance receivables	4	-
Other receivables	717	280
Impairment of other receivables	(82)	(63)
Recoverable taxes, including:	4 126	10 251
Value Added Tax	3 091	9 618
Corporate Income Tax	1 026	616
Other taxes	9	17
Total	12 495	20 185

- Advance payments include insurance for projects and sites with validity until 2029, and costs related to performance bonds issued by banks for projects and sites with validity until 2036.
- Changes in the impairment allowance for contract receivables from contracts with customers are disclosed in detail in *Note № 1.9*.

1.11. Current financial assets

Current financial assets	31.12.2025	31.12.2024
Financial assets measured at amortised cost	633	172
Total	633	172

1.11.1. Financial assets measured at amortised cost

Type	31.12.2025	31.12.2024
Loans	633	172
Total	633	172

1.11.1.1. Loans – short-term

Type	31.12.2025	31.12.2024
Loan receivables from related parties outside the Group (net)	-	-
Interest receivables on loans granted to related parties outside the Group	12	12
Impairment of loan receivables from related parties outside the Group	(12)	(12)
Loan receivables from unrelated parties (net)	633	172
Loan receivables from unrelated parties	1 166	711
Interest receivables on loans granted to unrelated parties	159	130
Impairment of loan receivables from unrelated parties	(692)	(669)
Total	633	172

Loans granted to unrelated parties are subject to the following terms and conditions:

Borrower	Contracted loan amount	Interest Rate %	Maturity	Securities / Guarantees
Todorov AD (JSC)	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	6,5%	30.06.2017	Promissory note
FC Dinamo, Vranja	BGN 25 thousand	10,3%	08.10.2016	Promissory note
Smart Build Digital EOOD (LTD)	BGN 600 thousand	4,5%	30.09.2023	Promissory note
Exclusiva OOD (LTD)	BGN 450 thousand	4,7%	02.04.2026	None
Private individual	BGN 144 thousand	2,5%	12.12.2023	Securities
Private individual	BGN 7 thousand	11,81%	31.01.2026	None

- Overdue loans have been impaired as presented in the table below.

Balances of loans granted to unrelated parties as at 31.12.2025

Borrower	Current portion at amortised cost	
	Principal	Interest
Todorov AD (JSC)	81	-
Todorov AD (JSC) – impairment	(81)	-
FC Vereya NGO	7	-
FC Vereya NGO	17	7
FC Vereya NGO – impairment	(24)	(7)
FC Dinamo Vranja	16	19
FC Dinamo Vranja – impairment	(16)	(16)
Smart Build Digital EOOD (LTD)	444	104
Smart Build Digital EOOD (LTD) – impairment	(444)	(104)
Exclusiva OOD (LTD)	450	5
Private individual	144	24
Private individual	7	-
Total	601	55

- In a prior period, the Group granted a loan to a private individual and received bearer securities as collateral under that loan, with a face value of EUR 100 thousand and an acquisition price of EUR 78 thousand, bearing fixed interest of 2.5% per annum. The repayment of the principal of the securities, amounting to BGN 152 thousand, was due in 2023, while interest payments, amounting to BGN 10 thousand, are due annually. The seller has an option to repurchase the securities on a deferred payment basis.

- Changes in the impairment allowance for contract receivables from contracts with customers are disclosed in detail in *Note № 1.9*

1.12. Cash and cash equivalents

Вид	31.12.2025	31.12.2024
Cash in hand	41	40
Denominated in Bulgarian lev (BGN)	33	27
Denominated in foreign currencies	8	13
Cash at bank (current accounts)	24 744	6 287
Denominated in Bulgarian lev (BGN)	14 363	2 533

Denominated in foreign currencies	10 381	3 754
Cash equivalents	37	29
Receivables from employees	37	29
Restricted amounts	3 070	2 935
Current deposits	113	113
Impairment of cash balances, deposits and current accounts	(20)	(6)
Total	27 985	9 398

▪ Pursuant to the analysis performed and the methods applied to measure expected credit losses on cash and cash equivalents, Management has determined that it is necessary to recognise an impairment allowance for cash and cash equivalents amounting to BGN 20 thousand as at the end of the reporting period (2024: BGN 6 thousand).

▪ Restricted cash includes BGN 459 thousand of cash restricted under concession arrangements, BGN 261 thousand of cash restricted in relation to other payables and obligations, and BGN 2,350 thousand restricted in current accounts as additional collateral for issued bank guarantees / counter-guarantees, with validity until the bank is released from its commitments.

Reconciliation of cash and cash equivalents presented in the Statement of Financial Position and the Statement of Cash Flows

Type	31.12.2025	31.12.2024
Cash and cash equivalents in the Consolidated Statement of Financial Position	27 985	9 398
Restricted cash	3 070	2 935
Cash and cash equivalents in the Consolidated Statement of Cash Flows	24 915	6 463

1.13. Equity

1.13.1. Share capital

Type of shares	31.12.2025			31.12.2024		
	Number of shares	Value	Nominal value	Number of shares	Value	Nominal value
<i>Ordinary</i>						
Issued and paid	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Treasury shares	-	-	-	(3 739)	(11 077)	2,96
Total:	24 200 000	24 200 000		24 196 261	24 188 923	

Shareholder	31.12.2025				31.12.2024			
	Number of shares	Value	Paid	% share	Number of shares	Value	Paid	% share
Galini-N EOOD (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	16 216 646	16 216 646	16 216 646	67.01%	16 276 755	16 276 755	16 276 755	67.26%
Desislava Lyubenova	1 202 056	1 202 056	1 202 056	4.97%	1 202 056	1 202 056	1 202 056	4.97%
Manol Denev	33 941	33 941	33 941	0.14%	-	-	-	-
Boyan Delchev	10 068	10 068	10 068	0.04%	-	-	-	-

Manol Kavrakov	4 400	4 400	4 400	0.02%	-	-	-	-
Other shareholders	4 554 889	4 554 889	4 554 889	18.83%	4 539 450	4 539 450	4 539 450	18.75%
Trace Group Hold PLC-treasury shares at cost	-	-	-	-	3 739	3 739	3 739	0.02%
Total	24 200 000	24 200 000	24 200 000	X	24 200 000	24 200 000	24 200 000	X
Trace Group Hold PLC-treasury shares at cost	-	-	-		(3 739)	(11 077)	(11 077)	
Total:	24 200 000	24 200 000	24 200 000	100%	24 196 261	24 188 923	24 188 923	100%

- At the end of the current reporting period, “Trace Group Hold” PLC and its subsidiaries held 3,739 repurchased shares (treasury shares), amounting to BGN 11 thousand (31.12.2024: 3,739 treasury shares).

1.13.2. Share premium

Share premium, amounting to BGN 21,748 thousand as at year-end, was formed from the capital issued by the Parent company in 2007 (BGN 21,763 thousand) and from changes arising from the purchase and sale of treasury shares from their initial recognition up to 31.12.2025 (BGN 15 thousand).

1.13.3. Translation reserve

Translation reserve arising from the translation of foreign operations into the presentation currency, amounting to a loss of BGN 635 thousand, is formed from foreign exchange losses arising on the translation of the financial statements of foreign operations (entities and branches domiciled abroad) from their functional currencies into the Group’s presentation currency.

1.13.4. Reserves

	General reserves	Other reserves	Total reserves
Reserves as at 31.12.2023	2 420	81 995	84 415
Increased by:	-	9 590	9 590
Profit appropriation	-	9 590	9 590
Reserves as at 31.12.2024	2 420	91 585	94 005
Decreased by:	-	22 947	22 947
Profit appropriation	-	22 947	22 947
Reserves as at 31.12.2025	2 420	114 532	116 952

- Statutory reserves, amounting to BGN 2,420 thousand (31.12.2024: BGN 2,420 thousand), are formed from the profit appropriation of the Parent company and comprise the full amount allocated to the “General Reserves” fund.

- Other reserves, amounting to BGN 114,532 thousand (31.12.2024: BGN 91,585 thousand), are formed from profit appropriation and other changes in the entities within the Group and comprise the full amounts allocated to the “General Reserves” fund.

1.13.5. Financial result

Financial result	Value
Profit as at 31.12.2023	16 113

Increased by:	32 869
Profit for the financial reporting period 2024	32 869
Decreased by:	(15 639)
Profit appropriation to reserves	(9 590)
Dividend distribution	(6 049)
Other changes	(474)
Profit as at 31.12.2024	32 869
Increased by:	10 412
Profit for the financial reporting period 2025	10 412
Decreased by:	(32 869)
Profit appropriation to reserves	(9 678)
Dividend distribution	(22 947)
Other changes	(244)
Profit as at 31.12.2025	10 412
Loss as at 31.12.2023	(385)
Decreased by:	240
Other changes	240
Loss as at 31.12.2024	(145)
Decreased by:	114
Other changes	114
Loss as at 31.12.2025	(31)
Financial result as at 31.12.2023	15 728
Financial result as at 31.12.2024	32 724
Financial result as at 31.12.2025	10 381

- The “Retained earnings / Accumulated losses” reserve includes profits and losses realised by the entities within the Group for the current reporting period, as well as accumulated gains / losses arising from actuarial valuations, including amounts recognised in other comprehensive income during the year.
- Undistributed profit as at 31.12.2025 amounts to BGN 10,381 thousand (31.12.2024: BGN 32,724 thousand) and also includes the recognised accumulated actuarial loss of BGN (31) thousand, recognised from subsequent valuations of defined retirement benefit plans in accordance with IAS 19 Employee Benefits.

Net earnings per share	31.12.2025	31.12.2024
Weighted average number of shares	24 196	24 194
	410	765
Net profit / (loss) for the year attributable to equity holders of the parent company (BGN '000)	10 394	32 845
Net earnings per share (BGN)	0,43	1,36

1.14. Leases

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

Lease agreements are typically concluded for the terms disclosed below, presented by identifiable class of underlying asset, as follows:

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

The Group has also concluded lease agreements under which it acts as lessor. These leases are classified as operating leases and relate to land, buildings, plant, machinery and equipment, transport vehicles and other assets owned by the Group or leased by the Group, where a sublease option has been agreed.

1.14.1. The Group as a lessee

Right-of-use assets, including assets under operating and finance leases, are included in property, plant and equipment as at 31.12.2025, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
<i>Carrying amount</i>								
Balance as at 31.12.2023	-	1 619	-	3 960	3 009	-	-	8 588
Additions	-	305	-	3 434	3 145	-	326	7 210
Disposals	-	(176)	-	(997)	(830)	-	(326)	(2 329)
Foreign exchange differences	-	-	-	-	8	-	-	8
Balance as at 31.12.2024	-	1 748	-	6 397	5 332	-	-	13 477
Additions	-	-	-	4 221	2 035	-	-	6 256
Disposals	-	(614)	-	(1 671)	(477)	-	-	(2 762)
Foreign exchange differences	-	-	-	-	(2)	-	-	(2)
Balance as at 31.12.2025	-	1 134	-	8 947	6 888	-	-	16 969
<i>Depreciation</i>								
Balance as at 31.12.2023	-	1 365	-	483	865	-	-	2 713
Additions	-	142	-	387	654	-	-	1 183
Disposals	-	(7)	-	(229)	(440)	-	-	(676)
Foreign exchange differences	-	4	-	-	2	-	-	6
Balance as at 31.12.2024	-	1 504	-	641	1 081	-	-	3 226
Additions	-	125	-	663	924	-	-	1 712
Disposals	-	(597)	-	(201)	(352)	-	-	(1 150)
Foreign exchange differences	-	-	-	-	2	-	-	2
Balance as at 31.12.2025	-	1 032	-	1 103	1 655	-	-	3 790
<i>Net carrying amount</i>								
Net carrying amount as at 31.12.2024	-	244	-	5 756	4 251	-	-	10 251
Net carrying amount as at 31.12.2025	-	102	-	7 844	5 233	-	-	13 179

1.14.2. Right-of-use assets

Property, plant and equipment as at 31.12.2025 include the following right-of-use assets (operating leases) and finance lease assets

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
<i>Carrying amount</i>								
Balance as at 31.12.2024	-	1 748	-	-	194	-	-	1 942
Balance as at 31.12.2025	-	1 134	-	-	192	-	-	1 326
<i>Depreciation</i>								
Balance as at 31.12.2024	-	1 504	-	-	52	-	-	1 556
Balance as at 31.12.2025	-	1 032	-	-	91	-	-	1 123
<i>Net carrying amount</i>								
Net carrying amount as at 31.12.2024	-	244	-	-	142	-	-	386
Net carrying amount as at 31.12.2025	-	102	-	-	101	-	-	203

1.14.3. Lease liabilities

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

Future minimum lease payments as at 31.12.2025							
	Up to 1 year	1 year-2 years	2 years-3 years	3 years-4 years	4 years-5 years	Over 5 years	Total
Undiscounted lease payments	2 764	2 436	1 895	1 304	316		8 715
Unrealised finance income	(176)	(38)	(16)	(4)	(1)		(235)
Net present value	2 588	2 398	1 879	1 300	315	-	8 480

Lease payments payable within the next 12 months are disclosed in the Consolidated Statement of Financial Position as “Current financial liabilities”.

1.14.4. Amounts included in the Income Statement

The Income Statement includes the following amounts related to leases:

Type of expense	31.12.2025	31.12.2024
Depreciation of “right-of-use” assets	1 712	1 183
Interest and fees on lease liabilities	311	328
Short-term lease expenses	3 615	4 594
Expenses related to leases of low-value assets	40	62
Total	5 678	6 167

1.14.5. Other information

The Group has concluded rental agreements that are outside the scope of IFRS 16, as follows:

	31.12.2025	31.12.2024
Short-term leases	3 615	1 050
Leases of low-value assets	40	20
Total	3 655	1 070

The consideration payable under these agreements is recognised in the Income Statement as “rental expense” as incurred.

The total cash outflow for leases amounted to BGN 2,946 thousand in 2025 (2024: BGN 2,986 thousand).

1.14.6. The Group as a lessor

Operating leases

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

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
<i>Carrying amount</i>								
Balance as at 31.12.2024	567	470	15	1 920	597	-	-	3 569
Balance as at 31.12.2025	465	411	-	1 827	742	-	-	3 445
<i>Depreciation</i>								
Balance as at 31.12.2024	-	190	14	1 513	524	-	-	2 241
Balance as at 31.12.2025	-	154	-	1 471	553	-	-	2 178
<i>Net carrying amount</i>								
Net carrying amount as at 31.12.2024	567	280	1	407	73	-	-	1 328
Net carrying amount as at 31.12.2025	465	257	-	356	189	-	-	1 267

The amounts relating to operating leases included in the Income Statement are presented below:

Type of expense	31.12.2025	31.12.2024
Revenue from fixed lease payments under operating leases=	1 560	1 099
<i>Including revenue from leases of “right-of-use” assets under IFRS 16</i>	-	-

1.15. Non-current financial liabilities

Non-current financial liabilities	31.12.2025	31.12.2024
Lease liabilities	5 891	6 424
Financial liabilities measured at amortised cost	6 417	8 250
Total	12 308	14 674

1.15.1. Lease liabilities – non-current

Type	31.12.2025	31.12.2024
Lease liabilities to related parties outside the Group	65	209
Lease liabilities to unrelated parties	5 826	6 215
Total	5 891	6 424

▪ Future minimum lease payments payable within one (1) year, between one (1) and five (5) years, and after more than five (5) years are disclosed in detail in *Note №1.14*.

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

Type	31.12.2025	31.12.2024
Borrowings	6 417	8 250
Total	6 417	8 250

1.15.2.1. Borrowings – long-term

Type	31.12.2025	31.12.2024
Borrowings from financial institutions	6 417	8 250
Total	6 417	8 250

▪ The terms and conditions of the loans obtained from financial institutions are disclosed in detail in *Note № 1.20.2.1*.

1.16. Non-current trade payables

Type	31.12.2025	31.12.2024
Payables to related parties outside the Group	3	-
Supply payables	7 488	10 318
Other trade payables	-	-
Total	7 491	10 318

▪ The non-current supply payables to related parties and to unrelated parties include retention amounts under construction contracts amounting to BGN 3 thousand and BGN 2,477 thousand, respectively (2024: BGN 3,286 thousand).

1.17. Non-current provisions

Type	31.12.2025	31.12.2024
Long-term employee benefit provisions	1 472	1 362
Construction contract provisions	11 600	17 264
Land reclamation provisions	248	250
Total	13 320	18 876

▪ Provisions for obligations under construction contracts are disclosed in detail in *Note № 1.24*.

1.17.1. Provisions for long-term employee benefits

Long-term employee benefit payables include the present value of the obligations of the entities within the Group, mainly operating in Bulgaria and Serbia, for the payment of retirement benefits as at the date of the Statement of Financial Position. In accordance with the Labour Code effective in Bulgaria, each employee is entitled to a retirement benefit amounting to two gross monthly salaries upon retirement. Where the employee has worked for the same employer during the last 10 years of his / her service, the retirement benefit amounts to six gross monthly salaries as at the retirement date.

The entities within the Group have performed an actuarial valuation in determining the amount of these obligations, appointing a certified actuary for this purpose.

Changes in the present value of the employee benefit obligations are presented below:

Type	31.12.2025	31.12.2024
Present value of the obligation at the beginning of the period	1 362	855
Liability recognised in the Consolidated Statement of Financial Position at the beginning of the period	1 362	855
Interest expense	29	17
Current service cost	179	124
Other changes	97	9
Payments made during the period	(299)	(43)
Actuarial gain recognised during the period	104	400
Present value of the obligation as at year-end	1 472	1 362
Unrecognised actuarial gain / loss as at year-end	-	-
Liability recognised in the Consolidated Statement of Financial Position as at year-end	1 472	1 362

The key assumptions used in determining retirement benefit obligations are presented below:

- A rate based on an annual interest rate of 3.93% (2024: 3.93%) is used to determine the discount factor. The assumption is based on information published by the European Central Bank regarding the long-term interest rate for convergence purposes, with a 10-year maturity and denominated in Bulgarian leva.
- The assumption regarding future salary and wage levels is based on the expected salary and wage inflation within the entity and amounts to an annual increase of 5% compared to the prior reporting period (2024: 5%).
- Mortality assumptions are based on the table for mortality and average life expectancy of the population, by sex and place of residence, issued by the National Statistical Institute in Bulgaria for the period 2023–2024 (2024: 2021–2023).
- Early retirement due to illness / disability is determined on the assumption that mortality and disability follow a similar pattern over time, have a similar nature and are interrelated. The mortality table referred to above, adjusted by 50% of the mortality probability, is used to determine disability-related obligations.
- The employee turnover rate is based on the information provided regarding personnel turnover and the entity's historical data. The probability of employees leaving the Group or being subject to forthcoming redundancy, used in prior assessments and based on a normal distribution of NORMDIST(t ; 10; 4; 1), has been reviewed and retained, where “ t ” represents the time to retirement in years.

The sensitivity analysis of the main actuarial assumptions is based on reasonably possible changes in those assumptions as at the end of the reporting period, assuming that all other assumptions remain unchanged.

The table below presents a sensitivity analysis of the significant assumptions as at 31.12.2025, calculated using a method that extrapolates the effect on the retirement benefit obligation of a reasonably possible change in the key assumptions as at the end of the reporting period in Bulgaria at Group level.

Key assumptions	Change	Effect	% effect
Discount rate	0,50%	-19	-3,73%
Discount rate	-0,50%	20	4,07%
Personnel turnover, annually	-1	72	18,53%
Personnel turnover, annually	1	-70	-14,98%
Remuneration growth	1,00%	50	9,59%

Remuneration growth	-1,00%	-47	-8,80%
Change in the mortality probability	-10,00%	-25	5,35%
Change in the mortality probability	10,00%	22	-4,40%

The expected payments for retirement benefit obligations are stated below:

Term	Obligation	Payment	Number
1	161	161	14
2	84	102	8
3	66	109	9
4	104	194	16
5	70	142	11
50	343	13 854	376

1.18. Deferred tax liabilities

Temporary difference	31 December 2024		Foreign exchange differences	Changes in deferred tax in 2025				31 December 2025	
	Temporary difference	Deferred tax		Increase		Decrease		Deferred tax	Temporary difference
Depreciation and amortisation	9 514	900	3	4 791	472	(4 291)	(417)	10 014	958
Intragroup profits	256	26	-	-	-	-	-	256	26
Withholding tax	2 202	170	-	1 527	83	(20)	(2)	3 709	251
Total liabilities:	11 972	1 096	-	6 318	555	(4 311)	(416)	13 979	1 235

1.19. Other non-current liabilities and payables

Type	31.12.2025	31.12.2024
Deposit and guarantees payable	195	60
Concession payables	327	426
Insurance payables	1 687	-
Total	2 209	486

■ Costs and payables related to performance bonds issued by banks for projects and sites with validity until 2036 are presented as “Other non-current payables”.

1.20. Current financial liabilities

Type	31.12.2025	31.12.2024
Lease obligations	2 588	2 522
Financial liabilities measured at amortised cost	60 118	77 595
Total	62 706	80 117

1.20.1. Lease obligations – current

Type	31.12.2025	31.12.2024
Lease obligations to related parties outside the Group	144	140

Lease obligations to unrelated parties	2 444	2 382
Total	2 588	2 522

1.20.2. Financial liabilities measured at amortised cost

Type	31.12.2025	31.12.2024
Borrowings	60 118	77 595
Total	60 118	77 595

1.20.2.1. Borrowings – short-term

Type	31.12.2025	31.12.2024
Borrowings from related parties outside the Group	-	3 800
Interest payable on borrowings from related parties outside the Group	-	53
Borrowings from financial institutions	59 836	73 526
Interest payable on borrowings from financial institutions	178	122
Borrowings from unrelated parties	104	94
Total	60 118	77 595

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

Bank / Creditor	Contracted loan amount	Interest rate %	Maturity	Securities / Guarantees
UniCredit AD Bulbank	BGN 30 000 thousand	BIR+2.05%	02.11.2026	Mortgages, pledges over non-current tangible assets, pledges over receivables, pledges over accounts
UBB AD	EUR 10 700 thousand	1m.STIR+2.5% for BGN /1m. Euribor+2.5% for EUR euro	30.10.2026	Mortgage, pledges over receivables, pledges over accounts
UBB AD	BGN 11 000 thousand	1y.RIR+1.7%	15.06.2030	Mortgage of real estate, pledge over accounts
DSK Bank AD	EUR 20 000 thousand	ADI+3.9%	31.07.2026	Mortgages, pledges over non-current tangible assets, pledges over receivables, pledges over accounts
DSK Bank AD	EUR 5 000 thousand	ADI+3.9%	31.07.2026	Mortgages, pledges over non-current tangible assets, pledges over receivables, pledges over accounts
Eurobank AD Bulgaria	EUR 5 000 thousand	1m.Euribor+1.5%	29.01.2026	Mortgage, pledges over non-current tangible assets, pledges over receivables, pledges over accounts
Intesa Bank, Serbia	EUR 500 thousand	3m.Euribor+3.25%	19.05.2026	Promissory note, corporate guarantee
UniCredit Bank, Serbia	EUR 500 thousand	3m.Euribor+3.2%	27.02.2026	Mortgage, corporate guarantee, promissory notes

NLB Bank, Serbia	EUR 500 thousand	5,85%	05.05.2026	Promissory note , corporate guarantee
Bulstroy Montazhi EOOR (LTD)	BGN 100 thousand	3%	до 30 днн сряда абагн	None

Balances of borrowings as at 31.12.2025, excluding borrowings from related parties

Bank / Creditor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
UBB AD	12 466	-	-	-
UBB AD	1 833	14	6 417	-
DSK Bank AD	33 157	102	-	-
Eurobank Bulgaria AD	9 773	10	-	-
Intesa Bank, Serbia	810	4	-	-
UniCredit Bank, Serbia	978	-	-	-
UniCredit Bank, Serbia	-	47	-	-
NLB Bank, Serbia	811	1	-	-
Others	8	-	-	-
Bulstroy Montazhi EOOR	104	-	-	-
Total	59 940	178	6 417	-

- The Group annually renegotiates the initially contracted terms and conditions, including maturity dates, under certain credit line agreements. Extended credit lines are presented as non-current or current bank loans as at the date of renegotiation.
- Bank loan agreements contain clauses requiring the maintenance of certain financial ratios. The Group's Management, in communication with the respective creditor bank, monitors compliance with these financial ratios on an ongoing basis.
- The Group has concluded several multi-purpose overdraft credit lines to finance its activities and manage its liquidity risk, namely:
 - Credit line 1 – with a maximum credit amount (overdraft) or bank guarantee amount of up to BGN 30,000 thousand, bearing interest at BIR + 2.05% and maturing on 02.11.2026 (guarantees: 02.05.2032). As at 31.12.2025, no amounts had been utilised under this credit line. The agreement is secured by mortgages over real estate, pledged property, plant and equipment and pledged receivables. A conditional bank credit facility has been agreed under the same credit line in relation to credit commitments in the form of guarantees (counter-guarantees) and letters of credit, with a maximum amount of up to BGN 78,000 thousand. Commitments assumed under the credit line and against cash collateral amount to BGN 14,008 thousand as at 31.12.2025. Their maturity is 02.05.2032. The commitment is disclosed in detail in *Note № 3.6*.
 - Credit line 2 – with a maximum credit amount (overdraft) or bank guarantee amount of up to BGN 20,927 thousand, bearing interest at 1-month STIR + 2.5% for BGN / 1-month EURIBOR + 2.5% for EUR and maturing on 30.10.2026. As at 31.12.2025, BGN 12,466 thousand had been utilised under this credit line. The agreement is secured by a mortgage over real estate and a pledge of receivables. A conditional bank credit facility has been agreed under the same credit line in relation to credit commitments in the form of guarantees, with a maximum amount of up to BGN 29,337 thousand. Commitments assumed under the credit line amount to BGN 4,788 thousand as at 31.12.2025. Their maturity is 30.09.2041. The commitment is disclosed in detail in *Note № 3.6*.
 - Credit line 3 – with a maximum credit amount (overdraft) or bank guarantee amount of up to BGN 9,779 thousand, bearing interest at 1-month EURIBOR + 1.5% and maturing on 29.01.2026. As at 31.12.2025, BGN

9,773 thousand had been utilised under this credit line. The agreement is secured by a mortgage over real , property, plant and equipment and pledged receivables. A conditional bank credit facility has been agreed under the same credit line in relation to credit commitments in the form of guarantees, with a maximum amount of up to BGN 19,558 thousand. There are no commitments assumed under the credit line as at 31.12.2025 and its maturity is 29.01.2031. The commitment is disclosed in detail in *Note № 3.6*.

- Credit line 4 – with a maximum credit amount (overdraft) of up to BGN 978 thousand (EUR 500 thousand), bearing interest at 3-month EURIBOR + 3.2% and maturing on 19.05.2026. As at 31.12.2025, BGN 810 thousand (EUR 414 thousand) had been utilised under this credit line. The agreement is secured by a promissory note and a corporate guarantee. A conditional bank credit facility has been agreed under the same credit line in relation to credit commitments in the form of guarantees (counter-guarantees) and letters of credit, with a maximum amount of up to BGN 5,867 thousand (EUR 3,000 thousand). Commitments assumed under the credit line amount to BGN 1,306 thousand (EUR 668 thousand) as at 31.12.2025. Their maturity is 15.12.2026. The commitment is disclosed in detail in *Note № 3.6*.

- Credit line 5 – with a maximum credit amount (overdraft) of up to BGN 978 thousand (EUR 500 thousand), bearing interest at 3-month EURIBOR + 3.2% and maturing on 27.03.2027. As at 31.12.2025, BGN 978 thousand (EUR 500 thousand) had been utilised under this credit line. The agreement is secured by a promissory note and a corporate guarantee. A conditional bank credit facility has been agreed under the same credit line in relation to credit commitments in the form of guarantees (counter-guarantees) and letters of credit, with a maximum amount of up to BGN 11,735 thousand (EUR 6,000 thousand). Commitments assumed under the credit line amount to BGN 3,480 thousand (EUR 1,779 thousand) as at 31.12.2025. Their maturity is 05.04.2028. The commitment is disclosed in detail in *Note № 3.6*.

- Credit line 6 – with a maximum credit amount (overdraft) of up to BGN 978 thousand (EUR 500 thousand), bearing interest at 5.85% and maturing on 05.05.2026. As at 31.12.2025, BGN 224 thousand (EUR 115 thousand) had been utilised under this credit line. The agreement is secured by a promissory note and a corporate guarantee. A conditional bank credit facility has been agreed under the same credit line in relation to credit commitments in the form of guarantees (counter-guarantees) and letters of credit, with a maximum amount of up to BGN 10,757 thousand (EUR 5,500 thousand). The commitment is disclosed in detail in *Note № 3.6*.

Changes in liabilities arising from financing activities

The table below presents changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows, or future cash flows, are classified in the Group’s Consolidated Statement of Cash Flows as “cash flows from financing activities”.

Liabilities arising from financing activities	31.12.2024	Cash flows from financing activities		Non-cash changes			31.12.2025
		Proceeds	Payments	Interest accrued	Newly arising liabilities	Other changes	
Long-term bank loans	8 250	-	-	-	-	(1 833)	6 417
Short-term bank loans	73 648	89 065	(109 056)	3 583	675	2 099	60 014
Lease liabilities	8 946	-	(2 762)	242	3 079	(1 026)	8 479
Long-term trade loans	-	-	-	-	-	-	-
Short-term trade loans	3 947	-	(3 866)	23	-	-	104
Total liabilities arising from financing activities:	94 791	89 065	(115 684)	3 848	3 754	(760)	75 014

- Other non-cash changes under leases include reclassifications, newly concluded lease agreements, set offs against receivables, and liabilities written off due to full or partial termination of leases.

1.21. Current trade payables

Type	31.12.2025	31.12.2024
Payables to related parties outside the Group	7 956	5 367
Supply payables	7 956	5 367
Supply payables	136 068	201 329
Contract liabilities from customers	79 823	95 596
Advances received	706	771
Other trade payables	149	148
Total	224 702	303 211

- Retention amounts under construction contracts, amounting to BGN 111 thousand and BGN 11,362 thousand, respectively (2024: BGN 97 thousand and BGN 8,851 thousand, respectively), are included in the presented “payables to related parties” and “supply payables” as 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 from customers”. Contract liabilities from customers are recognised as revenue when, or as, the Group satisfies its performance obligations. Contract assets and liabilities arising under the same contract are presented on a net basis, where applicable. Contract liabilities from customers are disclosed in detail in *Note № 3.1. “Construction contracts”*.

1.22. Tax payables

Type	31.12.2025	31.12.2024
Value Added Tax	12 016	859
Value Added Tax - interest	-	192
Corporate income tax	2 163	9 456
Personal income tax	218	234
Withholding tax	3	2
Tax on expenses	151	21
Other taxes	291	2 088
Total	14 842	12 852

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

Entity	Comprehensive tax audit	VAT audit	Social security compliance audit
Trace Group Hold PLC	31.12.2018	31.12.2018	None
Trace BG EOOD (LTD)	31.12.2011	None	31.12.2011
Trace Yambol AD (JSC)	31.12.2014	31.12.2014	31.12.2014
Infra Commerce EOOD (LTD)	31.12.2019	30.06.2022	None
Asphalt Commerce EOOD (LTD)	None	None	None
USM AD (JSC) – in liquidation, until 18.03.2025	09.04.2024	15.10.2024	02.08.2024
Trace Mechanization EAD (JSC)	None	None	None
Trace Properties EOOD (LTD)	None	None	None
Trace Rent EOOD (LTD)	None	None	None
Trace Serbia (Serbia)	31.12.2017	31.10.2022	31.10.2022
Trace Build (Serbia)	None	None	None

▪ Tax audits of entities domiciled in Bulgaria may cover a period of five years, counted from the end of the year in which the tax return for the respective liability was submitted. A tax audit establishes the tax liability of the respective taxable person, except in cases expressly provided for by law. Tax audits in Serbia may cover a period of ten years retrospectively.

1.23. Employee benefit payables

Type	31.12.2025	31.12.2024
Employee benefit payables	3 662	4 224
Including payables for unused compensated absences (leave benefits)	680	1 246
Social security payables	807	1 034
Including payables for unused compensated absences (leave benefits)	114	232
Remuneration payables to key management personnel	2 701	2 010
Social security payables for key management personnel	5	4
Remuneration payables under non-employment relationships	48	18
Social security payables under non-employment relationships	1	-
Total	7 224	7 290

1.24. Current provisions

Type	31.12.2025	31.12.2024
Provisions for legal obligations and liabilities (litigation provisions), including:	6 564	12 663
Provisions relating to legal proceedings	814	552
Provisions for obligations and liabilities under construction contracts	5 283	11 659
Provisions for land reclamation obligations	459	420
Provisions for other obligations and liabilities	8	32
Total	6 564	12 663

Changes in each type of provision during the current period are presented in the table below:

Type of provision	31.12.2024	Provisions recognised during the period	Provisions utilised during the period	Provisions reversed / derecognised during the period	Other changes, including foreign exchange differences	31.12.2025
Provisions for other liabilities	39	-	(7)	-	(24)	8
Provisions for obligations under construction contracts	28 916	8 223	(1 058)	(15 681)	(3 517)	16 883
Provisions for obligations under litigation and legal proceedings	552	360	(92)	-	(6)	814
Provisions for land reclamation obligations	670	39	-	-	(2)	707
Total:	30 177	8 622	(1 157)	(15 681)	(3 549)	18 412

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

Type	31.12.2025	31.12.2024
Non-current provisions	11 848	17 514

Current provisions	6 564	12 663
Total	18 412	30 177

- The provisions recognised under construction contracts relate to assumed warranty obligations and expected costs for the remediation of possible defects. The provisions for land reclamation relate to assumed obligations for land reclamation arising from the extraction of underground natural resources and the exploitation of mineral raw materials after completion of the related activities.
- With respect to Commercial Case No. 2413/2023 before the Sofia City Court, based on a legal analysis and the first-instance court decision issued on 05.03.2026, Management has maintained the provision previously recognised in the amount of BGN 1,383 thousand, notwithstanding the subsequent reduction of penalties by the court to an insignificant amount. Given the complexity of such proceedings and the related judicial practice, Management considers it appropriate, in accordance with the prudence principle, to maintain provisions initially recognised until a more advanced stage of the proceedings, notwithstanding favourable interim developments. The Group continues to defend its interests before the higher courts, but has recognised a provision for the expected adverse financial effect, in accordance with the prudence principle.
- The Entity is also a party to an arbitration dispute in Romania with the National Company for Road Infrastructure Management (CNAIR) arising from a construction contract. The dispute relates to penalties claimed by the contracting authority amounting to RON 43 million. Despite the favourable interim court ruling imposing interim measures (refer to: “Events after the reporting date”), the substantive proceedings (Arbitration Case No. 12/2026) remain pending. Management has assessed the legal risk and recognised a provision amounting to 50% of the underlying claim, in accordance with the applicable accounting standards and the prudence principle. Considering the Group’s arguments accepted in two parallel arbitration proceedings, Management believes that this amount represents the best estimate of the potential financial exposure as at the reporting date.

1.25. Other current payables and liabilities

Type	31.12.2025	31.12.2024
Payables to related parties outside the Group	1 590	2 021
Deposit and guarantees payables	283	275
Including guarantees and bonds payables to the Supervisory Board (SB), Managing Board (MB) and BoD	283	178
Dividend payables	1 307	1 746
Deposit and guarantees payables	350	261
Concession payables	126	90
Dividend payables	115	123
Insurance liabilities	1 306	360
Other payables and liabilities	111	118
Total	3 598	2 973

- “Other current payables and liabilities” include bank guarantee payables, insurance payables and other expenses incurred in relation to construction contracts completed in the current and prior reporting periods.

2. Consolidated Statement of Profit or Loss

2.1. Income

2.1.1. Revenue from contracts with customers

Type of revenue	2025	2024
Revenue from construction contracts, including:	374 524	617 085

Revenue recognised during the period	374 524	617 085
Revenue from sales of finished goods, including:	56 023	30 103
Sales of asphalt mixtures	33 147	17 664
Sales of work in progress (construction work in progress)	16 227	5 922
Sales of aggregates	6 649	6 517
Sales of goods, including:	4 940	14 145
Sales of goods for railway construction	1 261	8 789
Sales of goods for road construction	1 077	2 392
Sales of fuels, oil and lubricants	1 071	1 062
Sales of goods for reinforced concrete structures	279	286
Sales of aggregates	56	41
Sales of goods for winter maintenance	39	-
Other goods	1 157	1 575
Revenue from sales of services, including:	425	542
Transport services	114	50
Mechanised services	108	110
Commissions	80	139
Laboratory services	41	58
Project and site management	10	74
Other services	72	111
Total	435 912	661 875

2.1.2. Other operating income/(loss)

Type of income	2025	2024
Reversal / derecognition of provisions under construction contracts	15 681	1 296
Income from operating lease assets owned by the Group	1 560	1 099
Liabilities written off	1 094	27
Income from accrued leave and compensation provisions	536	107
Insurance compensation received	503	54
Reversal of impairment of receivables	399	65
Compensations awarded	383	104
Impairment of receivables written off / unused provisions	380	82
Reversal of provisions for other liabilities	87	-
Penalties	59	5
Reversal of impairment of property, plant and equipment and other assets	2	20
Inventory surpluses	1	13
Other income (net)	379	362
Result from sales of materials	329	264
Revenue from sales of materials	1 476	1 716
Carrying amount of materials sold	(1 147)	(1 452)
Result from disposal of non-current assets	587	1 153
Proceeds from disposal of non-current assets	1 256	1 892

Carrying amount of assets disposed of	(669)	(739)
Income from grants, including:	82	135
Grants related to income	82	135
Total	22 062	4 786

▪ Government grants are presented under “Grants”. The Group has benefited from various schemes provided by government institutions to compensate non-household end-users for electricity consumption. The compensation received under these schemes amounts to BGN 82 thousand (2024: BGN 106 thousand).

2.1.3. Finance income

Type of income	2025	2024
Interest income, including interest income accrued on:	297	246
Commercial loans	86	20
Trade receivables	209	226
Other interest income	2	-
Foreign exchange gains	771	475
Other finance income	6	4
Total	1 074	725

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2025	2024
Direct materials	107 021	196 140
Fuel, oil and lubricants	5 816	11 215
Natural gas	1 986	1 196
Electricity	1 799	1 372
Spare parts and consumables	1 579	1 883
Auxiliary materials	1 055	914
Waste	507	322
Road signs	173	6
Tools and consumables	146	240
Advertising materials	115	196
Water	99	72
Tires	97	143
Other low-value materials and consumables, overheads	92	70
Work clothing, protective equipment and medicines	90	139
Stationery and cleaning materials	88	108
Heating energy	46	40
Consumables for office equipment	24	29
Materials for repairs of property, plant and equipment	3	50
Other materials	287	447
Total	121 023	214 582

2.2.2. Cost of external services

Type of expense	2025	2024
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Subcontractors for construction and installation works	171 446	235 015
Mechanised services	19 431	32 294
Transport services	5 782	8 520
Short-term leases / Rentals	5 400	5 884
Insurance	4 510	3 030
Design services	4 200	5 118
Security services	3 665	4 225
Consulting and other contracts	3 651	3 344
Contractual services	2 397	2 150
Taxes and fees	2 243	4 549
Blasting works	2 124	2 241
Laboratory testing	1 798	1 844
Storage fees	1 288	1 030
Concession fees	1 202	314
Repairs and maintenance of assets	1 154	1 705
Geodetic services	1 099	1 175
Legal services and fees	1 011	647
Fees and services related to construction projects	623	-
Advertising, announcements	530	594
Subscriptions	326	251
Telecommunication and communication services	325	294
Court costs, private enforcement agents and fees	305	119
Audit	232	217
Accreditations, ISO, licences	86	97
Trainings, seminars	78	120
Membership fees	60	82
Customs services	33	171
Other external services	932	1 419
Total	235 931	316 449

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

- The cost of statutory audits of the separate and consolidated annual financial statements amounts to BGN 56 thousand for the year.
- The cost of statutory audits of the annual financial statements of the entities within the Group amounts to BGN 136 thousand for the year.
- Other services amount to BGN 32 thousand.

2.2.3. Depreciation and amortisation costs

Type of expense	2025	2024
Depreciation and amortisation cost of the assets owned by the Group	4 946	5 162
Non-current tangible assets used in the principal activity	3 329	4 267
Non-current intangible assets used in the principal activity	80	138
Non-current tangible assets used in administration	821	340
Non-current tangible assets used in administration	87	89
Investment property	629	328
Depreciation and amortisation cost of right-of-use assets	1 712	1 183

Non-current tangible assets used in the principal activity	1 663	1 120
Non-current tangible assets used in administration	49	63
Total	6 658	6 345

2.2.4. Employee benefit expenses

Type of expenses:	2025	2024
Salaries and wages, including those relating to:	46 227	41 380
Production personnel	29 444	28 357
Administrative personnel	16 783	13 023
Social security contributions, including contributions relating to:	5 624	5 486
Production personnel	4 666	4 554
Administrative personnel	958	932
Including expenses incurred relating to key Management	7 253	4 414
Including social benefits and contributions / payments	67	216
Total	51 851	46 866

2.2.5. Impairment losses

Type of expense	2025	2024
Impairment losses on cash and cash equivalents	18	2
Impairment losses on non-current assets and investment property	-	2 487
Impairment losses on receivables	952	588
Impairment losses on contract assets from contracts with customers	-	-
Impairment losses on financial assets	20	23
Total	990	3 100

2.2.6. Other expenses

Type of expense	2025	2024
Provisions for construction contracts	8 519	19 775
Representation expenses	1 634	384
Donations	1 076	1 501
Business travel expenses	760	800
Penalties and fines	431	769
Occupational health services	388	404
Receivables written off	319	1 340
Social benefits provided in kind	292	313
Interest and penalties on public liabilities	205	12
Prior-period expenses	144	-
Provisions for other liabilities	136	202
Shortages and scrapping losses	116	132
Expenses without supporting documents	72	75
Interest on trade payables	-	2
Vouchers under Art. 209 of the Corporate Income Tax Act	-	65
Provisions for litigation	-	5 964
Other expenses	161	101
Total	14 970	31 839

- Donations made to the “Trace for people” Foundation during the reporting period amount to BGN 1,059 thousand.

2.2.7. Adjustments

Type of expense	2025	2024
Carrying amount of goods sold (net)	4 702	13 473
Carrying amount of goods sold	4 702	13 473
Changes in inventories of finished goods (net)	5 854	(2 107)
Changes in inventories of finished goods	5 854	(2 107)
Capitalised costs in assets	(5 986)	(8 478)
Total	4 570	2 888

2.2.8. Finance costs

Type of expense	2025	2024
Interest expense, including interest expense incurred on:	3 988	3 081
Commercial loans	13	53
Loans from financial institutions	3 614	2 610
Leases	311	328
Trade payables	25	19
Other	25	71
Expenses, relating to bank guarantees	932	1 144
Losses from transactions with financial instruments	2	-
Foreign exchange losses	4 369	1 053
Other finance costs	410	860
Total	9 701	6 138

- Operations with financial instruments also include the effects from the disposal of a subsidiary and an associate, as disclosed in detail in *Notes № 3.9. And 3.10.*, respectively.

2.2.9. Tax expense

Type of expense	2025	2024
Corporate Income Tax	2 728	10 240
Other taxes	232	(3 906)
Total	2 960	6 334

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

Consolidated Income Statement (profit or loss for the year)	2025	2024
Taxable profit / (loss) for the year of the entities within the Group	10 186	81 188
Taxable profit / (loss) for the year	10 186	81 188
Current corporate income tax expense for the year at rates of: 10%,15%,16%,19%,22%	(1 747)	(10 161)
Deferred income tax	(1 213)	3 827
Origination and reversal of temporary differences	(232)	3 895

Prior-period tax expense, change in tax rate and other changes	(981)	(68)
Total corporate income tax recognised in the Consolidated Income Statement	(2 960)	(6 334)

Reconciliation of income tax expense determined based on the consolidated accounting result	2025	2024
<i>Accounting profit for the year</i>	<i>18 453</i>	<i>45 133</i>
Current corporate income tax expense for the year at rates of: 10%,15%,16%,19%,22%	(2 610)	(9 602)
<i>From amounts not recognised in tax returns</i>	<i>(350)</i>	<i>3 268</i>
Related to increases	(232)	(588)
Related to decreased	846	777
Prior-period tax expense, tax losses and other changes	(65)	3 079
Amounts for which no deferred tax asset has been recognised and taxes written off	(899)	-
Total income tax expense recognised in the Consolidated Income Statement	(2 960)	(6 334)

- Global minimum corporate tax of 15%

As from 01.01.2024, a global minimum corporate tax of 15% was introduced for multinational and large-scale domestic groups of enterprises. The Pillar Two model rules introduced new tax mechanisms under which multinational and large-scale domestic groups of enterprises are required to pay a minimum level of tax, referred to as global minimum corporate tax.

The new tax mechanisms introduced a minimum tax on income arising in each jurisdiction in which multinational and large-scale domestic groups of enterprises operate, based on an effective tax rate of 15%. The Group has analysed its presence in the various jurisdictions and its consolidated revenue. As at the end of the reporting period, the Group does not fall within the scope of the minimum taxation rules, as its revenue does not exceed the threshold of EUR 750 million under the Corporate Income Tax Act.

2.3. Statement of Comprehensive Income

Components	2025	2024
Profit / (Loss)	10 394	32 845
Other comprehensive income	(294)	60
Items that will not be reclassified subsequently to profit or loss, including:	(104)	(234)
Actuarial gains / losses	(104)	(234)
Items that may be reclassified subsequently to profit or loss, including:	(190)	294
Translation of foreign operations	(190)	294
Total comprehensive income	10 100	32 905

3. Other disclosures

3.1. Construction contracts

The cumulative revenue under construction contracts for 2025 and the allocation over time of the remaining transaction price under significant incomplete construction contracts as at 31.12.2025 are presented below:

Contracts in progress	Revenue recognised under the contract (cumulative)	Cumulative revenue catch-up during the period	Transaction price, allocated to the remaining performance obligation	Expected timing of recognition of the remaining transaction price			Modifications in expected timing of satisfaction of the performance obligation	
				Up to 1 year	1 year-2 years	Over 2 years	Initial term	Current term
Contract 1	96 790	-	17 017	17 017	-	-	2024	2026
Contract 2	88 363	-	9 243	9 243	-	-	2024	2026
Contract 3	36 286	-	61 287	37 903	23 384	-	2027	
Contract 4	38 168	-	83 165	47 837	35 328	-	2027	
Contract 5	93 982	-	94 873	94 873	-	-		2026
Contract 6	76 152	-	325 155	11 201	123 724	190 230		2026
Contract 7	15 048	-	2 300	2 300	-	-		2026
Contract 8	21 077	-	750	750	-	-	2023	2026
Contract 9	472 889	-	6 987	6 987	-	-	2024	2025
Total contracts	938 755	-	600 776	228 111	182 436	190 230	-	-

Contract assets and contract liabilities arising from contracts with customers are recognised in accordance with IFRS 15 Revenue from Contracts with Customers. Contract assets and liabilities arising under the same contract are presented on a net basis, where applicable.

Contract assets from contracts with customers	2025	2024
Balance at the beginning of the period	232 807	71 668
Revenue accrued during the period, not yet invoiced	170 567	246 891
Revenue invoiced	(218 390)	(70 721)
Reclassification	(8 001)	(15 037)
Other changes	(6)	6
Balance at the end of the period	176 977	232 807

Contract liabilities from contracts with customers	2025	2024
Balance at the beginning of the period	(95 596)	(93 798)
Advance payments received during the period, invoiced	(29 119)	(54 967)
Revenue recognised during the period	44 878	53 117
Reclassification	-	-
Other changes	14	52
Balance at the end of the period	(79 823)	(95 596)

3.2. Related parties and related party transactions

The Entity discloses the following related parties:

Nikolay Ganchev Mihaylov is the controlling shareholder of the Trace Group Hold PLC and holds 67.01% of the Group's share capital.

Associates of the Group

Belchin 3 OOD (LTD)

Voden Proekt (transl. Water Project) Stara Zagora – a Company established under the Bulgarian Law on Obligations and Contracts – *until 06.06.25*

Joint ventures of the Group

None

Other related parties:

Entities related through the majority shareholder

Galini – N EOOD (LTD), Galini EOOD (LTD), South solar park EOOD (LTD), ET (SP) Dikol-2 G. Mihaylov, New Alliance OOD (LTD), Institut po Transportna infrastruktura (transl. Institute of Transport Infrastructure) OOD (LTD) *from 21.07.25*, Inzhproekt OOD (LTD) *until 21.05.25*, Transgeo EOOD (LTD) *from 21.07.25*, Smart Synergy Consult EOOD (LTD) *from 21.07.25*

Entities related through key Management personnel

SBAL Grabnachen Centar AD (transl. Specialised Hospital for Active Treatment “Spinal Centre” JSC) *until 29.01.2024*, Novita AD (JSC), Bordoni EOOD (LTD), Evilard-Bulgaria EOOD (LTD), Sintermetali EOOD (LTD) – in liquidation, Aero Plaza AD (JSC), Digitalitics OOD (LTD), Road Design AD (JSC), Lepitsa Land OOD (LTD), Treskaved OOD (LTD), Himik AD (JSC), MC po Biofizika Nova Kletka (Medical Centre New Cell Biophysics) – NOVOUS OOD (LTD) *from 26.09.2024*, Sidil EOOD (LTD) *from 25.11.25*, Divel PST OOD (LTD).

Entities over which the Group has joint control and significant influence

Voden Proekt Stara Zagora (transl. Water Project Stara Zagora) – a Company established under the Bulgarian Law on Obligations and Contracts *until 06.06.25*; Expo Tech Park – a Company established under the Bulgarian Law on Obligations and Contracts *until 06.06.25*; Zebra Trace – a Company established under the Bulgarian Law on Obligations and Contracts; Irinopolis – a Company established under the Bulgarian Law on Obligations and Contracts; PIM-T – a Company established under the Bulgarian Law on Obligations and Contracts; GCF SK-13 Trace Railinfra Consortium; Obedinenie Evropeyski Zheleznitsi (European Railway Alliance) – a Company established under the Bulgarian Law on Obligations and Contracts; Gorna Banya – a Company established under the Bulgarian Law on Obligations and Contracts; Traffic Management Sofia – a Company established under the Bulgarian Law on Obligations and Contracts; Sredets 2018 – a Company established under the Bulgarian Law on Obligations and Contracts; Markirovki Yug (transl. Marking South) – a Company established under the Bulgarian Law on Obligations and Contracts; Poddarzhane (transl. Maintenance) Montana 2023 – a Company established under the Bulgarian Law on Obligations and Contracts; TRP Bourgas 2023 – a Company established under the Bulgarian Law on Obligations and Contracts; and others.

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

Key Management personnel of the Entity:

Nikolay Mihaylov – Chairperson of the Supervisory Board

Manol Denev – Member of the Supervisory Board

Mariela Rounteva – Member of the Supervisory Board

Desislava Lyubenova – Chairperson of the MB

Boyan Delchev – Chief Executive Director and Member of the MB

Manol Kavarakov – Member of the MB

Related party transactions and balances

Sales

Customer	Type of transaction	2025	2024
Associates and joint ventures	Services, assets	16 347	4
Entities and individuals related through the majority shareholder	Services	92	27
Entities and individuals related through the key Management personnel	Services, assets	1 362	1 238
Total		17 801	1 269

Purchases

Supplier	Type of transaction	2025	2024
Majority shareholder	Services, interest	1 886	1 790
Entities and individuals related through the key Management personnel	Services, assets	3 455	910
Entities and individuals related through the majority shareholder	Services, materials	924	400
Total		6 265	3 100

- The amount of donations provided to the “Trace for People” Foundation during the period amounted to BGN 1,059 thousand.

Receivables

Customer	31.12.2025	31.12.2024
Associates and joint ventures	15 039	444
Entities and individuals related through the majority shareholder	86	15
Entities and individuals related through the key Management personnel	1 954	1 337
Total	17 079	1 796

Payables

Supplier	31.12.2025	31.12.2024
Majority shareholder	5 785	3 641
Entities and individuals related through the majority shareholder	1 508	1 141
Key Management personnel	949	860
Total	8 242	5 642

Loans granted

Balances of Loans granted, including principal and interest receivable on outstanding principal amount

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

Interest income, accrued on loans granted

Debtor	Receivable as at	Increase	Decrease	Receivable as at
	31.12.2024	In 2025	In 2025	31.12.2025
Galin Mihaylov	12	-	-	12
Galin Mihaylov - impairment	(12)	-	-	(12)
Total	-	-	-	-

Interest expense incurred on the outstanding principal amounts of loans obtained

Creditor	Payable as at	Incurred	Paid	Payable as at
	31.12.2024	In 2025	In 2025	31.12.2025
Nikolay Mihaylov	53	-	(53)	-
Total	53	-	(53)	-

- All transactions are conducted on an arm's length basis and under ordinary commercial terms.
- Loans granted to related parties are intended to support the financing of activities pursued under common strategic objectives and to provide working capital. Some of these loans are secured by pledged securities (shares), pledged receivables and/or promissory notes.

Remuneration of Management

The remuneration and other income of the key management personnel of the Parent company are as follows:

Expenses for key Management of the Parent			
Type	Amounts accrued for:		
	Short-term employee benefits	Other long-term employee benefits	
Managing Board	4 644	-	
Supervisory Board	2 609	-	
Total:	7 253	-	

The remuneration and other income of the key management personnel, including Executive Directors, Members of Boards and Managers of the entities within the Group, are as follows:

Expenses for key Management of subsidiaries	
Type	Amounts accrued for:
	Employee benefits (remuneration and social security contributions) during the period
Manager	1 013
Executive Director	546
Board of Directors	6

Controller	12
Total:	1 577

- The key management personnel of the Parent comprise the Executive Director and the members of the Managing Board and Supervisory Board, as disclosed in Note №1.1.
- The Group considers as key management personnel those persons who have authority and responsibility for making decisions and acting on behalf of the Parent or any of its subsidiaries.
- Detailed information on the remuneration of key management personnel is provided in the Report on the Implementation of the Remuneration Policy.

3.3. Capital management

Through its capital management, the Group aims to maintain its ability to continue as a going concern, while ensuring an appropriate return to shareholders and economic benefits to the other stakeholders, and maintaining an optimal capital structure so as to minimise the soft of capital.

The capital adequacy and capital structure of the Group are monitored on an ongoing basis. The Group uses various sources of financing, including both its own funds and borrowed funds from banks and related parties.

Type	31.12.2025	31.12.2024
Total debt capital, including:	298 864	397 083
Financial liabilities – related parties	8 168	9 569
Financial liabilities – unrelated parties	290 696	387 514
Less: Cash and cash equivalents	(27 985)	(9 398)
Net debt capital	270 879	387 685
Total equity	172 420	171 998
Total capital	443 299	559 683
Leverage ratio	0,61	0,69

3.4. Financial risks

In the course of its ordinary activities, the Group is exposed to various financial risks, the most significant of which are: the currency risk, the credit risk and the liquidity risk. The overall risk financial risk management process is focused on minimising the potential adverse effects of these risks on the Group’s financial performance. Financial risks are identified, measured and monitored on ongoing basis through various control mechanisms, in order to ensure appropriate pricing of services rendered by the Group and adequate management of available liquid resources without undue concentration of a risk.

The different types of financial risks to which the Group is exposed, and the approach adopted for managing these risks are described below.

Credit risk

In the course of its activities, the Group is exposed to credit risk, arising from the possibility that counterparties may fail to fulfil their obligations in full and within the agreed timeframes.

The Group’s financial assets are concentrated in three main categories: “Cash and cash equivalents”, “Receivables from customers”, and “Financial assets – loans granted”.

The Group’s cash and cash at bank (current accounts) are mainly held with: “UniCredit Bulbank” AD, “DSK Bank” AD, “UBB” AD and “Eurobank Bulgaria” AD. Management believes that no significant credit risk exists in relation to these banks, provided that they continue to maintain stable liquidity positions.

31.12.2025	Overdue		Not yet d		Renegotiated maturity, not yet expired		Total
	Impaired	Not impaired	Impaired	Not impaired	Impaired	Not impaired	
Non-current assets	-	-	-	25 228	-	-	25 228
Non-current trade and other receivables				25 369			25 369
Non-current trade and other receivables-impairment				(141)			(141)
Current assets	458	175	-	255 522	-	-	256 155
Current financial assets from related parties	12	-	-	-	-	-	12
Current financial assets from related parties-impairment	(12)	-	-	-	-	-	(12)
Current financial assets	1 110	175	-	-	-	-	1 285
Current financial assets-impairment	(652)	-	-	-	-	-	(652)
Current trade and other receivables from related parties	-	-	-	17 098	-	-	17 098
Current trade and other receivables from related parties-impairment	-	-	-	(19)	-	-	(19)
Current trade and other receivables	1 031	-	-	238 991	-	-	240 022
Current trade and other receivables-impairment	(1 031)	-	-	(548)	-	-	(1 579)
Total financial assets	458	175	-	280 750	-	-	281 383

Liquidity risk

Liquidity risk represents the risk that the Group may encounter difficulties in meeting its financial obligations as they fall due. The Group applies a conservative liquidity management policy aimed at maintain sufficient cash resources and ensuring adequate financing of its operational activities. Maturity and timely settlement of obligations are continuously monitored by the Financial and Accounting Department, which maintains up-to-date information regarding available cash resources and expected future payments.

31.12.2025	Immediate	1 m.-3 m.	4-12 m.	1-5 y.	Over 5 y.	With no maturity	Total
Non-current assets	-	-	-	25 228	-	-	25 228
Non-current financial assets	-	-	-	-	-	-	-
Non-current trade and other receivables from related parties	-	-	-	-	-	-	-
Non-current trade and other receivables	-	-	-	25 228	-	-	25 228
Non-current liabilities	-	-	-	20 896	-	-	20 896
Non-current lease liabilities to related parties	-	-	-	76	-	-	76
Non-current financial liabilities	-	-	-	6 744	-	-	6 744
Non-current lease liabilities	-	-	-	6 063	-	-	6 063

Non-current trade and other payables to related parties			3			3
Non-current trade and other payables	-	-	-	8 010	-	8 010
Net liquid imbalance – non-current	-	-	-	4 332	-	4 332
Cumulative liquid imbalance – non-current	-	-	-	4 332	4 332	4 332
Current assets	24 915	-	255 697	3 070	-	458 284 140
Current financial assets from related parties	-	-	-	-	-	-
Current financial assets	-	-	175	-	458	633
Current trade and other receivables from related parties	-	-	17 079	-	-	17 079
Current trade and other receivables	-	-	238 443	-	-	238 443
Cash and cash equivalents	24 915	-	-	3 070	-	27 985
Current liabilities	-	159 432	51 220	-	-	210 653
Current financial liabilities to related parties	-	-	-	-	-	-
Current lease liabilities to related parties	-	36	117	-	-	153
Current financial liabilities	-	14 737	45 765	-	-	60 503
Current lease liabilities	-	635	1 985	-	-	2 620
Current trade and other liabilities to related parties	-	7 956	1 307	-	-	9 263
Current trade and other liabilities	-	136 068	2 046	-	-	138 114
Net liquid imbalance – current	24 915	(159 432)	204 477	3 070	-	458 73 487
Cumulative liquid imbalance – current	24 915	(134 517)	69 959	73 029	73 029	73 487 73 487
Total financial assets	24 915	-	255 697	28 298	-	458 309 368
Total financial liabilities	-	159 432	51 220	20 896	-	231 549
Total Net liquid imbalance	24 915	(159 432)	204 477	7 402	-	458 77 819
Total Cumulative liquid imbalance	24 915	(134 517)	69 959	77 361	77 361	77 819 77 819

Interest risk

Interest risk is the risk that the fair value or future cash flows of the financial assets and liabilities held by the Group will fluctuate due to changes in market interest rates. Financial instruments bearing fixed interest rates expose the Group to fair value interest rate risk (market value of fixed-rate financial assets and liabilities will fluctuate due to changes in market interest rates). Financial assets and liabilities bearing floating interest rates expose the Group to cash flow interest risk (fluctuations in the future cash flows of a financial instrument, asset, or liability, arising from changes in market interest rates).

Overall, interest-bearing financial assets and liabilities, including finance lease receivables and payables, as well as loans granted or obtained, represent a significant portion of the Group’s assets and liabilities.

31.12.2025	Interest-free	With floating interest rate %	With fixed interest rate %	Total
Non-current assets	25 228	-	-	25 228
Non-current financial assets	-	-	-	-
Non-current trade and other receivables	25 228	-	-	25 228
Non-current liabilities	8 013	12 243	65	20 321
Non-current lease liabilities to related parties	-	-	65	65
Non-current financial liabilities	-	6 417	-	6 417
Non-current lease liabilities	-	5 826	-	5 826
Non-current trade and other payables to related parties	3	-	-	3
Non-current trade and other payables	8 010	-	-	8 010
Exposure to long-term risk	17 215	(12 243)	(65)	4 907

Current assets	255 563	27 944	633	284 140
Current financial assets from related parties	-	-	-	-
Current financial assets	-	-	633	633
Current trade and other receivables to related parties	17 079	-	-	17 079
Current trade and other receivables	238 443	-	-	238 443
Cash and cash equivalents	41	27 944	-	27 985
Current liabilities	147 377	62 458	248	210 083
Current financial liabilities to related parties	-	-	-	-
Current lease liabilities to related parties	-	-	144	144
Current financial liabilities	-	60 014	104	60 118
Current lease liabilities	-	2 444	-	2 444
Current trade and other payables to related parties	9 263	-	-	9 263
Current trade and other payables	138 114	-	-	138 114
Exposure to short-term risk	108 186	(34 514)	385	74 057
Total financial assets	280 791	27 944	633	309 368
Total financial liabilities	155 390	74 701	313	230 404
Total exposure to interest risk	125 401	(46 757)	320	78 964

Interest rate sensitivity analysis

Effect on profit / (loss), net of tax	31.12.2025
Increase in interest rates by 0.5%	(210)
Decrease in interest rates by 0.5%	210

Currency risk

Currency risk is the risk that fluctuations in prevailing foreign exchange rates may have an adverse effect on the Group's financial position and cash flows. Since the Bulgarian lev is pegged to the euro and the Group presents its financial statements in Bulgarian leva, currency risk relates only to currencies other than the euro.

The Group is exposed to foreign currency risk because certain branches of the Parent company and certain entities within the Group operate in countries whose national currencies are not pegged to the Bulgarian lev (BGN), namely: Serbian Dinar (RSD), Romanian Leu (RON) and Czech Koruna.

31.12.2025	Denominated in BGN	Denominated in EUR	Denominated in RSD	Denominated in CZK	Denominated in RON	Total
Non-current assets	18 054	-	7 174	-	-	25 228
Non-current financial assets	-	-	-	-	-	-
Non-current trade and other payables	18 054	-	7 174	-	-	25 228
Non-current liabilities	11 807	2 934	1 834	-	3 746	20 321
Non-current lease liabilities to related parties	65	-	-	-	-	65
Non-current financial liabilities	6 417	-	-	-	-	6 417
Non-current lease liabilities	2 088	2 934	779	-	25	5 826
Non-current trade and other payables to related parties	3	-	-	-	-	3
Non-current trade and other payables	3 234	-	1 055	-	3 721	8 010
Exposure to long-term risk	6 247	(2 934)	5 340	-	(3 746)	4 907
Current assets	158 090	245	39 911	-	85 894	284 140
Current financial assets from related parties	-	-	-	-	-	-
Current financial assets	633	-	-	-	-	633
Current trade and other receivables from related parties	17 079	-	-	-	-	17 079

Current trade and other Receivables	115 641		37 344	-	85 458	238 443
Cash and cash equivalents	24 737	245	2 567		436	27 985
Current liabilities	148 250	7 123	46 029	-	8 681	210 083
Current financial liabilities to related parties	-	-	-	-	-	-
Current lease liabilities to related parties	144	-	-	-	-	144
Current financial liabilities	57 519	-	2 599		-	60 118
Current lease liabilities	600	1 297	532	-	15	2 444
Current trade and other payables to related parties	3 478	5 785	-	-	-	9 263
Current trade and other payables	86 509	41	42 898	-	8 666	138 114
Exposure to short-term risk	9 840	(6 878)	(6 118)	-	77 213	74 057
Total financial assets	176 144	245	47 085	-	85 894	309 368
Total financial liabilities	160 057	10 057	47 863	-	12 427	230 404
Total exposure to currency risk	16 087	(9 812)	(778)	-	73 467	78 964

The table below presents the sensitivity analysis based on a 10% increase/decrease in exchange rates between the Bulgarian Lev and currencies other than the Bulgarian Lev and the Euro, using the foreign currency-denominated assets and liabilities structure as at 31 December, assuming all other variables remain constant. The effect is measured as the impact on profit before tax and on equity.

Currency sensitivity analysis to RSD

	Effect on profit/(loss), net of tax	31.12.2025
10% increase in exchange rates		(71)
10% decrease in exchange rates		70

Currency sensitivity analysis to RON

	Effect on profit/(loss), net of tax	31.12.2025
10% increase in exchange rates		6 612
10% decrease in exchange rates		(6 612)

3.5. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing market participants at the measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. Quoted market prices represent current bid prices.

The fair value of financial instruments that are not traded in active markets is determined using valuation methods based on various valuation techniques and Management's assumptions, applied with reference to market conditions existing as at the date of the Consolidated Statement of Financial Position.

The concept of fair value assumes the realisation of financial instruments through sale. However, in most cases, particularly with respect to trade receivables and payables, loans and deposits, the Group expects to realise these financial assets and settle these financial liabilities over time through collection or repayment. Accordingly, such instruments are presented at amortised cost.

Furthermore, part of the financial assets and liabilities are either current by nature, such as trade receivables and payables and short-term loans, or are presented at market value in the Consolidated Statement of Financial Position, such as bank deposits granted and investments in securities. Therefore, their fair value approximates their carrying amount.

For certain financial assets and liabilities, sufficient and reliable market prices are not available, as there is insufficient market experience, stability and liquidity for the purchase or sale of such financial assets and liabilities. Management of the Parent believes that, under the existing circumstances, the estimates of financial assets and liabilities presented in the Consolidated Statement of Financial Position are reliable, adequate and appropriate for financial reporting purposes.

3.6. Contingent assets and contingent liabilities

Contingent assets

Contingent assets, including bank guarantees, insurance policies and promissory notes issued in favour of the Group:

Bank guarantees issued in favour of “Trace Group Hold” PLC, domiciled in Bulgaria, amount to BGN 7,042 thousand; insurance policies amount to BGN 3,945 thousand; pledged movable property/assets amount to BGN 125 thousand; and a promissory note amounts to BGN 60 thousand. Bank guarantees obtained in the Republic of Serbia amount to BGN 100 thousand. Bank guarantees obtained in the Republic of Romania amount to BGN 2,290 thousand.

Contingent liabilities

Guarantees and warranties issued

Contingent liabilities include bank guarantees issued by commercial banks, insurance policies issued by insurance companies, collateral and pledges over receivables from subsidiaries and other related parties, established in favour of third parties and counterparties.

Bank guarantees

The bank guarantees issued on behalf of the Group, their amounts and the issuing banks are disclosed in the table below:

Contingent liabilities						
Issuer	Value (BGN ‘000)	Issued in favour of:	Purpose	Maturity	Securities	
UBB AD	4 788	Bulgarian Municipalities, a Bulgarian Municipal and/or State-owned enterprise, Electricity System Operator	Securing performance obligations under contracts	01.12.2026	Real estate, pledges over receivables, pledges over accounts	
DSK BANK EAD	1 910	A Bulgarian Ministry, Bulgarian State Agency; Bulgarian State-owned enterprises; the TD of NRA; a foreign State-owned enterprise; a private entity registered in Bulgaria	Securing performance obligations under contracts and tax payables	17.02.2036	Property – real estate, non-current tangible assets, pledges over receivables, pledges over accounts	

UNIICREDIT BULBANK AD	14 008	Bulgarian Ministries; Bulgarian State Agency and a Bulgarian Municipality; Bulgarian State-owned enterprises; a private entity registered in Bulgaria; a foreign Ministry, UniCredit Bank Serbia AD (a Serbian State-owned enterprise)	Securing performance obligations under contracts, statutory public receivables	03.09.2037	Property – real estate, non- current tangible assets, cash collateral, pledges over receivables, pledges over accounts
UNICREDIT BANK, SERBIA	13 535	A foreign Ministry, foreign State-owned enterprises; foreign Municipalities	Securing performance obligations under contracts, statutory public receivables and participation in a tender procedure	23.10.2028	Mortgages, pledge over non-current tangible assets, corporate guarantee, promissory notes, counter- guarantee
BANKA INTESA, SERBIA	1 306	Foreign enterprises; Ministries; Municipalities	Securing performance obligations under contracts, statutory public receivables and participation in a tender procedure	27.10.2027	Corporate guarantee, a promissory note
NLB BANK, SERBIA	6 373	Serbian enterprises; Ministries; Municipalities	Securing performance obligations under contracts, statutory public receivables and participation in a tender procedure	25.07.2026	Corporate guarantee, a promissory note
Total:	41 920				

▪ A framework agreement for issuance of all types of performance bonds and binding letters of intent relating to investment projects executed in the Republic of Serbia was concluded between “Trace Group Hold” PLC

and UniCredit Bank Serbia on 17.01.2024. The contracted facility amounts to EUR 5,985,000 and provides for utilisation until 17.01.2026 and for repayment until 17.07.2031. Under this agreement, a bank guarantee was issued on 29.08.2025 in relation to retained amounts. The bank guarantee is in the amount of EUR 4,742,744.76 and has validity until 14.10.2027. The guarantee was issued in connection with an agreement dated 28.12.2019 concluded between a Consortium with partners “Trace Group Hold” PLC and “Balkantel” OOD (LTD), and the Ministry of Finance of the Republic of Serbia, with subject matter: “Modernisation and rehabilitation of the Niš – Brestovac railway section”. The agreement with UniCredit Bank Serbia AD is secured by: a bank guarantee in favour of UniCredit Bank Serbia AD amounting to 20% of the amount of each bank guarantee issued under the Agreement with UniCredit Bank Serbia AD; 10 promissory notes issued by “Trace Group Hold” PLC with an aggregate amount of EUR 5,985,000; 10 blank bills of exchange issued by “Trace Serbia” AD (JSC); 10 blank bills of exchange issued by “Trace Build” EOOD (LTD); and a pledge over receivables of “Trace Group Hold” PLC that “Trace Group Hold” PLC has or will have from its local debtors in the Republic of Serbia arising under commercial contracts for which the issuance of guarantees is requested, provided that such contracts do not prohibit pledging and there are no restrictions preventing the pledge of receivables.

▪ In connection with the receipt of an advance payment under a contract in the Republic of Serbia, two bank guarantees were issued in favour of the contracting authority: one issued by UniCredit Bank in the amount of EUR 5,000 thousand, valid until 09.07.2026 (with a counter-guarantee issued from Bulgaria in the amount of EUR 2,500 thousand); and one issued by NLB Komercijalna Banka in the amount of EUR 4,000 thousand, valid until 28.07.2025.

The following corporate guarantees have been issued in connection with the Group’s operations:

- Corporate guarantee amounting to EUR 3 million with maturity on 14.11.2031 under a credit line agreement for the issuance of bank guarantees and letters of intent concluded between Bank Intesa Serbia and Trace Serbia AD (JSC);
- Corporate guarantee amounting to EUR 6 million with maturity on 27.11.2027 under a credit line agreement for the issuance of bank guarantees, letters of intent and an overdraft facility concluded between UniCredit Bank Serbia, Trace Serbia, Trace Group Hold PLC – Belgrade branch and Infra Commerce EOOD (LTD) – Belgrade branch;
- Corporate guarantee amounting to EUR 5 million with maturity on 09.01.2027 under a credit line agreement for the issuance of bank guarantees and letters of intent concluded between UniCredit Bank Serbia, Trace Serbia and Trace Group Hold PLC – Belgrade branch;
- Corporate guarantee amounting to EUR 5,5 million with maturity on 03.07.2030 under a credit line agreement for the issuance of bank guarantees and letter of intention concluded between NLB Komercijalna Banka – Serbia, Trace Serbia and Trace Group Hold PLC;

Contingent liabilities		
Type	Issued guarantee, collateral by a counterparty	Insurance amount BGN ‘000
Insurance guarantees	JSIC Euroins AD	5 785
Insurance guarantees	JSIC OZK – Insurance AD	265 797
Insurance guarantees	IC Lev Ins AD	60 874
Insurance guarantees	Dal Bog Zhivot I Zdrave AD	2 110
Insurance guarantees	Evropeyska Zastrahovatelna Kompania AD (transl. European Insurance Company JSC)	43 427

▪ Some of the issued insurance guarantees are secured by promissory notes in the amount of BGN 152,319 thousand.

Lawsuits

As at the end of the reporting period, based on the facts and circumstances available at that date and the assessments provided by internal legal experts and external legal advisers, Management recognised impairment of litigation receivables amounting to BGN 655 thousand (31.12.2024: BGN 776 thousand).

Penalty interest income claimed by the Group has not been recognised in the consolidated financial statements as at year-end due to significant uncertainty regarding the collectability of these amounts.

As at 31.12.2025, the Group (with information presented per entity) is a plaintiff and/or defendant in the following legal proceedings in respect of which an inflow or outflow of resources may occur:

Trace Group Hold PLC

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 8,944 thousand as at 31.12.2025.

The Entity is a defendant in commercial lawsuits with a financial interest amounting to BGN 496 thousand as at 31.12.2025, excluding lawsuits assessed as “risky”, in respect of which provisions amounting to BGN 655 thousand have already been recognised.

Trace BG EOOD (LTD)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 3,811 thousand as at 31.12.2025.

The Entity is a defendant in commercial lawsuits with a financial interest amounting to BGN 9 thousand as at 31.12.2025.

Trace Yambol AD (JSC)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 97 thousand as at 31.12.2025.

Infra Commerce EOOD (LTD)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 627 thousand as at 31.12.2025.

Asphalt Commerce EOOD (LTD)

The entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 20 thousand as at 31.12.2025.

Trace Mechanization EAD (JSC)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 59 thousand as at 31.12.2025.

Trace Properties EOOD (LTD), Trace Rent EOOD (LTD) and Trace Serbia

The entities are neither plaintiffs nor defendants in any commercial lawsuits as at 31.12.2025.

Management, together with internal legal experts and external legal advisers, has assessed that the probability and risk of an adverse outcome currently remain below 50% for certain lawsuits filed against the Group. Accordingly, for most of these lawsuits, no provisions for litigation obligations have been recognised in the Consolidated Statement of Financial Position as at year-end.

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 to the Group’s principal activity and represent different stages thereof. The materials acquired and goods produced represent a significant share of the input materials used in building and construction works. In addition, the risks and returns associated with the Group’s principal activity cannot be clearly distinguished due to the similar nature of the services rendered, the characteristics of the operating environment and the customer base of the entities. Accordingly, the Group has adopted a policy of reporting its activities by distinguishing them only on a geographical basis.

Operating segments	Bulgaria	Serbia	Czech Republic	Greece	Romania	Total	Consolidation	Group
As at 31 December 2025								
Revenue from contracts with customers	439 159	117 977	-	-	58 097	615 233	(179 321)	435 912
Revenue from construction contracts	350 380	100 434	-	-	57 866	508 680	(134 156)	374 524
Revenue from sales of finished goods (output)	57 764	9 551	-	-	-	67 315	(11 292)	56 023
Revenue from sales of goods	28 903	6 694	-	-	87	35 684	(30 744)	4 940
Revenue from sales of services	2 112	1 298	-	-	144	3 554	(3 129)	425
Other income	9 301	942	632	11	15 533	26 419	(4 357)	22 062
Finance income	5 483	578	120	-	412	6 593	(5 519)	1 074
Including: Interest income	126	128	-	-	209	463	(166)	297
Expenses, including:	(389 309)	(113 257)	(4)	(273)	(81 386)	(584 229)	152 806	(431 423)
Cost of materials	(73 958)	(35 383)	-	(3)	(21 683)	(131 027)	10 004	(121 023)
Cost of external services	(267 203)	(62 051)	(4)	(261)	(47 110)	(376 629)	140 698	(235 931)
Depreciation and amortisation expenses	(7 106)	(1 482)	-	-	(166)	(8 754)	2 096	(6 658)
Employee benefits expenses	(35 136)	(13 154)	-	-	(3 561)	(51 851)	-	(51 851)
Impairment losses	(511)	(59)	-	-	(428)	(998)	8	(990)
Other expenses	(5 395)	(1 128)	-	(9)	(8 438)	(14 970)	-	(14 970)
Adjustments	(31 811)	(3 654)	-	-	-	(35 465)	30 895	(4 570)
Finance costs	(5 197)	(1 396)	(1)	-	(3 504)	(10 098)	397	(9 701)
Including: Interest expense	(3 201)	(350)	-	-	(704)	(4 255)	267	(3 988)
Share of profit / (loss) of associates	-	-	-	-	-	-	-	-
Tax expenses	(2 127)	(268)	-	-	(588)	(2 983)	23	(2 960)
Profit / (Loss)	25 499	922	747	(262)	(11 436)	15 470	(5 076)	10 394
Segment assets	432 579	152 053	-	182	104 212	689 026	(160 407)	528 619
Segment liabilities	254 597	132 451	-	1 196	74 935	463 179	(106 980)	356 199
Investments accounted for using the equity method	2	-	-	-	-	2	-	2
Deferred tax assets	5 591	205	-	-	94	5 890	186	6 076

Operating segments	Bulgaria	Serbia	Czech Republic	Greece	Romania	Total	Consolidation	Group
As at 31 December 2024								
Revenue from contracts with customers	432 552	133 114	-	-	319 916	885 582	(223 707)	661 875
Revenue from construction contracts	349 797	105 957	-	-	319 324	775 078	(157 993)	617 085

“TRACE GROUP HOLD” PLC

Consolidated Financial Statements for the financial reporting year 2025



Revenue from sales of finished goods (output)	35 338	8 030	-	-	-	43 368	(13 265)	30 103
Revenue from sales of goods	46 125	17 189	-	-	189	63 503	(49 358)	14 145
Revenue from sales of services	1 292	1 938	-	-	403	3 633	(3 091)	542
Other income	6 584	1 960	3	-	2	8 549	(3 763)	4 786
Finance income	5 726	206	151	-	267	6 350	(5 625)	725
Including: Interest income	283	149	-	-	-	432	(186)	246
Expenses, including:	(396 171)	(124 114)	(12)	(589)	(277 944)	(798 830)	179 649	(619 181)
Cost of materials	(72 605)	(39 490)	-	(8)	(117 595)	(229 698)	15 116	(214 582)
Cost of external services	(279 169)	(69 753)	(12)	(564)	(128 769)	(478 267)	161 818	(316 449)
Depreciation and amortisation expenses	(6 348)	(1 601)	-	-	(568)	(8 517)	2 172	(6 345)
Employee benefits expenses	(26 065)	(12 349)	-	-	(8 452)	(46 866)	-	(46 866)
Impairment losses	(3 346)	(55)	-	-	-	(3 401)	301	(3 100)
Other expenses	(8 638)	(866)	-	(17)	(22 560)	(32 081)	242	(31 839)
Adjustments	(40 626)	(9 506)	-	-	-	(50 132)	47 244	(2 888)
Finance costs	(2 955)	(1 392)	(403)	-	(1 636)	(6 386)	248	(6 138)
Including: Interest expense	(2 059)	(334)	-	-	(936)	(3 329)	248	(3 081)
Share of profit / (loss) of associates	-	-	-	-	-	-	-	-
Tax expenses	3 104	(544)	-	-	(8 876)	(6 316)	(18)	(6 334)
Profit / (Loss)	8 214	(276)	(261)	(589)	31 729	38 817	(5 972)	32 845
Segment assets	354 724	162 995	24	139	280 367	798 249	(161 695)	636 554
Segment liabilities	172 147	142 531	17 292	891	238 771	571 632	(107 076)	464 556
Investments accounted for using the equity method	3	-	-	-	-	3	-	3
Deferred tax assets	5 973	46	-	-	96	6 115	57	6 172

The accounting policies adopted for segment reporting are based on the accounting policies applied by the Group in the preparation of its statutory consolidated financial statements.

The Group's key customers, transactions with which account for more than 10% of total revenue, are as follows:

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: Ministry of Finance, Koridori Srbije OOD (transl. Corridors of Serbia LTD), PD Direkcija za izgradnju Niš (transl. SE Directorate for Construction Niš), PD Direkcija za izgradnju Pirot (transl. SE Directorate for Construction Pirot), and municipalities within the territory of the Republic of Serbia.

In Romania: National Company for Road Infrastructure Administration.

3.8. Transactions with non-controlling interests (NCI)

Subsidiaries with non-controlling interests

“Trace Yambol” AD (JSC) and several companies established under the Bulgarian Law on Obligations and Contracts (LOC) are subsidiaries of the Group with non-controlling interests as at year-end.

Total NCI, BGN ‘000

Carrying amount of NCI at the beginning of the period	(214)
Profit / (Loss) attributable to NCII for the period	(18)
Dividends	-
Acquired / (Disposed) operations	(14)
Changes in ownership interests in subsidiaries without loss of control	-
Other changes	20
Carrying amount of NCI at the end of the period	(226)

3.9. Disposal of subsidiaries through liquidation

On 18.03.2025, following the completion of liquidation proceedings, the deletion of “USM” AD (JSC) from the Commercial Register and the Register of Non-Profit Legal Entities was entered. The entity was terminated effective from that date. The entity did not represent a separate major line of business or a significant geographical area of operations of the Group and, therefore the results of its activities up to the date of liquidation have not been presented separately.

The financial result from the disposal through liquidation is presented for the Group as follows:

	BGN ‘000
Cash received (liquidation share)	1 069
Less:	
Derecognised net assets attributable to the Group (98.68%) as at the liquidation date	(1 070)
Profit / (Loss) from disposal of a subsidiary through liquidation	(1)

The net assets of the disposed subsidiary “USM” AD (JSC) are presented as follows:

	18.03.2025
Trade and other receivables	1 079
Cash and cash equivalents	9
Trade and other payables	(3)
Net assets	1 085

3.10. Disposal of associates through liquidation

On 06.06.2025, following the completion of the relevant proceedings, the deletion of “Voden Proekt (transl. Water Project) Stara Zagora – a Company established under the Bulgarian Law on Obligations and Contracts”, in which “Trace Group Hold” PLC held a 30% participating interest and Trace BG EOOD (LTD) held a 4% participating interest, was entered in the BULSTAT Register. As a result, the investment amounting to BGN 1 thousand was derecognised.

3.11. Events after the reporting period

The following events requiring disclosure in the consolidated financial statements occurred after the reporting date and before the date on which the consolidated financial statements were authorised for issue:

- Pursuant to the Law on the Introduction of the Euro in the Republic of Bulgaria (LIERB), the euro will become the official currency and legal tender in Bulgaria as from 1 January 2026. The official exchange rate is fixed at BGN 1.95583 for EUR 1. The introduction of the euro as the official currency of the Republic of Bulgaria represents a change in the Group’s functional and presentation currency, which will be applied prospectively and does not constitute an adjusting event after the reporting period for the financial statements as at 31 December 2025.
- On 16.02.2026, pursuant to resolutions of the Supervisory Board and the Managing Board of “Trace Group Hold” PLC, a procedure was initiated for the admission of the Entity’s shares to trading on the Frankfurt Stock Exchange. The Supervisory Board has authorised the Managing Board to appoint consultants and undertake all necessary legal and administrative actions in connection with the listing process. As at the date of approval of these consolidated financial statements, the Group is in the process of preparing the listing procedure.
- “GYUESHEVO 2025”, a civil company established under the Bulgarian Law on Obligations and Contracts, with partners “Trace Group Hold” PLC and “VDH” AD (JSC), signed a contract on 20.02.2026 with the State Enterprise “Natsionalna Compania “Zhelezopatna Infrastructura” (transl. “National Company “Railway Infrastructure”). The subject of the contract is: “Design and Construction for the Modernisation of the railway section “Guyeshevo – boarder with the Republic of north Macedonia”, including a station and reception building at Guyeshevo”. The total contract value amounts to EUR 50,092,641.86 (exclusive of VAT) for the entire duration of the contract. The implementation period is structured into two stages: Stage I Design – 180 calendar days and Stage II Construction – 24 months.
- On 05.03.2026, the Sofia City Court (SCC) issued Decision № 271 in Commercial Case № 2413/2023, in which “Trace Group Hold” PLC is claimant against Sofia Municipality. The decision of the Sofia City Court (SCC) upheld the Group’s claims for payment in full and substantially reduced the penalties imposed by the contracting authority. As at the date of approval of these consolidated financial statements, the decision has not entered into legal force and remains subject to appeal before the appellate court.
- At the date of approval of these consolidated financial statements, a Decision dated 25.03.2026 was issued by the Emergency Arbitrator at the Chamber of Commerce and Industry of Romania in Case No. 20/U/2026 in connection with the arbitration dispute involving the Romanian public procurement agency CNAIR. The Decision upheld the Group’s claim for suspension of actions relating to the enforcement of guarantees. The arbitrator’s reasoning acknowledged the existence of arguments supporting the Group’s position in the main arbitration dispute, which has also been confirmed in separate related proceedings.
- An Extraordinary General Meeting of Shareholders of Trace Group Hold PLC was held on 30.03.2026. During the meeting, a resolution was adopted on the grounds of Art. 187 b of the Commercial Act and Art. 111 of the Public Offering of Securities Act, for the repurchase of shares issued by the entity under the following conditions: - Maximum number of shares subject to repurchase– up to 3% of the total issued shares of the entity; - Term for completion of the repurchase procedure– up to 5 /five/ years. The Extraordinary General Meeting of Shareholders authorises the Board of Directors to determine the commencement and termination dates of the repurchase procedure; - Repurchase price range – minimum price of EUR 2 (two euros) per share; maximum price of EUR 10 (ten euros) per share. The General Meeting also approved a formal change in the registered auditor of the Entity in connection with the re-registration of “KA Audit” EOOD (LTD), an audit enterprise of the registered auditor Kalin Apostolov (holder of Diploma № 0657), to “Parker Russell Bulgaria” EOOD (LTD), with registration. No. 195. The legal entity and the circumstances related to it remain unchanged, with only the corporate name being changed. Kalin Apostolov Apostolov (Sole Owner and Manager) is appointed to be auditor responsible for the engagement (Audit Engagement Partner), on behalf of “Parker Russell Bulgaria” EOOD (LTD)

- After the reporting period, Trace Group Hold PLC entered into a non-binding memorandum regarding a potential acquisition of a net investment in the capital of a company in Greece, comprising all shares in the company’s capital and debt issued by that company. Technical and financial due diligence of the acquired business is currently being performed. Payments made to date include a deposit of 10%, amounting to EUR 1,090,000, and an advance payment amounting to EUR 3,010,000. Management expects that, within the agreed period of three months, the Group will complete the transaction and acquire the equity and debt instruments..
- On 28.02.2026, a joint military operation involving the United States and Israel against strategic sites in Iran commenced. As a result of the escalation of geopolitical tensions in the Middle East, the leading international financial markets have experienced increased volatility, accompanied by heightened uncertainty and sustained pressure on the energy prices. The extent of the economic impact of the conflict in the Middle East on the global economy will depend on the duration of the conflict and the extent of damages to infrastructure and industrial capacity in the region, particularly whether the increase in energy prices proves to be temporary or persistent. The conflict may have a significant adverse effect on key macroeconomic indicators, including on inflation, economic growth, and others.
- On 07.04.2026, the transformation of “Asphalt Commerce” EOOD (LTD) through merger into “Trace BG” EOOD (LTD), both companies being wholly owned by “Trace Group Hold” PLC, was entered in the Commercial Register. All assets and liabilities of the transforming company were transferred to the receiving company, “Trace BG” EOOD (LTD) , which became its universal legal successor. The transforming company was terminated without liquidation.

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled “Annual Consolidated Financial Statements as at 31.12.2025 and Notes to the annual consolidated financial statements for the financial reporting 2025 of Trace Group Hols PLC”, consisting of 115 (one hundred and fifteen) pages, and that I am competent in both English and Bulgarian language to render this translation.



CONSOLIDATED MANAGEMENT REPORT OF TRACE GROUP HOLD PLC

For 2025

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The Annual Consolidated Management Report provides commentary on and analysis of the Consolidated Financial Statements, together with other material information regarding the financial position and operating results of the Group. It includes the information required under Article 39 of the Accountancy Act and Art. 100 (n), paragraph 7 of the Public Offering of Securities Act (POSA), as well as Art. 11 of Ordinance № 2 of the Financial Supervision Commission, and Art. 187 (e) and Art. 247 of the Commercial Act.

I. General information on the entity

“Trace Group Hold” PLC is an entity incorporated in the Republic of Bulgaria as a public limited company in accordance with the Bulgarian legislation. The entity is registered with the Stara Zagora District Court under company file №255/2005. Since 2007, the entity has held the status of a public company within the meaning of Art. 110 of the Public Offering of Securities Act (POSA).

Registered office and principal place of business: № 96, “Prof. Tsvetan Lazarov” Blvd., entr. B, fl. 12, 1582, Sofia;

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e-mail: tracegroup@trace.bg

website: www.tracebg.com

Share capital as at 31 December 2025:

As at the date of preparation of this Management Report, the registered share capital of the entity amounts to BGN 24,200,000, distributed among 24,200,000 dematerialised, registered shares with a nominal value of BGN 1 each; all of the 24, 200,000 shares carry voting rights. The shares of “Trace Group Hold” PLC have been admitted to trading on the Bulgarian Stock Exchange since 27 October 2007.

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

Shareholder's name	Number of shares owned		Capital share %	
	at 31.12.2025	at 31.12.2024	at 31.12.2025	at 31.12.2024
Nikolay Mihaylov	16 216 646	16 276 755	67,01	67,26
“Galini – N” EOOD (LTD)	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC – repurchased treasury shares	0	3 739	0	0,015
Other individuals and legal entities	5 805 354	5 738 966	23,99	23,725

The Entity operates under a two-tier management system comprising:

A Supervisory Board (SB), comprising the following members:

Prof. Nikolay Mihaylov – Chairperson of the SB

Manol Denev – Member of the SB

Mariela Rounteva – Independent Member of the SB

And

A Managing Board (MB), comprising the following members:

Desislava Lyubenova – Chairperson of the MB

Eng. Boyan Delchev – Deputy Chairperson of the MB

Manol Kavarakov – Member of the MB

Eng. Boyan Delchev is the Executive Director of the entity.

The members of the Audit Committee as at 31.12.2025 are as follows:

Yordan Galabov – Chairperson

Prof. Dr. Hristina Nikolova

Diana Rangelova

The entity has established branches in Serbia, Romania, North Macedonia, Ukraine, Greece and Montenegro:

“Trace Group Hold” PLC – Belgrade branch

“Trace Group Hold” PLC – Bucharest branch

“Trace Group Hold” PLC – Skopje branch

“Trace Group Hold” PLC – Kyiv branch

“Trace Group Hold” PLC – Greece branch

“Trace Group Hold” PLC – Montenegro branch

Subsidiaries of the Group as at 31.12.2025:

- TRACE – BG EOOD (LTD), Sofia, Bulgaria – 100.00% owned by Trace Group Hold PLC
Principal activity: Construction, current repair and maintenance of motorways, roads, streets and the related infrastructure around them; Construction and reconstruction of roads and road facilities, current repair and winter maintenance;
- TRACE SERBIA AD (JSC), Nis, Serbia – 100% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities, current repair and winter maintenance;
- INFRA COMMERCE EOOD (LTD), Sofia, Bulgaria – 100% owned by Trace Group Hold PLC
Principal activity: Domestic and foreign trade, commercial representation and mediation;
- TRACE PROPERTIES EOOD (LTD), Sofia, Bulgaria – 100% owned by Trace Group Hold PLC
Principal activity: Tourism and commercial activities in Bulgaria and abroad, hospitality and hotel operations, as well as all types of auxiliary services;
- ASPHALT COMMERCE EOOD (LTD), Sofia, Bulgaria – 100% owned by Trace Group Hold PLC
Principal activity: Production and sales of goods and services in Bulgaria and abroad, domestic and foreign trade
- TRACE YAMBOL AD (JSC), Yambol, Bulgaria – 99.48% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities;
- TRACE MECHANIZATION EAD (JSC), Stara Zagora, Bulgaria – 100.00% owned by Trace Group Hold PLC
Principal activity: Rental of construction machinery and provision of construction mechanisation services;
- TRACE RENT EOOD (LTD), Sofia, Bulgaria – 100% owned by Trace Group Hold PLC
Principal activity: Lease (rental) of mechanisation, provisions of mechanical services, domestic and international transport of passengers and cargo;
- TRACE BUILD EOOD (LTD), Serbia – 100% owned by Trace Group Hold PLC in Serbia
Principal activities: Construction of residential and non-residential buildings
- TRACE GROUP HOLD USA LLC, USA- 100% owned by Trace Group Hold PL

Principal activities: Construction, current repair and maintenance of road, railway and airport infrastructure and the infrastructure facilities around them.

II. Activity overview

1. Principal activity

“Trace Group Hold” PLC engages in all types of infrastructure projects, including construction, rehabilitation, maintenance, design, and all related activities. The entities within the Group continuously diversify and expand the scope of their business operations. The portfolio of activities of also includes investments, international trade, and logistics.

The entities within the Group operate in the European market in the following areas:

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

The Holding and the entities therein participate in the implementation of major national infrastructure projects, including the completion of the “Trakya” and “Hemus” motorways. They also participate in the construction of sections of Corridor № 10 in Serbia, as well as in the construction of a section of the “Ploiesti – Buzau” motorway, LOT 2; Mizil – Pietroasele, km 21+000 – km 49+350, in Romania.

The entities with the structure of implement projects for the reconstruction and rehabilitation of road networks and urban infrastructure, including routine repairs and winter maintenance of part of the road network in the Republic of Bulgaria and the Republic of Serbia. The Group has the resources required for the implementation and maintenance of traffic management systems, vertical signage, and horizontal road marking. The Group also has the technical and human resources to perform emergency response and recovery activities in regions affected by natural disasters.



Construction of metro infrastructure (subways);

“Trace Group Hold” PLC has been actively involved in the construction of the “Sofia Metro” since the inception of the project. Twelve of the existing metro stations, together with the adjacent metro lines, have been constructed by “Trace Group Hold” PLC. The company is currently engaged in (in the process of completing) the design and construction of a new metro section under the “Sofia Metro Extension Project, Stage III”, including one underground metro station (MS3) and an inter-station ventilation system (VS), located under “Vladimir Vazov” Boulevard. The implementation of construction works under the project: “Extension of Line 3 of the Sofia Metro – Shipka Str. – Slatina Residential District – Tsarigradsko Shosse Blvd. continued in 2025. Trace Group Hold PLC is a leading partner in consortia engaged under two separate LOTs for the construction of 4 (four) metro stations.



- ✓ **Construction of railway infrastructure and all related facilities, including construction of high-speed railway tracks and the implementation of innovative railway technology (the Geismar system);**
 - Railway substructure and superstructure activities, including:
 - Mechanised rehabilitation, reconstruction, and construction of new railway tracks;
 - Mechanised installation of new railway tracks and dismantling of existing railway tracks;
 - Earthworks, rock excavations, and bulk works, including landscaping and land reclamation, using advanced equipment and modern technologies;
 - Repair, rehabilitation, and construction of small- and large-scale engineering structures on existing and newly constructed railways lines;
 - Reconstruction of existing railway stations and stops, and construction of new railways stations and stops.

“Trace Group Hold” PLC is currently implementing several major, large-scale railway projects. The Group is engaged in the modernisation of railway infrastructure, including catenary, signalling, and telecommunication systems at the “Plovdiv” station, as well as the construction of a transport and communication underpass beneath the railway area of the “Plovdiv” station; Design and construction of road overpasses and underpasses in the Manole – Belozem interstation and in the Mihaylovo – Khan Asparuh and Bezmer – Chernograd railway sections; Restoration of the design parameters of “Pliska” station from km 129+040 to km 130+190, at a total length of 1 150 meters, along the IXth railway line.

Projects for the modernisation and rehabilitation of the railway section “Nis – Brestovac” in the Republic of Serbia, as well as for the reconstruction and modernisation of the railway line “Nis – Dimitrovgrad” section in the Republic of Serbia, are also in progress.



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

The reconstruction of the “Graf Ignatievo” Air Base is an emblematic project for the company with both the design and construction phases completed concurrently within a period of just three (3) months. The project involved the implementation of new technologies, including the production and application of polymer-modified bitumen and polymer-modified asphalt concrete, as well as the installation of a state-of-the-art airfield lighting system.



- ✓ **Construction of wastewater treatment plants; integrated water cycle systems; water mains, and environmental (eco) projects;**

The Holding focuses its efforts in the water sector on projects for the rehabilitation, reconstruction, and construction of new water supply and sewerage networks and related facilities, thereby contributing to the improvement of the quality of life of the population. Projects of this type are currently being implemented in Stara Zagora and Sofia.

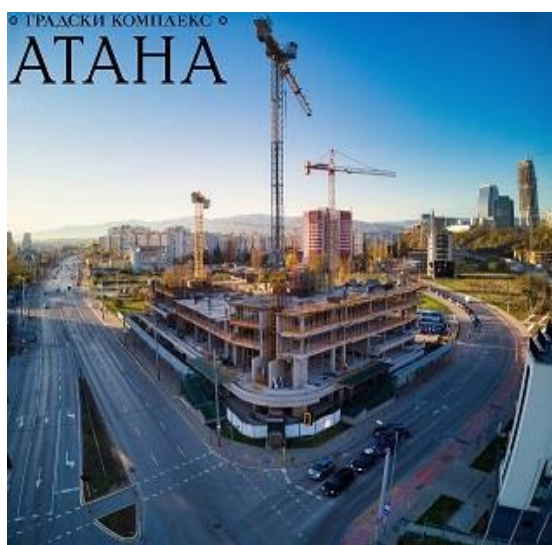
“Trace Group Hold” PLC focuses its efforts in the environmental sector on the implementation of waste management and soil protection projects and sites, including the development of facilities for municipal waste treatment and disposal, construction of regional municipal solid waste landfills, and the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

“Trace Group Hold” PLC has extensive experience in the design and implementation of landslide mitigation and prevention measures, structural stabilisation works, coastal protection, and shoreline protection facilities.

✓ **High-rise construction, with diversified profile, including energy efficiency projects;**

The Holding has a team of experts specialised in the construction of public, industrial, commercial, and residential buildings. The subsidiaries of “Trace” have the capacity to develop hotel complexes, as well as industrial, residential, commercial, and administrative buildings, together with the associated infrastructure.

The construction of the “Atana” city complex, located in “Druzhba” Residential District, in Sofia, is ongoing. The first building (Atana 1), with a built-up area of 1,372 square meters and a total gross built-up area of 32,187.23 square meters, has been completed. The “ATANA” city complex is modern and functionally designed, comprising three residential sections and one office section, including a restaurant, retail outlets, sports facilities, and other (entertainment) amenities. “Trace Properties” EOOD (LTD) is the project investor, while “Injproekt” OOD (LTD) is the project’s designer. The construction of the “Atana 3” building within the “Atana” city complex commenced in 2024. The “Atana 3” building shall have a built-up area of 455.36 square meters and a total gross built-up area of 6,478.97 square meters. The construction of the “Atana 2” building within the “Atana” city complex commenced in the third quarter of 2025. The “Atana 2” building shall have a built-up area of 1,825.19 square meters and a total gross built-up area of 22,885.58 square meters.



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

“Trace Group Hold” PLC engages in commercial activities involving construction products and materials in order to ensure the quality of its project implementation. The holding has established a strong presence across multiple market segments through its subsidiary “Infra Commerce” EOOD (LTD), including white and dark fuels, road bitumen, technical salt, fittings, railway consumables and materials, and construction machinery, among others.

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

“Trace Group Hold” PLC owns asphalt plants (two of which are modular mobile units), a plant for the production of polymer-modified bitumen, a plant for the production of bitumen emulsion, and a plant for the production of stone powder, as well as aggregate quarries and crushing and screening facilities for the production of stone fractions. The production facilities and warehouses of “Trace Group Hold” PLC are strategically located in key transport and logistics hubs, enabling the fast, efficient, and high-quality execution of the Group’s projects.

“Trace” achieves its performance results through the effective management of its subsidiaries, which possess extensive experience and in-depth expertise. The Group’s offices in Bulgaria are strategically located in the economically significant regions of the country. The Group also operates internationally through its subsidiaries and branches established in the Republic of Serbia, Romania, the Czech Republic, North Macedonia and Ukraine. “Trace” manages the Group’s production, financial, and human resources through its interconnected entities.

The “Trace for People” Foundation, registered with the Ministry of Justice of the Republic of Bulgaria as a non-governmental organisation operating in the public interest, is also part of the Group and serves as the primary vehicle for the company’s Social Responsibility Policy.

2. Operating results

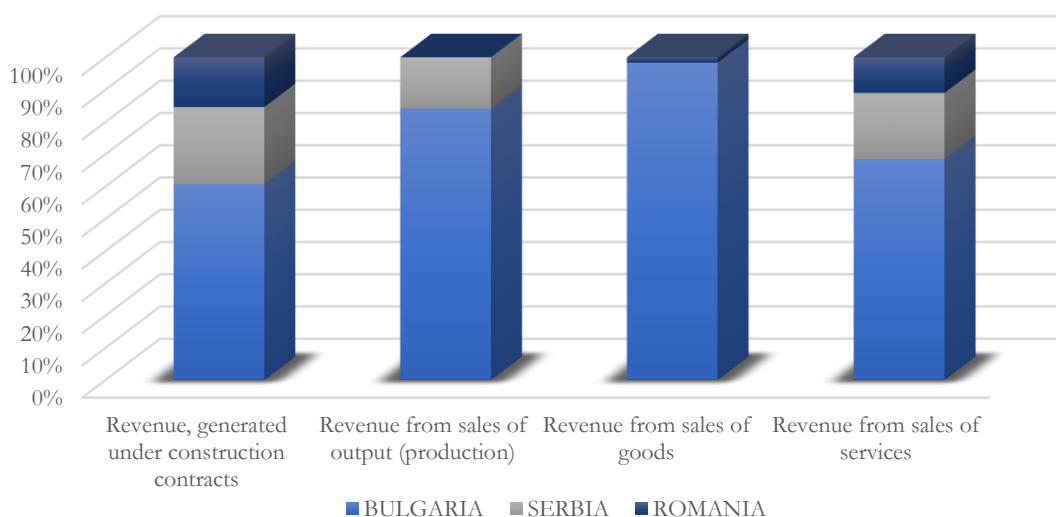
Income structure

Revenue, realised on a consolidated basis in the financial reporting period of 2025 (excluding finance income) amounts to BGN 457,974 thousand and represents a decrease of 31.30% compared to that recognised in the prior financial reporting period (2024: BGN 666,661 thousand). Revenue comprises BGN 435,912 thousand of “Revenue from contracts with customers” and BGN 22,062 thousand of “Other income. A segmental analysis indicates that 62.15% of the revenue (excluding finance income) was generated in Bulgaria, 21.66% in the Republic of Serbia, 16.06% in the Republic of Romania, and 0.14% in the Czech Republic and in Greece.

The table below presents the types of revenue, excluding finance income, their relative share and the change compared to the comparative period:

Type of revenue / income	31.12.2025 BGN'000	Relative share 2025	31.12.2024 BGN'000	Relative share 2024	% change
Revenue from contracts with customers	435 912	95,18%	661 875	99,28%	▼ (34,14)%
• Revenue, realised under construction cont	374 524	81,78%	617 085	92,56%	▼ (39,31)%
• Revenue from sales of output (production	56 023	12,23%	30 103	4,52%	▲ 86,10 %
• Revenue from sales of goods	4 940	1,08%	14 145	2,12%	▼ (65,08)%
• Revenue from sales of services	425	0,09%	542	0,08%	▼ (21,59)%
Other income	22 062	4,82%	4 786	0,72%	▲ 360,97 %
Total	457 974	100%	666 661	100%	▼ (31,30)%

Net sales revenue in 2025



Revenue, recognised under construction contracts, amounting to BGN 374,524 thousand, represents the most significant portion (81.78%) of the Group’s revenue from contracts with customers and has decreased by 39.31% compared to the prior reporting period (2024: BGN 617,085 thousand). Distributed by geographical segment, 60.71% of these revenues were generated in Bulgaria, 23.84% in the Republic of Serbia, and 15.45% was recognised in the Republic of Romania.

The principal projects contributing to the revenue from construction services (services, rendered under contracts for building and construction works), recognised in the Republic of Bulgaria in 2025 are as follows:

1. “Modernisation of the railway infrastructure, including catenary, signalling and telecommunication systems at the “Plovdiv” station, and construction of a transport and communication underpass beneath the railway area of the “Plovdiv” station”, implemented under the project “Development of the Plovdiv railway junction”;
2. Design and construction of a section of the Third metro line, starting from “Shipka” Str. and extending through “Slatina” Residential District to “Tsarigradsko Shosse” Blvd., including six metro stations under the following LOTs: LOT 1: Design and construction of a metro section, from km 0+000. 00 to km 1+904.00, including two underground metro stations (MS1 and MS2) and an inter-station ventilation system (VS);
3. Design and construction of a metro section from km 3+645.00 to km 2+581.20, with one underground metro station (MS3) and interstation ventilation system (VS);
4. Design and construction of a section of the Third metro line, starting from “Shipka” Str. and extending through “Slatina” Residential District to “Tsarigradsko Shosse” Blvd., including six metro stations under the following LOTs: LOT 2: Design and construction of a metro section, from km 1+904.00 to km 3+460.00, including two underground metro stations (MS3 and MS4) and an inter-station ventilation system (VS);
5. Routine maintenance and repair of roads within the Sofia Municipality – Zone 1;
6. Engineering (design and construction) of a sewerage network project: Construction of a sewerage network in “Dragalevtsi” Residential District, “Vitosha” Region;
7. Winter maintenance and emergency restoration works on republican roads in the SOUTHEASTERN REGION, under LOT № 3: RTM STARA ZAGORA;
8. Winter maintenance and emergency restoration works on republican roads in the northwestern region, under the following LOTs: • LOT № 1 – RTM Vidin; • LOT № 2 – RTM Vratsa; • LOT № 3 – RTM Montana; • LOT № 4 – RTM Lovets; • LOT № 5 – RTM Pleven (part of LOT № 3 – RTM Montana).

The principal projects contributing to the revenue from construction services (services, rendered under contracts for building and construction works), recognised in the Republic of Serbia in 2025 are as follows:

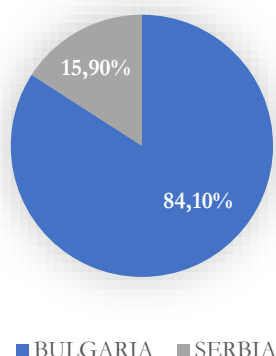
9. Modernisation and rehabilitation of the railway section “Nis – Brestovac”, Republic of Serbia;
10. Heavy maintenance (modernisation) of State Road IB-39, “Babusnica – Svodje” section, from km 25+851 to km 45+385, with a total length of 19+354 km;
11. Reconstruction and modernisation of the “Prosek (Sicevo)– Dimitrovgrad” section of the “Nis – Dimitrovgrad” railway line;
12. Construction of a mixed-use (residential and commercial) building within the “Panair Leskovac” (transl. Leskovac Fair) complex in Leskovac;

The principal projects contributing to the revenue from construction services (services, rendered under contracts for building and construction works), recognised in the Republic of Romania in 2025 are as follows:

13. Construction of the “Ploiesti – Buzau” motorway, LOT 2, from km 21+000 to 49+350

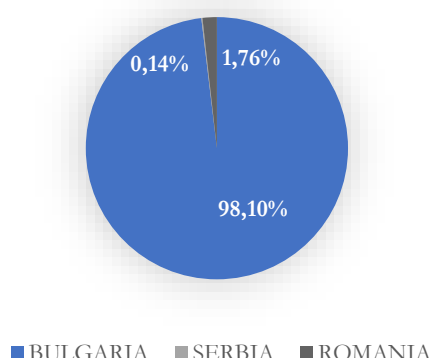
Revenue from the sale of finished goods (output) are closely related to the construction activities of the Group and amounts to BGN 56,023 thousand for the financial reporting period 2025. Revenue from the sale of finished goods (output) has increased by 86.10% compared to that recognised in the prior (comparative) reporting period (2024: BGN 30,103 thousand). By geographical segment, 84.10% of the revenue from the sale of finished goods (output) was generated in Bulgaria and the remaining 15.90% in the Republic of Serbia. The most significant share within this group relates to revenue from sales of asphalt mixtures, amounting to BGN 33,147 thousand, which increased by 87.65% (2024: BGN 17,664 thousand). Revenue from sales of aggregates amounted to BGN 6,649 thousand, marking an insignificant increase of 2.03% compared to the previous (comparative) reporting period (2024: BGN 6,517 thousand). Within this subgroup, 44.38% of revenue was generated in Serbia, while the remainder was generated in Bulgaria. Revenue from sales of finished goods also includes revenue from the sale of work in progress in the Atana building and the Corner Park building, amounting to BGN 11,934 thousand and BGN 4,193 thousand, respectively.

Net sales revenue from sales of output (production) in 2025



Revenue from the sale of goods amounts to BGN 4,940 thousand and has decreased by 65.08% compared to that recognised in the prior (comparative) reporting period (2024: BGN 14,145 thousand). Revenue from the sale of goods includes revenue from sales of fuels and lubricants amounting to BGN 1,071 thousand, which increased by 0.85% compared to the previous (comparative) reporting period (2024: BGN 1,062 thousand). The main reason for the decrease in sales of goods relates to revenue from sales of materials for railway construction, which amounted to BGN 1,261 thousand in the current reporting period and was generated entirely in Bulgaria (2024: BGN 8,789 thousand). Revenue from the sale of goods also includes materials for road construction amounting to BGN 1,077 thousand (2024: BGN 2,392 thousand), and other goods amounting to BGN 1,157 thousand. By geographical segment, 98.10% of revenue from sales of goods was generated in Bulgaria, 1.76% in Romania, and 0.14% in Serbia.

Net sales revenue from sales of goods in 2025

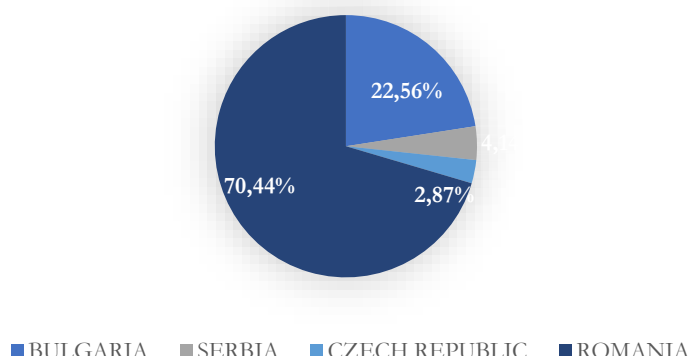


Revenue from the sale of services amounts to BGN 425 thousand and has decreased by 21.59% compared to that recognised in the prior (comparative) reporting period (2024: BGN 542 thousand). Revenue from the sale of services includes revenue from: mechanised services, amounting to BGN 108 thousand; transport services, amounting to BGN 114 thousand; laboratory services, amounting to BGN 41 thousand; and others. By geographical segment, 68.47% of the revenue from sales of services was generated in Bulgaria, 20.47% in Serbia, and 11.06% in Romania.

Other income amounts to BGN 22,062 thousand and has increased significantly by 360.97% compared to the amount realised in the prior (comparative) reporting period (2024: BGN 4,786 thousand). The main reason for this increase relates to the reversal of provisions under construction contracts, amounting to BGN 15,681 thousand (2024: BGN 1,293 thousand), of which 98.45% relates to provisions reversed under construction contracts in Romania. Income from operating leases of Group-owned assets amounts to BGN 1,560 thousand and has increased by 41.95% compared to the income from operating leases of Group-owned assets realised in the prior (comparative) reporting year (2024: BGN 1,099 thousand). During the year, revenue from sales of materials amounting to BGN 1,476 thousand was recognised. This mainly relates to materials sold to subcontractors in order to support their activities and ensure the supply of materials of the requisite quality. Revenue from disposals of non-current assets amounts to BGN 1,256 thousand. The “other income” group also includes payables written off amounting to BGN 1,094 thousand and income from the reversal of impairment of receivables amounting to BGN 399 thousand. The Group recognised grant income in the total amount of BGN 82 thousand.

By geographical segment, 22.56% of other income was recognised in Bulgaria, 4.14% in Serbia, 2.87% in the Czech Republic, and 70.44% in Romania.

Other income, generated in 2025

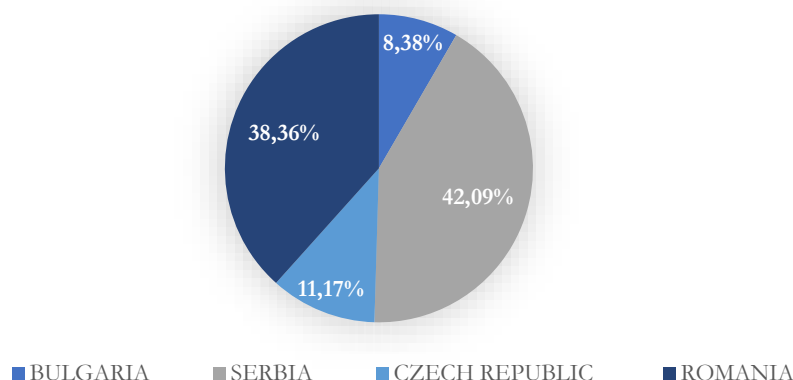


Finance income recognised during the reporting period amounts to BGN 1,074 thousand and has increased by 48.14% compared to that recognised in the prior (comparative) reporting period (2024: BGN 725 thousand). Finance income includes interest income amounting to BGN 297 thousand. Of this amount, BGN 86 thousand relates to interest income accrued under commercial loans and BGN 209 thousand relates to other interest income. Foreign exchange gains realised during the reporting period amounts to BGN 771 thousand and has increased by 62.32% compared to those recognised in the prior (comparative) reporting period (2024: BGN 475 thousand). Almost the entire amount was generated from the Group's activities abroad. By geographical segment, 8.38 % of finance income was generated in Bulgaria, 42.09% in Serbia, 11.17% in the Czech Republic, and 38.36% in Romania.

Type of finance income	31.12.2025 BGN'000	Relative share 2025	31.12.2024 BGN'000	Relative share 2024	% change
Interest income, including interest income ac	297	27,65%	246	33,93%	20,73 %
• commercial loans	86	8,01%	20	2,76%	330,00 %
• trade payables	2	0,19%	226	31,17%	(99,12)%
• others	209	19,46%	-	0,00%	100,00 %
Foreign exchange gains	771	71,79%	475	65,52%	62,32 %
Other finance income	6	0,56%	4	0,55%	50,00 %
Total	1 074	100,00%	725	100,00%	48,14 %

The chart presents finance income for the reporting year by geographical segment:

Finance income, generated in 2025

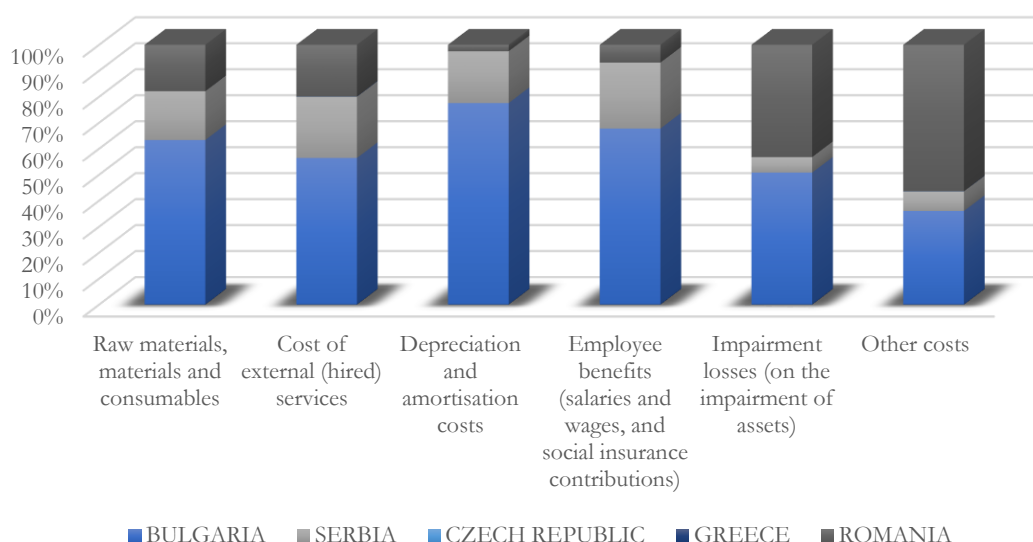


Structure of expenses by nature

Consolidated expenses by nature amount to BGN 431,423 thousand in 2025 and have decreased by 30.32% compared to those incurred in the prior (comparative) reporting period (2024: BGN 619,181 thousand), primarily due to the reduced volume of construction activities under contracts performed by the Group.

Type of expenses	31.12.2025 BGN'000	Relative share 2025	31.12.2024 BGN'000	Relative share 2024	% change
Expenses by nature					
• Raw materials, materials used	121 023	28,05%	214 582	34,66%	▼ (43,60)%
• Cost of external (hired) services	235 931	54,69%	316 449	51,11%	▼ (25,44)%
• Depreciation and amortisation costs	6 658	1,54%	6 345	1,02%	▲ 4,93 %
• Employee benefits (salaries & wages and s	51 851	12,02%	46 866	7,57%	▲ 10,64 %
• Impairment losses (on the impairment of a	990	0,23%	3 100	0,50%	▼ (68,06)%
• Other costs	14 970	3,47%	31 839	5,14%	▼ (52,98)%
Total	431 423	100,00%	619 181	100,00%	▼ (30,32)%

Expenses by nature, incurred in 2025

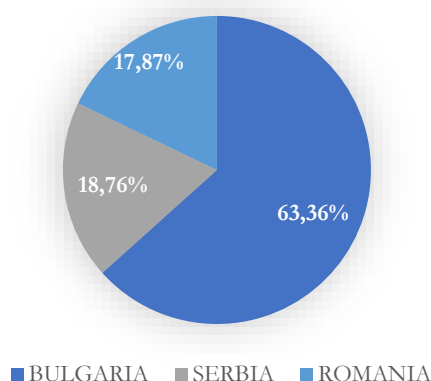


Expenses for raw materials, materials and consumables are included within the “expenses by nature” and amount to BGN 121,023 thousand. These expenses (i.e., cost of raw materials, materials and consumables) have decreased by 43.60% compared to those incurred in the prior (comparative) reporting period (2024: BGN 214,582 thousand). Direct materials, amounting to BGN 107,021 thousand, represent the most significant component (88.43%) of the expenses for raw materials, materials and consumables. Direct materials have recorded the most substantial decrease within the group, declining by 89.49% compared to the ones incurred in the prior (comparative) reporting period (2024: BGN 196,140 thousand). During the year, expenses for fuel, oil and lubricants amounted to BGN 5,816 thousand, decreasing by 48.14% (2024: BGN 11,215 thousand). Transport vehicles and machinery, owned by the Group, require the Group to incur maintenance-related expenses, including expenses for spare parts and consumables amounting to BGN 1,579 thousand, tire expenses amounting to BGN 97 thousand and other related expenses. Electricity expenses amounted to BGN 1,799 thousand and have increased by 31.12% compared to the electricity expenses incurred in the prior (comparative) reporting period (2024: BGN 1,372 thousand). Natural gas expenses amounted to BGN 1,986 thousand, heating energy expenses to BGN 46 thousand and water expenses to BGN 99 thousand. Purchases of direct materials and raw materials are carried out through one of the Group’s subsidiaries – Infra Commerce

EOOD (LTD). This approach ensures appropriate management and monitoring of the supply of direct materials and raw materials, while maintaining good quality at optimal prices.

The decrease in expenses for raw materials and materials is related to the reduced volume of construction and installation works performed by the Group. A change is also observed in the relative share of these expenses in the total expenses by nature; in particular expenses for raw materials and materials amounted to 28.05% of the total expenses by nature in 2025, compared to 34.66% in 2024. By geographical segment, 63.36% of the expenses for raw materials and materials were incurred in Bulgaria, 18.76% in Serbia, and 17.87% in Romania.

Raw materials, materials and consumables, used in 2025



Expenses for external services amount to BGN 235,931 thousand in the current reporting period, decreasing by BGN 80,518 thousand, or 25.44%, compared to the prior (comparative) reporting period (2024: BGN 316,449 thousand). Expenses for external services maintained relatively the same share of total expenses by nature as in the prior (comparative) reporting period, representing 54.69% in the current reporting period compared to 51.11% in 2024.

Expenses for external services include costs incurred in respect of subcontractors, transport services, repairs, insurance, subscriptions, laboratory tests, design, advertising, consulting and other contractual services, security, taxes and fees, and others.

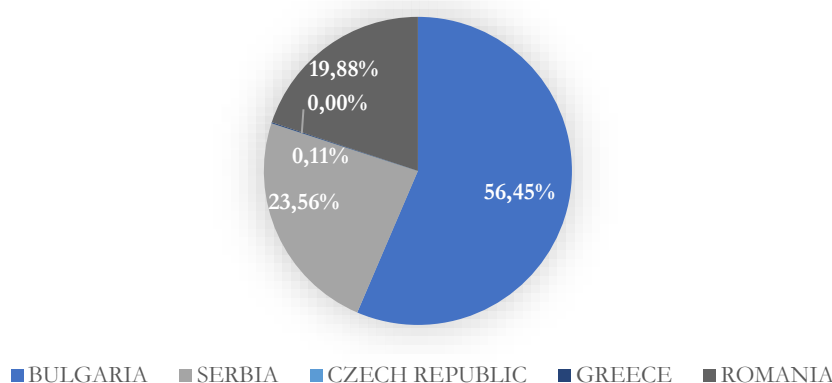
Subcontractor services amount to BGN 171,446 thousand and represent 72.67% of the total external services expenses. Subcontractor service costs have decreased by 27.05% compared to the prior (comparative) reporting period (2024: BGN 235,015 thousand). Mechanisation service expenses amount to BGN 19,431 thousand, representing a decrease of (39.83%) compared to the prior (comparative) reporting period (2024: BGN 32,294 thousand). 65.21% of the mechanisation service expenses have been realised outside Bulgaria. The decreased amount of these expenses relates to the decreased volume of construction and installation works performed by the Group. Transport service costs amount to BGN 5,782 thousand and have decreased by 32.14% compared to the prior (comparative) reporting period. Rental expenses amount to BGN 5,400 thousand and have decrease by 8.23% (2024: BGN 5,884 thousand). Of these expenses, 49.11% were incurred outside Bulgaria. Design costs amount to BGN 4,200 thousand, representing a decrease of 17.94% compared to those incurred in the prior (comparative) reporting period. This decrease relates primarily to the nature of the construction contracts, executed by the Group, including contracts involving engineering activities. Another significant expense within the sub-group relates to insurance of available equipment and mechanisation, as well as insurance related to the execution of building and construction works. Insurance costs for available equipment and mechanisation amount to BGN 4,510 thousand for the current reporting period, representing an increase of 48.84% compared to the insurance costs for available equipment and mechanisation incurred in the prior (comparative) reporting period (2024: BGN 3,030 thousand).

Security costs relate to security services provided in respect of real estate and materials used in the execution of construction and installation works, and amount to BGN 3,665 thousand in the current reporting period (2024: BGN 4,225 thousand). Of these costs, 56.59% were incurred in Bulgaria, 24.45% in Serbia and 18.96% in Romania.

Contractual services amount to BGN 2,397 thousand and consulting services amount to BGN 3,651 thousand in the current reporting period (2024: BGN 3,344 thousand). Taxes and fees amount to BGN 2,243 thousand in the current reporting period, representing a decrease of 50.69% compared to the same incurred in the prior (comparative) reporting year (2024: BGN 4,549 thousand).

By geographical segment, 56.45% of expenses for external services were incurred in Bulgaria, 34.10% 23.56% in Serbia, 0.11% in Greece, and 19.88% in Romania.

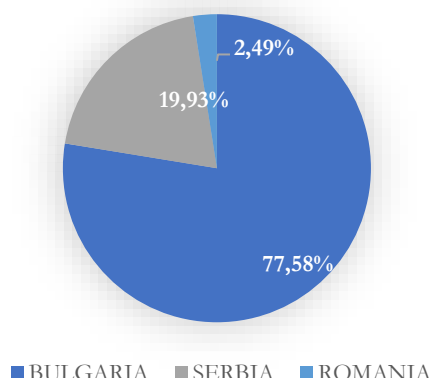
Cost of external services, incurred in 2025



Depreciation and amortisation expenses amount to BGN 6,658 thousand and have increased by 4.93% compared to those incurred in the prior (comparative) reporting period (2024: BGN 6,345 thousand). Of this amount, BGN 1,712 thousand relates to depreciation of right-of-use assets under IFRS 16 Leases, representing an increase of 44.72% compared to the prior (comparative) reporting period (2024: BGN 1,183 thousand). Depreciation and amortisation expenses for Group-owned assets amount to BGN 4,946 thousand and have decreased by 4.18% (2024: BGN 5,162 thousand).

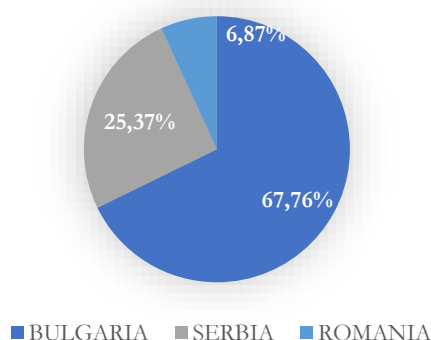
The Group’s investment programme in major machinery and mechanisation is carried out mainly in Bulgaria. The most significant share of these assets is owned by the Parent and supports the activities of the subsidiaries. The Group applies a centralised investment policy through the concentration of key corporate assets, which are leased to subsidiaries based on their operational needs and utilisation levels. Effective asset management and optimal utilisation of these assets are among Management’s key priorities.

Depreciation and amortisation costs, incurred in 2025



Employee benefits expenses amount to BGN 51,851 thousand, representing an increase of 10.64% compared to the employee benefits expenses incurred in the prior (comparative) reporting period (2024: BGN 46,866 thousand). By geographical segment, 67.76 % of the employee benefits expenses were incurred in Bulgaria, 25.37% in the Republic of Serbia, and 6.87% in the Republic of Romania.

Employee benefits (salaries and wages, and social insurance contributions), incurred in 2025



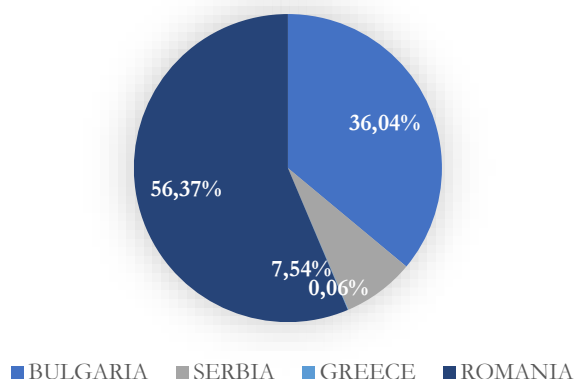
Impairment losses (impairment of assets) amount to BGN 990 thousand and have decreased by 68.06% compared to the impairment losses incurred in the prior (comparative) reporting period (2024: BGN 3,100 thousand). Impairment losses comprise BGN 952 thousand relating to impairment of receivables, BGN 18 thousand relating to the impairment of cash, and BGN 20 thousand relating to the impairment of financial assets.

Other costs amount to BGN 14,970 thousand, representing a decrease of 52.98% compared to the other costs incurred in the prior (comparative) reporting period (2024: BGN 31,839 thousand). Other costs include penalties under commercial transactions amounting to BGN 474 thousand. Provisions for liabilities arising from construction contracts, amounting to BGN 8,583 thousand (2024: BGN 19,775 thousand), represent the most significant share of this group. They also recorded the most significant change within the “other costs” group, decreasing by 56.60% compared to those incurred in the prior (comparative) reporting period. Business travel expenses in Bulgaria and abroad, amounting to BGN 760 thousand, are also included within “other costs” and have decreased compared to the same incurred in the prior (comparative) reporting period (2024: BGN 800 thousand). Social benefits provided in kind amount to BGN 292 thousand, while representation expenses amount to BGN 1,626 thousand. During the year, expenses for shortages and scrapping losses amounting to BGN 434 thousand were recognised.

Donations, amounting to BGN 1,076 thousand, were primarily directed to the “Trace for People Foundation” and decreased by 28.31% compared to donations incurred in the prior (comparative) reporting period (2024: BGN 1,501 thousand).

By geographical segment, 36.04% of the Other costs were incurred in the Republic of Bulgaria, 7.54% in Serbia, 0.06% in Greece and 56.37% in Romania.

Other costs, incurred in 2025



Finance costs amount to BGN 9,701 thousand and have increased by 58.05% compared to those incurred in the prior (comparative) reporting period (2024: BGN 6,138 thousand). The most significant share of finance costs relates to interest expense on borrowings from financial institutions, amounting to BGN 3,614 thousand, which increase by 38.47% compared to those incurred in the prior (comparative) reporting period (2024: BGN 2,610 thousand). This is mainly attributable to financial resources attracted from credit institutions. Expenses related to bank guarantee amount to BGN 932 thousand and have decreased by 18.53% (2024: BGN 1,144 thousand). These expenses relate mainly to securing performance of construction works and advance payments under contracts concluded during the year. Foreign exchange losses amount to BGN 4,369 thousand, representing an increase of 314.91% compared to those incurred in the prior (comparative) reporting period (2024: BGN 1,053 thousand). Foreign exchange losses were generated mainly in Romania (61.36%) and Serbia (5.38%). Interest expense on lease agreements amount to BGN 311 thousand.

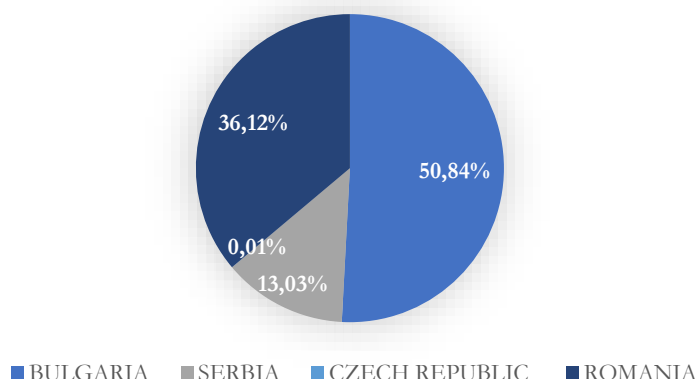
The “finance costs” group also includes other finance costs amounting to BGN 410 thousand (2024: BGN 860 thousand). By their nature and characteristics, other finance costs represent bank charges and finance costs related to active loan agreements.

Type of finance cost	31.12.2025 BGN'000	Relative share 2025	31.12.2024 BGN'000	Relative share 2024	% change
Interest expense, including interest expense i	3 988	41,11%	3 081	50,20%	▲ 29,44 %
• commercial loans	13	0,13%	53	0,86%	▼ (75,47)%
• loans from financial institutions	3 614	37,25%	2 610	42,52%	▲ 38,47 %
• leases	311	3,21%	328	5,34%	▼ (5,18)%
• trade payables	25	0,26%	19	0,31%	▲ 31,58 %
• others	25	0,26%	71	1,16%	▼ (64,79)%
Expenses, related to bank guarantees	932	9,61%	1 144	18,64%	▼ (18,53)%
От операции с финансови инструменти	2	0,02%	-	0,00%	#DIV/0!
Foreign exchange losses	4 369	45,04%	1 053	17,16%	▲ 314,91 %
Other finance costs	410	4,23%	860	14,01%	▼ (52,33)%
Total	9 701	100,00%	6 138	100,00%	▲ 58,05 %

The entities within the Group service several loans from various financial institutions, including UniCredit Bulbank AD, DSK Bank EAD, UBB AD, Eurobank Bulgaria AD, NLB Bank and Banka Intesa.

By geographical segments, 50.84% of the finance costs were incurred in Bulgaria, 13.03% in the Republic of Serbia, and 36.12% in the Republic of Romania.

Finance costs, incurred in 2025



Personnel

As at 31.12.2025, the Group employed 810 persons, of whom 502 were employed in Bulgaria, 292 in Serbia and 16 in Romania. The average number of employees during the 2025 reporting period was 826 persons.

The average number of employees during the 2025 reporting period was distributed across the following categories:

Average number at 31.12.2025			
	BULGARIA	SERBIA	ROMANIA
Total personnel	502	292	16
Management personnel - Managers	64	3	2
Analytical experts	68	45	0
Applied experts	83	71	0
Support staff	21	0	0
Highly qualified employees	25	29	10
Personnel, engaged in the rendering of services	34	0	0
Plant, facility and machine operators	127	78	1
Low-skilled (qualified) workers	80	66	3

Financial result

In conclusion, based on the information presented in the consolidated financial statements for 2025, Trace Group Hold PLC and its subsidiaries recognised a total income of BGN 459,048 thousand and total expenses, excluding taxes, amounting to BGN 445,694 thousand. The financial result before tax is a profit of BGN 13,354 thousand. Tax expense amounts to BGN 2,960 thousand, of which BGN 2,728 thousand related to corporate income tax for the current reporting period. The financial result after tax, representing the Group's net profit after tax, amounts to BGN 10,394 thousand.

III. Analysis of financial and non-financial indicators

1. Financial indicators and ratios

The financial position of the Group for the 2025 financial reporting period is reflected in the following financial indicators:

№	Indicators	2025	2024	Difference	
		Value	Value	Value	%
1	Non-current assets /total/	124 065	126 817	(2 592)	-2%
2	Current assets, including:	404 547	509 897	(105 350)	-21%
4	Inventories	88 065	93 931	(5 866)	-6%
5	Current receivables	287 864	406 396	(118 532)	-29%
6	Current financial assets	633	172	461	268%
7	Cash and cash equivalents	27 985	9 398	18 587	198%
8	Total assets	528 612	636 714	(107 942)	-17%
9	Equity	172 646	172 212	434	0%
10	Financial result	10 412	32 869	(22 457)	-68%
11	Non-current liabilities	36 556	45 610	(8 894)	-20%
12	Current liabilities	319 636	419 106	(99 470)	-24%
13	Total liabilities	356 192	464 716	(108 364)	-23%
14	Total revenue	459 048	667 386	(208 338)	-31%
15	Sales revenue	435 912	661 875	(225 963)	-34%
16	Total expenses	445 694	628 207	(182 513)	-29%

№	Coefficients	2025	2024	Difference	
		Value	Value	Amount	%
Profitability:					
1	Return on equity	0,06	0,19	(0,13)	-68%
2	Return on assets	0,02	0,05	(0,03)	-62%
3	Return on liabilities	0,03	0,07	(0,04)	-59%
4	Net profit margin	0,02	0,05	(0,03)	-52%
Efficiency:					
5	Cost efficiency	1,03	1,06	(0,03)	-3%
6	Revenue efficiency	0,97	0,94	0,03	3%
Liquidity:					
7	Current ratio	1,27	1,22	0,05	4%
8	Quick ratio	0,99	0,99	(0,00)	0%
9	Acid test	0,09	0,02	0,07	292%
10	Absolute liquidity	0,09	0,02	0,07	290%
Financial leverage:					
11	Financial leverage	0,48	0,37	0,11	31%
12	Gearing	2,06	2,70	(0,63)	-24%

Profitability (return) ratios are of key interest to investors, as they indicate the rate of return on capital. In essence, profitability ratios reflect the quantitative characteristics of the efficiency of the Group's sales revenue, equity, assets, and liabilities, and are calculated as the ratio of the financial result (net profit) to the sales revenue, equity, assets, and liabilities, respectively. These ratios are therefore directly dependent on the profit generated by the Group. The financial result, or net profit, for 2025 has decreased compared to the net profit recognised in the prior (comparative) reporting period. As a result, all profitability ratios have decreased compared to those calculated for the prior (comparative) reporting period. The return on sales ratio, or net profit margin, represents the ratio between the financial result achieved and sales revenue. For the current

financial reporting year, the net profit margin is 0.02, compared to 0.05 in the prior (comparative) reporting year.

Efficiency ratios are quantitative measures of the relationship between the Group's revenues and expenses. The value of these ratios is influenced primarily by changes in the structure of revenues and expenses, which also change compared to the prior 2024 financial reporting period. Based on the current year's data, the cost efficiency ratio amounts to 1.03, compared to 1.06 in the prior financial reporting period. The revenue efficiency ratio amounts to 0.97, representing an increase of 3% compared to 2024. Due to the relatively similar rates of change in revenues and expenses, the efficiency ratios do not change significantly. The results of the cost efficiency ratio calculations enable the Group to determine how much operating income is generated from each unit of expense incurred for the same activity.

Liquidity ratios express the Group's ability to settle its obligations in a timely manner and meet its short-term liabilities using the available assets, and reflect the Group's capacity to convert the readily available assets into liquid such. The current ratio, calculated as the ratio of current assets to current liabilities, amounts to 1.27 and has increased by 0.05 points compared to that reported in the prior (comparative) period (2024: 1.22). Typically, it is assumed that at coefficient levels above 1, the risk that the Group will fall into a state of inability to meet its liabilities is too low. The acid-test ratio and the absolute liquidity ratio are both calculated at 0.09, representing an increase of 290% compared to the ratios calculated for the prior comparative reporting period.

Financial leverage ratio represents the ratio of equity to total liabilities. The ratio amounts to 0.48 in 2025 and has increased by 31% compared to that reported in the prior (comparative) financial reporting period (2024: 0.37). This increase is due to the fact that equity remained almost unchanged in 2025 compared to 2024, while total liabilities decreased.

Debt ratios indicate the level of liabilities per BGN 1 of equity. The debt ratio is calculated at 2.06 in 2025 and has decreased by 0.63 points, or 24%, compared to that calculated in the prior (comparative) reporting period (2024: 2.70).

2. Dividends

The Corporate Management of “Trace Group Hold” PLC maintains an optimal dividend policy, aimed at satisfying shareholders' interests while reinvesting the retained profits to support the group's development and future growth, and to enhance shareholder value (i.e. the price of its shares). Senior Management seeks to adopt balanced decisions regarding dividend distribution, taking into consideration the available resources, the economic situation, and shareholders' expectations.

Decisions to distribute dividends by “Trace Group Hold” PLC are determined by the portion of profits that may be distributed as dividends without compromising the investment capacity set out in the corporate business programme for the following year. In 2025, dividends relating to the 2024 profit were distributed pursuant to a decision of the General Meeting of Shareholders. The Distributed dividends amounted to BGN 9,678,504.40 (nine million six hundred seventy-eight thousand five hundred and four Bulgarian lev and forty stotinki), or BGN 0.40 (forty stotinki) gross per share.

3. Corporate Social Responsibility

Environmental protection

The entities within the Group of “Trace Group Hold” PLC maintain an Integrated Quality Management System in compliance with the requirements of the international standards ISO 9001:2015, ISO

14001:2015, and ISO 45001:2018, and engage in social activities that support their commitment to protecting the integrity, health, rights, and well-being of their employees.

The process control system, which affects the quality, environmental performance and occupational health and safety, covers all principal activities in the company’s portfolio. “Trace Group Hold” PLC applies international environmental management standards. The Group regards its sustainable development, competitiveness, and economic prosperity as closely linked to the global efforts for environmental protection.

The Management of “Trace Group Hold” PLC is committed to reducing the Group’s environmental impact through:

- Efficient use of energy resources, including electricity and heating (energy consumption);
- Minimisation of waste generation;
- Prevention of pollution through the reduction and / or minimisation of harmful air and water emissions;
- Implementation of modern technologies and equipment in the execution of the Group’s activity and operations;
- Monitoring of air, water, and soil pollution;
- Implementation of ERP system for process management and digitalisation;

The Corporate Management of “Trace Group Hold” PLC recognises the importance of preserving the ecological balance and pays close attention to the environmental impact of its subsidiaries’ production activities. The Holding monitors and implements measures aimed at reducing the adverse environmental impacts arising from the execution of the principal activities of the entities. All production facilities (crushing plants, asphalt bases, stone powder plants and others) are equipped with filtration systems for capturing harmful (toxic exhaust) emissions and comply with the requirements of the competent environmental authorities (control bodies).

Asphalt mixtures are produced using a dry process, without the use of water. Asphalt mixing plants are equipped with high-efficiency filtration systems that ensure effective dust collection from exhaust gases, which are subjected to dry purification through industrial filters. All emissions are captured through a powerful aspiration system, pass through dry dedusting filters, and clean air is released into the atmosphere.

The specialised machinery and vehicles comply with the European and international environmental standards. In pursuit of preserving the ecological balance, the Entity invests in modern equipment and technologies, and seeks to introduce innovative production processes.

Environmental protection concepts, which define the activities for minimising pollution and the adverse environmental impacts, are developed and applied throughout the implementation of all infrastructure projects. The concepts ensure the identification, assessment, and management of significant environmental aspects, as well as the prevention of environmental pollution during the execution of the respective project / public tender. The environmental protection concepts align with the core activities of the project implementation and site operation across the design, construction, and operation stages, including:

- Approved spatial planning in relation to land-use changes
- Preparation and coordination of project documentation
- Obtaining building permits
- Project implementation
- Commissioning of sites
- Compliance with conditions set out in the environmental assessment and / or environmental impact assessment decisions

Procedures are implemented in accordance with the applicable Bulgarian and European environmental legislation, ensuring prevention of significant adverse impacts on human health and on the environment in the execution of investment projects, including Environmental assessment of programmes and plans related to spatial planning and environmental impact assessment; Assessment of compatibility with the scope and the objectives for the protection of designated areas.

Corporate social activities

The economic dimensions of the responsible social behaviour of “Trace Group Hold” PLC reflect the company’s resilience in times of crisis, its reputation, enhanced competitive advantage, and its ability to attract investors.

Through the “Trace for People” Foundation, “Trace Group Hold” PLC supports projects and causes aligned with its corporate culture and the values it promotes to the public. The foundation consolidates the efforts of all entities within the Holding in the field of corporate social responsibility. “Trace” supports and initiates causes that build on the Bulgarian history, culture, and national identity. It also participates in educational and sports initiatives and campaigns.

4. Disclosure of non-financial information

In accordance with Directive 2014/95/EU of the European Parliament on the disclosure of non-financial information and the provisions of the Accountancy Act, certain companies are required to disclose non-financial information either separately or as part of their annual Management Reports. This requirement applies to large public-interest entities, which as at the end of the financial year (31 December), exceed the threshold of an average of 500 employees during the respective financial reporting period (“average number of employees” criterion). Public-interest entities include: public companies and other issuers of securities; credit institutions; financial institutions; insurance, reinsurance and pension insurance companies, as well as the Funds managed by them; investment intermediaries; commercial entities engaged in the production, transmission and sale of electricity and heating; commercial entities engaged in the import, transport, distribution and transit of natural gas; commercial entities providing water supply, sewerage and telecommunications services; “Balgarski Darzhavni Zheleznitsi” (transl. “Bulgarian State Railways”) EAD (JSC) and its subsidiaries.

Entities with net sales revenues of BGN 100 million or more, or total assets with a carrying amount of BGN 50 million or more, are classified as large enterprises.

Based on the criteria set out in the Accountancy Act, “Trace Group Hold” PLC, on a consolidated basis, is required to disclose non-financial information.

The non-financial information is disclosed in the form of a declaration, presented as a separate document – Appendix to the Management Report.

IV. Principal risks

The Group may be exposed to various financial risks in the course of its ordinary activities; accordingly, its overall risk management framework is focused on minimising the potential adverse effects on its financial performance.

The company’s activities are influenced by a number of factors, including the macroeconomic conditions in Bulgaria, the price dynamics of raw material, the Group’s relationship with its suppliers, any legislative changes, exchange rates fluctuations, and others. In 2024, the company experienced adverse effects from the rising prices of electricity and of raw materials, both domestically and internationally.

Inflation risk

Inflation risk refers to the risk of a general increase in prices, which reduces the purchasing power of money and may adversely affect households and businesses (which could potentially suffer losses). According to the macroeconomic projections of the experts of the European Central Bank (ECB), the average HICP inflation rate is expected to be 2.1% in 2025 (close to the forecasted 2.2%), 1.7% in 2026 (indicating a significantly decline compared to the higher inflation levels observed in the prior periods), and 1.9% in 2027. However, these projections remain subject to revision due to the complex international environment, including the ongoing military conflict in Ukraine and the escalating tensions in the Middle East.

Political risk

Political risk refers to the possibility of significant internal or external political developments that may lead to adverse changes in the government’s economic policies and priorities, thereby negatively affecting the business environment in which entities operate and the confidence of investors, who may suffer losses. In 2025, no elections for an Ordinary National Assembly were held in Bulgaria, and the country was governed by a regular Government elected and in office in January 2025. Bulgaria’s international political risk environment is shaped by its commitments as an EU Member State to implement structural reforms aimed at enhancing social stability and reducing inefficient public spending, as well as by the heightened geopolitical tension. The latter includes instability in the Middle East, the conflict between Israel and Hamas in the Gaza Strip, the escalating tensions involving the United States, Israel and Iran in early 2026, the increased threat of terrorist activity in Europe, the ongoing refugee flows, and the instability in the neighbouring countries. Bulgaria, as well as other EU Member States in the region, continues to be significantly exposed to the common European challenge of intensive refugee flows from the Middle East. Nevertheless, measures undertaken at both national and EU level to manage and reduce these refugee flows are beginning to yield results. A key development was Bulgaria’s full accession to the Schengen area as of 1 January 2025. Additional factors influencing the political risk include potential legislative changes, particularly those affecting the economic and investment climate in the country. The geopolitical situation in the region has been further complicated by the ongoing Russia – Ukraine conflict and the lack of a rapid resolution by the United States as initially expected. It is currently not possible to assess this risk for the Entity with precision. While the Entity does not have direct exposure to the Russian or Ukrainian markets, indirect impacts remain, particularly through price volatility and supply chain disruptions. Sanctions against Russia and the fuel price cap have contributed to sustained fuel price levels, which in turn have affected raw materials and commodity prices. Recent increases in energy prices are expected to have a negative impact on the global economic environment.

Credit risk

The Group is exposed to credit risk in the course of its ordinary activities. Credit risk arises from the possibility that some of the Group’s counterparties may fail (not be in a position) to meet their obligations wholly and in the normally expected time periods.

The financial assets of the entities within the Group are primarily concentrated in three categories: Cash and cash equivalents, Trade receivables (from customers), and Financial assets (loans granted).

The company regularly monitors the settlement behaviour of its customers and other counterparties, both individually and collectively, and uses this information to manage the credit risk. Creditworthiness assessments are based on information (credit rating data) obtained from external sources and / or the financial statements of customers and / or other counterparties, where the costs of obtaining such information is justified (i.e., not excessively high). The company’s policy is to engage only in transactions with counterparties that have an appropriate credit profile.

The Group’s cash and cash at banks (current accounts) are held with the following banks: UniCredit Bulbank AD, UniCredit Bank Serbia, DSK Bank AD, UBB AD, and Eurobank Bulgaria AD (Postbank). Management believes that the Group is not significantly exposed to credit risk in respect of its cash holdings, given that the servicing banks maintain strong liquidity and stability.

Liquidity risk

Liquidity risk represents the risk that the Group may not be able to unconditionally meet all its obligations as they fall due. The Holding applies a conservative liquidity management policy, aimed at constantly maintaining adequate cash levels and sufficient capacity to finance its operating activities. The maturity profile of liabilities and the timeliness of payments are monitored on an ongoing basis by the Financial and Accounting Department, which maintains up-to-date information on available cash resources and expected cash outflows (pending payments).

Interest risk

Interest risk is related to possible, potential adverse movements in interest levels applied by financial institutions in the Republic of Bulgaria. During the first half of 2025, the level of the European Central Bank's (ECB's) key interest rates and its interest rate guidance continued their downward trend, decreasing by approximately $\frac{3}{4}$ percentage points to around 2%, after which the levels remained broadly unchanged during the second half of the year. During the second half of the year, interest rates remained unchanged.

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

Overall, the interest-bearing financial assets and liabilities, including finance leases receivables and payables, as well as loans granted and obtained, represent a significant portion of the assets and liabilities structure of the Entity.

Currency risk

The Holding is exposed to foreign currency risk to the extent that all branches and some subsidiaries operate in countries whose national currencies are not pegged to the BGN. Nevertheless, the majority of the Entity's transactions (and operations) are denominated in Bulgarian Leva and / or Euro.

V. Significant events after the reporting period

According to the Law on the Introduction of the Euro in the Republic of Bulgaria (ZVERB), the euro becomes the official currency and legal tender in Bulgaria as of 1 January 2026. The official exchange rate is fixed at BGN 1.95583=EUR 1.

The introduction of the euro as the official currency of the Republic of Bulgaria constitutes a change in the Entity's functional (presentation) currency, which will be applied prospectively and does not represent an adjusting event after the reporting period for the financial statements as at 31 December 2025.

The Entity does not anticipate significant effects from the translation of opening balances as at 1 January 2025 from Bulgarian Lev to euro, nor from the change in its functional (presentation) currency.

On 16.02.2026, pursuant to resolutions of the Supervisory Board and the Managing Board of “Trace Group Hold” PLC, a procedure was initiated for the admission of the Entity's shares to trading on the Frankfurt Stock Exchange. The Supervisory Board has authorised the Managing Board to appoint consultants and undertake all necessary legal and administrative actions in connection with the listing process.

As at the date of preparation of these financial statements, the Entity is in the process of preparing the listing procedure.

“GYUESHEVO 2025” – a civil company established under the Law on Obligations and Contracts, with partners “Trace Group Hold” PLC and “VDH” AD (JSC) – signed a contract on 20.02.2026 with the State Enterprise “Natsionalna Compania “Zhelezopatna Infrastruktura” (transl. “National Company “Railway Infrastructure”) as follows: Contract subject: “Design and Construction for the Modernisation of the railway section “Guyeshevo – boarder with the Republic of north Macedonia”, including a station and reception building at Guyeshevo”. The total contract value amounts to EUR 50,092,641.86 (exclusive of VAT) for the entire duration of the contract. The implementation period is structured into two stages: Stage I Design – 180 calendar days and Stage II Construction – 24 months.

As at the date of approval of these financial statements for issue, a Decision dated 25.03.2026 was issued by the Emergency Arbitrator at the Chamber of Commerce and Industry of Romania in case No. 20/U/2026, in connection with an arbitration dispute with the public procurement agency in Romania – CNAIR. The Decision upholds the Entity’s request for suspension of actions to enforce the guarantees. In reaching this conclusion (for suspension of actions to enforce the guarantees), the arbitrator acknowledged the existence of substantiated arguments in favour of the Entity in the main arbitration proceedings, which have also been confirmed in a separate proceeding.

An Extraordinary General Meeting of Shareholders of Trace Group Hold PLC was held on 30.03.2026. During the meeting, a resolution was adopted pursuant to Art. 187 b of the Commercial Act and Art. 111 of the Public Offering of Securities Act, for the repurchase of shares from the Entity’s capital under the following conditions:

- Maximum number of shares subject to repurchase up to 3% of the total number of shares, issued by the Entity;
- Time limit for completion of the repurchase programme: up to 5 (five) years. The Extraordinary General Meeting of Shareholders authorises the Board of Directors to determine the specific start and end dates of the repurchase programme.
- Repurchase price range: minimum price – EUR 2 (two euros); maximum price – EUR 10 (ten euros).

The General Meeting of Shareholders also approved a formal change of the Entity’s registered auditor. The change relates to the re-registration of “KA Audit” EOOD (LTD), an audit enterprise of the registered auditor Kalin Apostolov (holder of Diploma № 0657), as “Parker Russell Bulgaria” EOOD (LTD) (Reg. No. 195). The legal entity and the circumstances related to it remain unchanged, with only the corporate name being changed. The auditor responsible for the engagement (Audit Engagement Partner), on behalf of “Parker Russell Bulgaria” EOOD (LTD) is Kalin Apostolov Apostolov (Sole Owner and Manager).

After the reporting period, Trace Group Hold PLC entered into a non-binding memorandum regarding a potential acquisition of a net investment in the capital of a company in Greece, comprising all shares in the company’s capital and debt issued by that company. Technical and financial due diligence of the acquired business is currently being performed. Payments made to date include a deposit of 10%, amounting to EUR 1,090,000, and an advance payment amounting to EUR 3,010,000. Management expects that, within the agreed period of three months, the Group will complete the transaction and acquire the equity and debt instruments.

On 28.02.2026, a joint military operation involving the United States and Israel against strategic sites in Iran commenced. As a result of the escalation of geopolitical tensions in the Middle East, the leading international financial markets have experienced increased volatility, accompanied by heightened uncertainty and sustained pressure on the energy prices. The extent of the economic impact of the conflict in the Middle East on the global economy will depend on the duration of the conflict and the extent of damages to infrastructure and industrial capacity in the region, particularly whether the increase in energy prices proves to be temporary or persistent. The conflict may have a significant adverse effect on key macroeconomic indicators, including on inflation, economic growth, and others.

On 07.04.2026, the transformation of “Asphalt Commerce” EOOD (LTD) through merger into “Trace BG” EOOD (LTD), both companies being wholly owned by “Trace Group Hold” PLC, was entered in the Commercial Register. All assets and liabilities of the transforming company were transferred to the receiving company, “Trace BG” EOOD (LTD), which became its universal legal successor. The transforming company was terminated without liquidation.

VI. Future prospects and developments

“Trace Group Hold” PLC will continue to strengthen its market position, both domestically and in the countries in which it operates, by retaining and developing the company’s human resources.

In Bulgaria, the entity intends to participate in tenders for the implementation of infrastructure projects under the current European Union Operational Programmes, with a focus on: railway and road infrastructure construction; subway (metro) construction, the water sector, landfills and waste management facilities, Public works and community development projects co-financed by the State budget and EU funds; High-rise construction and building rehabilitation projects aimed at improving energy efficiency; Initiatives with private

investors in infrastructure, logistics, and industrial construction, including public–private partnership (PPP) projects.

High-rise construction will continue to represent a key segment of the Holding’s activities, both as an investment and operational area. The modern and functional “Atana” city complex, located in “Druzhba” Residential District, Sofia, is currently under development, with the construction of a third building (within the complex) having commenced in 2025. In the short term, the Holding plans to participate in the construction of residential, administrative, and office buildings in Bulgaria and in the other countries, where the Group operates.

“Trace Group Hold” PLC has strengthened its position in the road maintenance sector in Serbia, particularly in the maintenance and rehabilitation of road infrastructure in the south-eastern regions of the country. In 2025, the entity continued to consolidate its presence in the railway construction sector in Serbia. The entity is continuing with the implementation of the project for the rehabilitation of a large section of the “Nis – Brestovac” railway line and the project for the rehabilitation of the “Nis – Dimitrovgrad (Caribrod)” railway section. In addition to road and railway infrastructure, the company intends to expand into high-rise construction, with the development of a mixed-use building in Belgrade, Serbia, continuing in 2025.

The Entity is also successfully developing its presence in the neighbouring Romanian market, where it is executing building, and construction works under a contract for a section of the “Ploiesti – Buzau” motorway. The Entity continues to explore feasible opportunities to participate in future infrastructure tenders in Romania. In the fourth quarter of 2025, a design and construction contract were signed for the project: “Metro Extension – Line 4, Section “Gara de Nord” – Gara Progresul”, LOT 1, Section 1 – Gara de Nord – Eroii Revolutiei (transl. Heroes of the Revolution) 2” in Bucharest.

The international division of the Holding will continue to explore opportunities in Central and Eastern European markets.

VII. Research and Development activities

The entities within the Group do not engage in any research and development activities.

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

1. Treasury shares. Shares repurchase

As at 31.12.2025, “Trace Group Hold” PLC did not have an active procedure for the repurchase of treasury shares.

As at 31.12.2025, “Trace Group Hold” PLC does not hold any treasury shares.

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

“Trace Group Hold” PLC is governed under a two-tier management system, comprising a Supervisory Board and a Managing Board.

The Supervisory Board (SB) comprises the following members:

Nikolay Ganchev Mihaylov – Chairperson of the SB

Manol Peychev Denev – Member of the SB

Mariela Ivanova Rounteva – Independent Member of the SB

The Managing Board (MB) comprises the following members:

Desislava Ivanova Lyubenova – Chairperson of the MB

Boyan Stoyanov Delchev – Member of the MB and Executive Director

Manol Kavarakov – Member of the MB

The members of the Supervisory Board and the Managing Board hold office until 2030.

The Supervisory Board determines and oversees the entity’s strategic development and provides guidelines for defining its vision and monitors their implementation. It also provides guidance to the Managing Board in establishing a risk management system, including internal control and internal audit functions, as well as the financial reporting system, and oversees their effectiveness. The Supervisory Board monitors compliance with the applicable regulatory requirements and the entity’s statutes. The Supervisory Board ensures the equal treatment of all shareholders, and acts to protect their interests. The Supervisory Board is also responsible for the appointment and supervision of the entity’s Managing Board.

The Managing Board of “Trace Group Hold” PLC manages the Entity independently and responsibly, in line with the established vision, objectives, and corporate strategies, and in consideration of shareholders’ interests. It coordinates with the Supervisory Board on matters related to the Entity’s business plan, material transactions, and other activities defined in the Entity’s statutes. The Managing Board has established and monitors compliance with the Entity’s disclosure and investor relations policies, ensuring that shareholders receive timely and adequate information in accordance with the statutory requirements and the format defined under the Entity’s statutes. During their term of office, the members of the Managing Board adhere to the generally accepted principles of integrity, professionalism, and competence, and the Managing Board complies with the Code of Ethics.

Information on the acquisition and ownership of shares of the entity by members of the governing bodies.

	Number of shares	Value	% share
Nikolay Ganchev Mihaylov	16 216 646	16 216 646	67.01%
Manol Peychev Denev	33 941	33 941	0.14%
Desislava Ivanova Lyubenova	1 202 056	1 202 056	4.97%
Boyan Stoyanov Delchev	10 068	10 068	0.04%
Manol Tanev Kavarakov	11 890	11 890	0.05%

No privileges or exclusive rights to acquire shares or bonds of the entity have been granted to members of the governing bodies.

Members of the governing bodies are not involved as general partners (i.e., unlimited liability partners) in commercial entities, other than those disclosed in the tables below.

The tables below provide information on the participation of members of the Supervisory Board (SB) and the Managing Board (MB) in the management of other entities, as well as information on their equity interests exceeding 25% of the capital of such entities.

Supervisory Board	
Entity	Nikolay Mihaylov
“Trace Group Hold” PLC	Chairperson of the SB, holding 67.01% of the entity’s capital
“Galini” EOOD (LTD)	Sole owner and Manager
“Galini – N” EOOD (LTD)	Sole owner and Manager
Institut po Transportna Infrastruktura (transl. Institute of Transport Infrastructure)	Holds directly over 25% of the entity’s capital
Transgeo EOOD (LTD)	Holds indirectly over 25% of the entity’s capital

Himcolor EOOD (LTD)	Holds indirectly over 25% of the entity's capital
Trace Group Hold PLC – Kiev branch	Holds indirectly over 25% of the entity's capital
Trace Group Hold PLC – Skopje branch	Holds indirectly over 25% of the entity's capital
Trace Group Hold PLC – Belgrade branch	Holds indirectly over 25% of the entity's capital
Trace Group Hold PLC – Bucharest branch	Holds indirectly over 25% of the entity's capital
Trace Group Hold PLC – Greece branch	Holds indirectly over 25% of the entity's capital
Trace Group Hold PLC – Montenegro branch	Holds indirectly over 25% of the entity's capital
“New Alliance” OOD (LTD)	Holds directly over 25% of the entity's capital
“Infra Commerce” EOOD (LTD)	Holds indirectly over 25% of the entity's capital
“Trace Properties” EOOD (LTD)	Holds indirectly over 25% of the entity's capital
“Trace Mechanization” EAD (JSC)	Holds indirectly over 25% of the entity's capital
“Trace BG” EOOD (LTD)	Holds indirectly over 25% of the entity's capital
“Trace Yambol” AD (JSC)	Holds indirectly over 25% of the entity's capital
“Asphalt Commerce” EOOD (LTD)	Holds indirectly over 25% of the entity's capital
“Trace Serbia” EAD (JSC)	Holds indirectly over 25% of the entity's capital
“Trace Build” EOOD (LTD)	Holds indirectly over 25% of the entity's capital
“Trace Rent” EOOD (LTD)	Holds indirectly over 25% of the entity's capital
Trace Group Hold USA LLC, USA	Holds indirectly over 25% of the entity's capital

Managing Board

Entity	Desislava Lyubenova
“Trace Group Hold” PLC	Chairperson of the MB
“Trace for People” Foundation	Executive Director
Novita AD (JSC)	Holds directly over 25% of the entity's capital
Bordoni EOOD (LTD)	Holds directly over 25% of the entity's capital
Aero Plaza AD (JSC)	Holds directly over 25% of the entity's capital
Road Design AD (JSC)	Holds directly over 25% of the entity's capital
Lepitsa Land OOD (LTD)	Holds directly over 25% of the entity's capital
Treskavets OOD (LTD)	Holds directly over 25% of the entity's capital
Himik AD (JSC)	Holds directly over 25% of the entity's capital
“MC Nova Kletka – Novus” (transl. New Cell – Novus Medical Centre) OOD (LTD)	Holds directly over 25% of the entity's capital
Evilard Bulgaria EOOD (LTD)	Holds indirectly over 25% of the entity's capital
Sidil EOOD (LTD)	Holds directly over 25% of the entity's capital

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

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

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

- Quantitative and qualitative information regarding the main categories of goods, products and / or services rendered, including their respective share in the issuer's total sales revenue and any changes during the financial reporting period.**

Information on services rendered is disclosed in Section II. 3 Operating results.

- Information on revenue allocated by categories of activities and by internal and external markets, as well as information on the sources of supply of materials required for the**

production of goods or the rendering of services, including the degree of dependency on individual suppliers and customers / users. Where the relative share of any supplier or customer / user exceeds 10 percent of the costs of sales or sales revenue, information on such counterparties, including their share in sales, or purchases, and their relationship with the issuer, is disclosed separately for each individual:

Information on the revenue allocation by categories of activities and markets is disclosed in Section II, 2. Operating results.

The entity's major customers include “Metropolitan” EAD (JSC), Natsionalna Kompania Zhelezopatna Infrastruktura (NKZI) (transl. National Railway Infrastructure Company – NRIC), Agentsia Patna Infrastruktura (API) (transl. Road Infrastructure Agency – RIA), Sofia Municipality, Municipality of Stara Zagora; the Ministry of Finance of the Republic of Serbia, J.P. “Putevi Srbije” Beograd, Infrastruktura železnice Srbije; CNAIR Romania (National Company for Road Infrastructure Management, Romania).

Contracts for building and construction works with the above counterparties, acting as contracting authorities, have been concluded by the Entity, its foreign branches, and companies established under the Law on Obligations and Contracts, in which Trace Group Hold PLC acts as the lead partner and / or alliance leader.

The entity's main suppliers in 2025 include Start Engineering OOD (LTD), Obonato Build EOOD (LTD, Investstroy 3000 EOOD (LTD), Bulstroy-Montazhi EOOD (LTD), Infra Commerce EOOD (LTD), Atmiks OOD (LTD); Balkantel DOO ogranak Nis, Vossloch min Skretnice DOO, Hanput-plus DOO, Monterra DOO ogranak Beograd (Belgrade branch); Elektra Invest srl, Mony 07 EOOD, Klaus Industrial srl, Avimi Serv SRL.

3. Information on significant agreements concluded

The following construction contracts, which are significant to the activities of “Trace Group Hold” PLC, were concluded during 2025:

Joint Venture “Dogus Insaat Ve Ticaret A.S. – Trace Group Hold PLC - GP Group JSC” (“Dogus Inshaat Ve Ticaret AD (A.S.) – Trace Group Hold PLC – GP Group AD (JSC) Consortium), in which “Trace Group Hold” PLC holds a 30% participating interest, concluded a Design and construction contract in the fourth quarter of 2025. The contract relates to: “Metro Extension – Line 4, Section “Gara de Nord” – Gara Progresul”, LOT 1, Section 1 – Gara de Nord – Eroii Revolutiei (transl. Heroes of the Revolution) 2” in Bucharest. The total contract value (cost of implementing the contractual activities) amounts to RON 4,691,432,000.00, exclusive of VAT. The contract term (design and construction period) is 60 months. The Contracting Authority is the Municipality of Bucharest /Sector 4/, with registered address at 6-16, Coșbuc George Str., Sector 4, Bucharest.

4. Information on transactions concluded between “Trace Group Hold” PLC and related parties during the reporting period, including proposals to conclude such transactions, as well as transactions outside its ordinary course of business, or those that significantly deviate from market conditions, and under which the issuer or its subsidiary is a party to the transaction. For each transaction involving the issuer or its subsidiaries, the disclosure includes the transaction value, the nature of their relationship, and any additional information necessary to assess the impact on the issuer's financial position

Information on related party transactions is disclosed in the explanatory notes to the annual separate financial statements for the financial reporting year 2025, under the “Other disclosures” section, in Note “Related party transactions and balances”.

There are no transactions outside the ordinary activities of business, nor transactions that significantly deviate from market conditions to which “Trace Group Hold” PLC or any of its subsidiaries is a party.

5. Information on events and indicators of an unusual nature for “Trace Group Hold” PLC that have a significant impact on its business activities, including the related revenues and expenses, as well as an assessment of their impact on the results for the current financial year.

The challenges faced by all economic sectors over the past two years, driven by the military conflicts in Ukraine and the Gaza Strip, and their consequences, remain complex and largely unpredictable. The economic crisis persisted, and cash flows remained under pressure. In 2025, the situation began to gradually subside, with inflation rates and the central bank measures starting to take effect in controlling inflationary pressures. Currently, the economic environment no longer exerts a materially adverse impact on the investment projects of “Trace” in Bulgaria, Serbia, and Romania. Certain contracting authorities (Assignors) have begun to apply price indexation mechanisms, in line with regulatory changes aimed at better reflecting the dynamic economic environment. As a result, operational efficiency has shown signs of improvement. Nevertheless, the initiation of major (large) infrastructure projects has been delayed, and tender procedures have been postponed.

Funding allocated to infrastructure over the past two years remains insufficient, as a portion of the unutilised funds under the European Structural and Investment Funds has been redirected to address other priorities. There are delays in the implementation of projects under the European Union Recovery and Resilience Plan, as well as delays in payments under already initiated projects. Consequently, there is a risk that certain projects may be removed from the funding pipeline.

The domestic political environment in Bulgaria has also impacted the feasibility and timing of the company’s strategic objectives and the implementation of its strategy. No early elections for National Assembly were held in Bulgaria in 2025, and the country was governed by a regularly elected government in office since January 2025.

At the same time, global prices of fuels and raw materials have remained elevated. Bitumen, fuels, and steel are key direct materials for the activities of “Trace Group Hold” PLC. However, by the end of 2025, their prices did not show a significant increase compared to the beginning of the year, and the average price levels remained broadly in line with those observed in 2024.

6. Information on off-balance sheet transactions (including their nature and business purpose), indicating their financial impact on the holding’s activities, where the risks and benefits of these transactions are material to the issuer and such disclosure is necessary for the assessment of the issuer’s financial position.

No off-balance sheet transactions were identified during the financial reporting period 2025.

7. Information on the equity interests of “Trace Group Hold” PLC. Information on its significant investments in Bulgaria and abroad in securities, financial instruments, intangible assets and property, as well as investments in equity securities outside its economic group within the meaning of the Accountancy Act, and the sources and methods of financing such investments.

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

Investments in subsidiaries – capital entities (equity investments)

Type	31.12.2025
	Amount
Trace BG EOOD (LTD), Bulgaria	100.00%
Trace Properties EOOD (LTD), Bulgaria	100.00%
Trace Serbia EAD (JSC), Serbia	100.00%
Infra Commerce EOOD (LTD), Bulgaria	100.00%
Asphalt Commerce EOOD (LTD), Bulgaria	100.00%
Trace Yambol AD (JSC), Bulgaria	99.48%
Trace Mechanization EAD (JSC)	100.00%

Trace Build EOOD (LTD), Serbia	100.00%
Trace Group Hold USA Llc, USA	100.00%

8. Information on contracts concluded by “Trace Group Hold” PLC and its subsidiaries in their capacity of creditors, including credit agreements and their key terms and conditions, such as their maturity dates, as well as information on the guarantees provided and the related commitments.

Loans obtained by “Trace Group Hold” PLC

Type of loan		Amount /BGN '000/	Outstanding principal / Utilised limit as at 31.12.2025 / BGN '000/	Repayment date / Drawdown (utilisation) deadline	Interest rate %	Collateral(s)
UniCredit Bulbank AD	Bank guarantees	48 000	13 891	02.05.2032	0,70%	Mortgages, pledges over non-current assets, pledges over receivables, pledges over accounts, cash
UniCredit Bulbank AD	Revolving, bank guarantees	30 000	-	02.11.2026 02.05.2032	BIR+ 2,05% 0.7%	Mortgages, pledges over non-current assets, pledges over receivables, pledges over accounts
UniCredit Bulbank AD	Bank guarantees	4 890	4 890	29.06.2032	1,00%	Mortgages, pledges over accounts
DSK Bank AD	Bank guarantees	19 558	1 910	31.12.2037	1,20%	Mortgage, pledges over non-current assets, pledges over receivables, pledges over accounts
DSK Bank AD	Revolving / bank guarantees	9 779	33 157	31.7.2026 / 31.7.2037	ADI+3,90%/ 1,20%	Mortgages, pledges over non-current assets, pledges over receivables, pledges over accounts, pledges over accounts
DSK Bank AD	Revolving / Project funding	39 116	0	31.7.2026	ADI+3,90%	Mortgages, pledges over non-current assets, pledges over receivables, pledges over accounts, pledges over accounts
UBB AD	Bank guarantees	23 470	4 788	30.09.2041	0,90%	Mortgages, pledges over receivables, pledges over accounts
UBB AD	Revolving / bank guarantees	20 927	12 466	30.10.2026	1M STR+ 2.50% BGN /1M Euribor+ 2.50% EUR	Mortgages, pledges over receivables, pledges over accounts
UBB AD	Investment	11 000	8 250	15.06.2030	1Y. RIR +1,70%	Mortgage, pledges over accounts
Eurobank Bulgaria AD	Bank guarantees	9 779	0	29.1.2031	1,00%	Mortgages, pledges over non-current assets, pledges over receivables, pledges over accounts, pledges over accounts

Eurobank Bulgaria AD	Revolving / bank guarantees	9 779	9 773	29.1.2026 29.1.2031	1M Euribor+ 1,50%/1,00%	Mortgages, pledges over non-current assets, pledges over receivables, pledges over accounts
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Loans obtained by “Trace Serbia” EAD (JSC)

Loans obtained by Raiffeisen Bank Serbia Ltd (RBS)						
Type of loan	Amount /BGN '000/	Outstanding principal/ Utilised limit as at 31.12.2025 /BGN '000/	Repayment date / Drawdown (utilisation) deadline	Interest rate %	Collateral(s)	
UniCredit Bank Serbia AD	Working capital	11 735	4 459	27.03.2027	3M Euribor + 3,20%	Mortgages, pledges over non-current tangible assets, promissory notes
Intesa Bank AD Serbia	Working capital	5 867	2 115	19.05.2026	3M Euribor + 3,25%/0,60%	Promissory note, corporate guarantee
NLB AA Serbia	Revolving / bank guarantees	3 912	225	05.05.2026	5,85%/0,60%	Promissory note, corporate guarantee

Loans between related parties

Lender	Borrower	Type of loan	Amount BGN ‘000	Contract date / Amendment date	Repayment term	Interest rate %	Outstanding principal as at 31.12.2025 BGN ‘000
“Trace Group Hold” PLC	Trace Rent EOOD (LTD) UIC 201782816	Revolving	1000	12.05.2023	31.12.2026	4,00%	768,00
“Trace Group Hold” PLC	Dragalevtzi 2021 – a Company established under the Law on Obligations and Contracts UIC 177544581	Overdraft facilities, performance guarantees and advance payments related to project implementation	110	15.12.2021	One month following payment by the Contracting Authority	3,00%	109,00
“Trace Group Hold” PLC	Trace BG EOOD (LTD) UIC 207121725	Revolving	2000	17.11.2025	31.12.2026	4,00%	1130,00

- 9. Information on total loans granted by “Trace Group Hold” PLC or its subsidiaries, as well as commitments undertaken and guarantees provided to any individual or legal entity or its subsidiary (including related parties). For each exposure, the disclosure includes the names or corporate name and UIC, the nature of the issuer’s (or its subsidiary’s) relation with the creditor, the outstanding principal amount, interest rate, contract date, repayment deadline, amount of the commitment, key terms and conditions, and the purpose of the financing where the funds are provided for a specific use (“tied” financing).**

Lender	Borrower	Type of loan	Amount BGN ‘000	Contract date / Amendment date	Repayment date	Interest rate %	Outstanding principal as at 31.12.2025 BGN ‘000
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“Trace Group Hold” PLC	Smart Build Digital EOOD (LTD)	Revolving	600	16.04.2020 Annexes to extend	30.06.2026	4,50%	444,00 impairments
	UIC 201719627						
“Trace Group Hold” PLC	Exclusiva EOOD (LTD)	Revolving	450	02.04.2025	31.12.2026	4,70%	450,00
	UIC 207634009						
“Infra Commerce” EOOD (LTD)	Todorov AD (JSC) UIC 130078447	Working capital	100,00	11.6.2015	Seized accounts of “Todorov” AD (JSC)	20,00%	81,00 impairments
“Infra Commerce” EOOD (LTD)	FC Vereya NGO	Working capital	10,00	25.4.2017	30.06.2017 - payable	7,00%	7,00 impairments
Trace Serbia AD (JSC)	FC Dinamo Vranja	Working capital	25,00	8.9.2016	8.10.2016	11,00%	17,00

10. Information on the utilisation of funds raised from new issues of securities during the reporting period

No new shares were issued in 2025.

11. Ratio analysis of the financial results achieved, as presented in the financial statements for the financial reporting period, compared with previously disclosed estimates (revenue forecasts)

“Trace Group Hold” PLC publishes revenue forecasts on a quarterly basis since 2011, along with the actual results achieved for the respective periods (quarters). The analysis indicates that the published forecasts provide a reasonable representation of the subsequently realised financial results, including those reported in the annual financial statements of the entity.

12. Analysis and evaluation of the management of financial resources policy, including the ability to meet its obligations, potential risks, and the measures that the issuer has taken or plans to take to mitigate such risks

“Trace Group Hold” PLC maintains effective control over the collection of receivables and the timely settlement of its obligations. The Holding manages cash flows across the Group to optimise the use of financial resources and to maintain financial stability and independence. Where available internal resources are insufficient, the Holding secures external financing from banking institutions. Available resources are allocated to support the Group’s development in line with the Management’s strategic objectives. The Group also utilises financing from financial institutions to fund a portion of its investment activities.

13. Evaluation of the feasibility of the investment intentions, indicating the availability of funding and reflecting on the potential changes in the financing structure of such activities.

Investment decisions within the Holding are primarily financed through the utilisation of the Holding’s internal resources, as well as through funding obtained from banking institutions and affiliated leasing companies.

14. Information on changes in the core management principles of “Trace Group Hold” PLC and its economic group, within the meaning of the Accountancy Act during the reporting period.

No changes in the core management principles of “Trace Group Hold” PLC and its economic group were identified during 2025. The Group’s restructuring process continued, focusing on the implementation of

a strategy to consolidate similar activities within a unified management and organisational framework, with the aim of enhancing efficiency and competitiveness.

The transformation process is primarily aimed at achieving improved economic performance through the following measures:

- Optimisation of production and construction processes through the pooling of assets and personnel, and the elimination of duplicate activities, operations, and functions;
 - Improved utilisation of the Group’s assets and achievement of sustainable profitability through the introduction of a centralised management approach;
 - Enhancement of supply chain management of raw materials, materials, and external services through process centralisation;
 - Reduction of administrative staff and optimisation of administrative expenses;
 - Implementation of a unified system for resource and cash flow management;
- Information on changes within the economic group is disclosed in the “Investment portfolio” section.

15. Information on the key features of the internal control and risk management systems implemented by “Trace Group Hold” PLC in the preparation of the financial statements.

The process of preparing the financial statements of “Trace Group Hold” PLC is based on the following core principles:

- Internal control through ongoing reporting on project implementation and monthly monitoring and analysis of the performance of subsidiaries’ business plans;
- Timely identification of issues and implementation of corrective measures;
- Identification and assessment of risks in the execution of the business programme
- Independent external financial audit.
- Oversight of the financial reporting process by the Audit Committee;

The financial and accounting activities of the entity are subject to regular monitoring and analysis by Management and the Managing Board. The entity has established an internal financial control system, which ensures the effective functioning of financial reporting and disclosure processes, identifies the entity’s operational risks, and supports their efficient management.

A unified integrated enterprise resource planning (ERP) system has been developed and implemented across the structure of “Trace” to provide a robust foundation for timely and informed decision-making. The system covers all departments, organisational units, and related processes, and is implemented across all subsidiaries. Its key benefits include real-time data availability and analysis, enhanced mobility, continuous process monitoring, and improved planning and growth capabilities.

The effectiveness of the internal control and risk management processes is overseen by the Audit Committee. The Audit Committee comprises three members who are independent of the Managing and Supervisory Boards, and possess the required qualifications and professional experience.

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 accordance with the requirements of the Independent Financial Audit Act. All financial statements are prepared in accordance with the Accountancy Act, the International Accounting Reporting Standards (IFRS) and the Public Offering of Securities Act (POSA).

16. Information on changes in the composition of the Managing and Supervisory Bodies during the financial reporting year

No changes in the composition of the Supervisory Board of “Trace Group Hold” PLC occurred in 2025.

As at 31.12.2025, the Supervisory Board comprises the following members: Prof. Dr. Sc. Oec. Eng. Nikolay Mihaylov, Manol Denev, and Mariela Rounteva.

No changes in the composition of the Managing Board of “Trace Group Hold” PLC occurred in 2025.

As at 31.12.2025, the Managing Board comprises the following members: Desislava Lyubenova, Boyan Delchev, and Manol Kavrakov.

17. Information on the remuneration, compensation and / or benefits paid by “Trace Group Hold” PLC and its subsidiaries to each member of the management and supervisory bodies during the financial reporting year, regardless of whether such amounts were recognised by the issuer as expenses or arise from profit distributions, including:

- Monetary and non-monetary remuneration, including the statutory social security contributions;
- Contingent or deferred remuneration accrued during the year, even if payable at a later stage;
- Amounts payable by the issuer or its subsidiaries for pensions, retirement benefits, or other similar benefits.

Type	Amounts accrued for:	
	Remuneration and social security contributions for the period	Of which long-term employee benefits
Managing Board	4 644	1 128
Supervisory Board	2 609	387
Total:	7 253	1 515

Detailed information on the remuneration of the members of the Supervisory and Managing Boards is presented in the Report on the implementation of the Remuneration Policy, which forms part of the Annual financial statements of the entity /[www.tracebg.com/For shareholders /Financial information/](http://www.tracebg.com/For%20shareholders%20Financial%20information/).

18. Information on shares of the issuer held by members of the management and supervisory bodies and by procurators, including details of individual shareholdings and their respective percentage of each class of shares, as well as information on options granted by the issuer on securities, including the type and number of securities, exercise price, purchase price (if any), and terms of such options

Information under this section is disclosed in the “Information on the Members of the Managing Bodies” section of this Report.

The Entity has not granted any options over its shares.

19. Information on agreements known to the entity (including those identified after the financial reporting period) that may result in changes in the relative shareholdings or bondholding of current shareholders and bondholders in future periods

The entity is not aware of any such agreements that may result in changes in the relative holdings of shares or bonds of the current shareholders and bondholders in future periods.

20. Information on pending judicial, administrative, or arbitral proceedings concerning receivables or payables of the issuer amounting to at least 10 percent of its equity. Where the aggregate amount of the issuer’s receivables or payables under all such proceedings exceed 10 percent of its equity, information on each proceeding is disclosed separately.

As at the end of the reporting period, based on the facts and circumstances available at that date and the assessments provided by internal legal experts and external legal advisers, Management recognised

impairment losses related to litigation receivables amounting to BGN 655 thousand (31.12.2024: BGN 776 thousand).

Penalty interest claimed by the Group has not been recognised as income in the consolidated financial statements as at the end of the reporting period, due to significant uncertainty regarding the collectability of these amounts.

As at 31.12.2025, the Group, with information presented below by entity, is plaintiff or defendant in the following legal proceedings in respect of which an inflow or outflow of cash resources may occur:

“Trace Group Hold” PLC

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 8,944 thousand as at 31.12.2025.

The Entity is a defendant in commercial lawsuits with a financial interest amounting to BGN 496 thousand as at 31.12.2025, excluding lawsuits assessed as “risky”, in respect of which provisions amounting to BGN 655 thousand have already been recognised.

Trace BG EOOD (LTD)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 3,811 thousand as at 31.12.2025.

The Entity is a defendant in commercial lawsuits with a financial interest amounting to BGN 9 thousand as at 31.12.2025.

Trace Yambol AD (JSC)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 97 thousand as at 31.12.2025.

Infra Commerce EOOD (LTD)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 627 thousand as at 31.12.2025.

Asphalt Commerce EOOD (LTD)

The entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 20 thousand as at 31.12.2025.

Trace Mechanization EAD (JSC)

The Entity is a plaintiff in commercial lawsuits with a financial interest amounting to BGN 59 thousand as at 31.12.2025.

Trace Properties EOOD (LTD), Trace Rent EOOD (LTD) and Trace Serbia

The entities are neither plaintiffs nor defendants in any commercial lawsuits as at 31.12.2025.

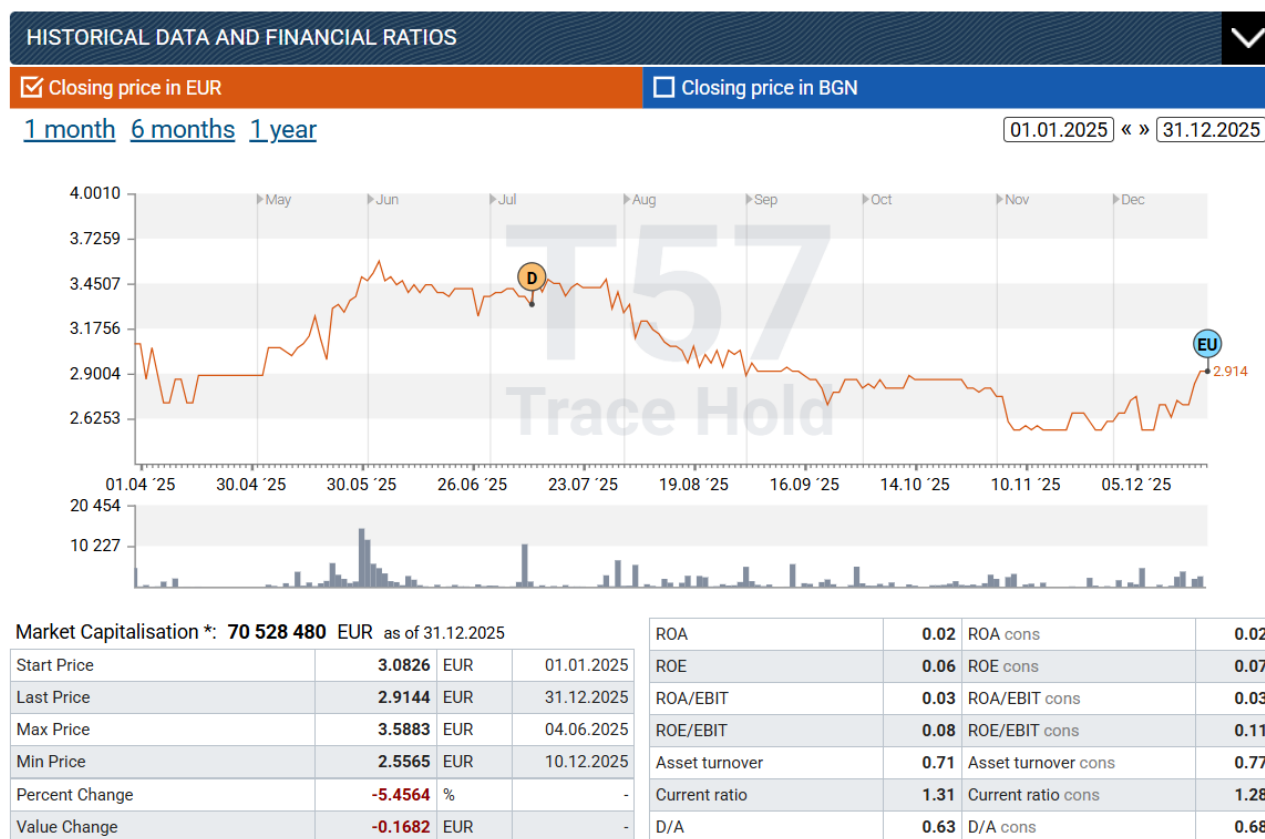
Management, together with internal legal experts and external legal advisers, has assessed that the probability and risk of an adverse outcome in certain lawsuits and litigation proceedings filed against the Group currently remain below 50%. Accordingly, for most of these lawsuits, no provisions for litigation obligations have been recognised in the Consolidated Statement of Financial Position as at year-end.

21. Contact information – Investor Relations Director, including telephone number and mailing address

Elisabeta Venchova Yaneva
Tel. 02 / 80 66 700; e-mail: elisabeta.yaneva@trace.bg
12, “Nikola Obrazopisov” Str., 1408, Sofia

22. Changes in share prices

Trading in the shares of the entity (based on information from the bulletin of the Bulgarian Stock Exchange (BSE JSC) and Infostock.bg). The dynamics of the market price of the shares during the period 01 January 2025 – 31 December 2025 are presented below:



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

XI. INFORMATION UNDER ART. 10, ITEM 4 OF ORDINANCE №2 OF THE FINANCIAL SUPERVISION COMMISSION (FSC)

Electronic link to the section of the public company’s website where inside information under Art. 7 of Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), as amended and repealing Directive 2003/6/EC of the European Parliament and of the Council’s Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, and the Commission’s Directives (OJ,L 173/1, dated 12 June 2014) (Regulation (EU) № 596/2014) relating to events during the reporting year is disclosed, or an electronic link to the news agency or another media used by the issuer for public disclosure of such (inside) information.

Inside information under Art. 7 of Regulation (EU) № 596/2014 relating to events during the reporting year is available on the website of “X3” (www.x3news.com), as well as on the Entity’s website (www.tracebg.com), under the section “For shareholders” (submenu “Financial Statements”) and “News”.

Eng. Boyan Delchev
Executive Director

Digitally signed by Boyan Stoyanov Delchev
Date: 2026.04.30 18:47:26 +03’00’

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled “Consolidated Management Report of Trace Group Hold PLC for the financial reporting 2025”, consisting of 38 (thirty-eight) pages, and that I am competent in both English and Bulgarian language to render this translation.



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

“Trace Group Hold” PLC believes that improving the quality of corporate governance is one of the main prerequisites for increasing the competitiveness of Bulgarian companies and attracting foreign capital. The Management of “Trace Group Hold” PLC applies the fundamental and generally accepted principles of corporate governance in order to enhance the confidence of Bulgarian and international investors, as well as of the general public.

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

“Trace Group Hold” PLC and the entities within the Group have not adopted any corporate governance practices, other than those set out in the National Corporate Governance Code.

“Trace Group Hold” PLC is part of a group of entities within the meaning of paragraph 1, item 2 of the Additional Provisions of the Accountancy Act and is the parent company, directly holding more than 50% of the voting rights in the General Meetings of its subsidiaries.

As at 31.12.2025, “Trace Group Hold” PLC holds direct participating interests in the capital of the following subsidiaries forming part of its economic group:

ENTITY	PRINCIPAL ACTIVITY	SHARE OF THE CAPITAL
Trace Group Hold PLC	Acquisition, management, valuation and disposal of participating interests in Bulgarian and foreign entities; execution of building and construction works; and project management in the fields of high-rise, road and railway construction.	Parent-company – consolidating
Trace BG EOOD (LTD)	Construction, reconstruction, rehabilitation and maintenance of underground (metro) railway systems, railway infrastructure, construction of plants and facilities; rehabilitation, reconstruction, construction and maintenance of roads, highways and airports; construction of public infrastructure and urban landscaping of residential areas; implementation of projects aimed at improving energy efficiency; construction of water supply and sewerage systems, wastewater treatment plants, emergency response and recovery activities in cases of natural disasters and industrial accidents; and construction and maintenance of civil and military airports	100%

Trace Serbia AD (JSC)	Construction of roads and facilities, maintenance and repair of specialised construction equipment, and maintenance activities in the water supply and sewerage sector, including gas distribution and water supply networks, wastewater treatment plants, integrated water cycles, solid waste treatment plants, landfills and utilities; construction of railway infrastructure	100%
Trace Yambol AD (JSC)	Construction and maintenance of roads, motorways and road facilities, construction of public infrastructure, and improvement and landscaping of residential areas	99.48%
Infra Commerce EOOD (LTD)	Domestic and international trade activities; trade intermediation and representation of Bulgarian and foreign individual; trade in construction products and materials; and logistics	100%
Trace Properties EOOD (LTD)	Real estate management	100%
Asphalt Commerce EOOD (LTD)	Production of goods and provision of services in Bulgaria and abroad; domestic and international trade activities; trade intermediation and representation; IT, consulting and commissioning activities in Bulgaria and abroad; logistics and transport transactions; participation in public procurement procedures and application under EU funding programmes; import and export	100%
Trace Rent EOOD (LTD)	Rental of mechanisation and transport vehicles, provision of mechanised services, and passenger and cargo transport	100%
Trace Build EOOD (LTD)	Construction of residential and non-residential buildings	100%
Trace Mechanization EAD (JSC)	Rental of mechanisation and provision of construction and mechanised services	100%
Trace Group Hold USA Llc, USA	Construction, current repair and maintenance of road, railway and airport infrastructure and the related infrastructure facilities	100%

Explanation by “Trace Group Hold” PLC of any non-compliance with the National Corporate Governance Code, including information on the sections of the National Corporate Governance Code with which the entity has not complied and the reasons for such non-compliance.

The activities of the Corporate Management bodies of “Trace Group Hold” PLC during 2025 were carried out in compliance with the applicable statutory requirements of the Public Offering of Securities Act (POSA) and its implementing acts, the entity’s Articles of Incorporation, and the National Corporate Governance Code.

The entity applies the National Corporate Governance Code on a “comply or explain” basis, whereby it complies with the provisions of the Code and its Management is required to provide explanations for any deviations therefrom.

Corporate Management Bodies

“Trace Group Hold” PLC operates under a two-tier governance structure, comprising a Managing Board and a Supervisory Board.

Managing Board

At 31.12.2025, the Managing Board consists of:

Desislava Lyubenova – Chairperson of the Managing Board (MB);
Boyan Delchev – Executive Member of the Managing Board (MB);
Manol Kavrakov – Member of the Managing Board (MB)

The Managing Board manages the entity in accordance with the established strategies and objectives set for the entity, and in consideration of the shareholders’ best interests. The Managing Board monitors and analyses the operational performance, and initiates changes in the organisation and its management when deemed necessary. The Managing Board treats all shareholders equally and acts in their interests. The members of the Managing Board (MB) are guided by the generally accepted principles of integrity, and managerial and professional competence. The entity adheres to the adopted Code of Ethics.

In the execution of its duties, the Managing Board strives to achieve the established objectives for sustainable development. The entity has adopted core principles governing stakeholder relations, supported by a monitoring process designed to ensure ongoing compliance. Rules of conduct, applied in the consideration of stakeholder interests and related actions, are set out in the internal acts adopted by the entity, including the Code of Ethics, the Rules for Organising and Holding General Meetings of Shareholders, the Disclosure Policy (relating to the disclosure of information), the Internal Regulations, and other applicable internal documents.

The Managing Board facilitates and oversees the design and effective operation of the risk management system, including internal control and internal audit functions, and ensures that the Supervisory Board is informed on a timely basis of relevant developments and actions.

The Managing Board promotes the implementation of the generally accepted principles of sustainable development within the Group and monitors the compliance of subsidiaries with those principles.

The Managing Board is responsible for the design of the financial information system of the entity in compliance with the guidelines, provided by the Supervisory Board, and ensures the system’s reliable and effective operation. It coordinates its actions relating to the implementation of the entity’s business plan with the Supervisory Board and monitors transactions of a substantial nature, as well as all other transactions and activities stipulated in the entity’s Articles of Incorporation.

The Managing Board reports to the Supervisory Board on its activities within the established deadlines and in accordance with the specified formats.

The structure and composition of the Managing Board, including the number of its members, are defined in the entity’s Articles of Incorporation and are designed to ensure its effective, and efficient operation. New members of

the Managing Board are elected in accordance with the established selection principles, ensuring that their qualifications, experience and competencies are aligned with the nature and scope of the entity's activities. The obligations, responsibilities, and duties of the members of the Managing Board, as well as the criteria for determining their remuneration and the grounds for their dismissal, are governed by the management contracts concluded with each member. The competencies, rights, and obligations of the members of the Managing Board are defined in accordance with the applicable statutory requirements, the internal operational rules and administrative acts, and the recognised standards of good professional and managerial practice.

The amount and structure of the remuneration of the members of the Managing Board are determined by the General Meeting of Shareholders, taking into account the obligations, responsibilities, and individual contribution of each member to the entity's activities and performance results; the ability to attract and retain qualified and loyal individuals at managerial positions; the need to align the interests of the members of the Managing Board with the long-term interests and sustainable development objectives of the entity.

The General Meeting of Shareholders has adopted a Remuneration Policy for the Members of the Managing Board and the Supervisory Board. The Remuneration Policy is designed to support the long-term business objectives of the company and to promote behaviour that encourages sustainable value creation for shareholders, while providing competitive remuneration sufficient to attract and retain members of the governing bodies/Directors with the necessary qualifications, experience, and expertise to effectively manage the entity and contribute to its sustainable development. The Remuneration Policy clearly defines fixed and variable components of remuneration, including additional incentives linked to clearly defined performance criteria and measurable indicators. Information on the remuneration of the members of the Managing Board (MB) is disclosed in the annual financial statements of the entity in accordance with the applicable statutory requirements and the entity's Articles of Incorporation. The Policy also establishes the principles for determining the amount and structure of remuneration.

Supervisory Board

At 31.12.2025, the Supervisory Board of “Trace Group Hold” PLC comprises three members, as follows:

Prof. Nikolay Ganchev Mihaylov – Chairperson

Manol Peychev Denev – Deputy Chairperson

Mariela Ivanova Rounteva – Independent Member

The Supervisory Board appoints, dismisses, provides guidance to, and oversees the Managing Board of the entity in accordance with the distribution of functions within the two-tier governance structure. The Supervisory Board provides guidelines in defining the entity's vision, objectives, and strategy, considering the interests of its shareholders and stakeholders, including considerations related to sustainable development, and monitors their implementation.

The Supervisory Board provides the Managing Board with guidelines for the establishment of a risk management system, including the internal control, internal audit, and financial information systems, and monitors their effective operation.

The Supervisory Board monitors compliance with the laws and regulations, the entity's Articles of Incorporation, and other internal acts, and periodically assesses the performance of the Managing Board.

The Supervisory Board treats all shareholders and stakeholders equitably and acts in their best interests with due care and loyalty.

The Supervisory Board appoints and dismisses the members of the Managing Board in accordance with the applicable statutory requirements, the entity's Articles of Incorporation, and the principles of continuity and sustainability of the Managing Board's activities, as well as recognised standards of good corporate governance.

The entity's Articles of Incorporation specify the number of members of the Supervisory Board, including the number of independent members. The internal organisational acts regulate the allocation of tasks, duties, and responsibilities among the members of the Supervisory Board. Independent members are not subject to limitations on consecutive mandates and therefore may serve an unlimited number of terms. Nevertheless, the principles of independence and loyalty are duly considered and upheld in all proposals for the election of members.

The members of the Supervisory Board possess the knowledge, experience, and competencies required for their respective positions, including appropriate financial expertise.

The entity's Articles of Incorporation do not specify limits on the number of entities in which the members of the Supervisory Board may hold managerial or supervisory positions. This approach reflects the view that imposing such restrictions is not necessary. The company relies on the integrity, professionalism, and responsible conduct of the members of the Supervisory Board, in accordance with the principles of loyalty and professional ethics.

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The Remuneration Policy for the remuneration of the members of the Managing and Supervisory Boards, developed by the Supervisory Board (SB) and adopted by the General Meeting of Shareholders (GMS), establishes the principles for determining such remuneration. The remuneration of the members of the Supervisory Board is commensurate with their responsibilities, duties, and level of engagement. Information on the remuneration of the members of the Supervisory Board is disclosed in the annual financial statements of the entity in accordance with applicable statutory requirements.

The Corporate Management of “Trace Group Hold” PLC seeks to avoid and prevent any actual or potential conflicts of interest. The entity has not established a separate, formally documented procedure specifically dedicated to the prevention and management of conflicts of interest in transactions with stakeholders, nor a standalone procedure for the disclosure of information in such cases. Nonetheless, the Supervisory Board exercises oversight over significant transactions by reviewing and approving such transactions. The entity's Articles of Incorporation set out the general framework for the prevention and disclosure of conflicts of interest.

Members of the Corporate Management are required to promptly disclose any actual or potential conflict of interest upon becoming aware of it and to ensure that shareholders are provided with access to relevant information regarding transactions between such members and the entity (or its affiliated parties), including through the submission of declarations pursuant to Art. 114 (b) of the Public Offering of Securities Act (POSA).

Committees

An Audit Committee operates within the entity. In accordance with the applicable statutory requirements and based on the criteria set out therein, the Managing Board, with the approval of the Supervisory Board, proposes to the entity's General Meeting of Shareholders the election and appointment of an Audit Committee whose composition complies with the legal requirements and reflects the specific needs of the entity.

The structure, scope of activities, operating procedures, and reporting responsibilities of the Audit Committee are defined in detail in the Audit Committee Statute.

Audit and internal control

The Audit Committee supports the Corporate Management bodies of the entity. The Audit Committee provides a reasoned written proposal for the election of an Independent Auditor and presents this proposal to the General Meeting of Shareholders. Such proposals are prepared in accordance with the applicable requirements relating to professional ethics and independence. The Corporate Management, with the support of the Audit Committee, ensures compliance with the legislation applicable to statutory independent financial audits. The appointment of external auditors is subject to the mandatory rotation requirements. As disclosed in the “Events after the reporting period” section, a formal change of the registered auditor of the entity was approved pursuant to a decision of the General Meeting of Shareholders. The change relates to the re-registration of “KA Audit” EOOD (LTD), an audit enterprise of the registered auditor Kalin Apostolov (holder of Diploma № 0657), as “Parker Russell Bulgaria” EOOD (LTD) (Reg. No. 195). The legal entity and the circumstances related to it remain unchanged, with only the corporate name being changed. The auditor responsible for the engagement (Audit Engagement Partner), on behalf of “Parker Russell Bulgaria” EOOD (LTD) is Kalin Apostolov Apostolov (Sole Owner and Manager).

The Audit Committee oversees the internal audit function and monitors the overall relationship with the external independent auditor, including the scope and nature of non-audit services provided by the respective external (independent) auditor to the entity.

An internal control system has been implemented within “Trace Group Hold” PLC to ensure the effective operation of the financial reporting and disclosure processes. The internal control system is designed to identify risks inherent in the Entity’s activities and to support their effective management. A description of the key characteristics of the internal control and risk management systems relating to the financial reporting process is disclosed under section IV “Description of the key characteristics of the internal control and risk management systems of “Trace Group Hold” PLC related to the financial reporting process”, forming part of this Statement on Corporate Governance.

Safeguarding the rights of shareholders

The Corporate Management of the entity ensures the equal treatment of all shareholders, including minority shareholders and foreign shareholders, by acting in the best interests of all shareholders and safeguarding their rights. Corporate Management facilitates the exercise of shareholders’ rights within the limits permitted by the applicable legislation and in accordance with the entity’s Articles of Incorporation.

Invitations for the General Meeting of Shareholders contain the information required under the Commercial Act and the Public Offering of Securities Act (POSA), as well as additional information regarding the exercise of voting rights and the possibility to include additional items on the agenda pursuant to Art. 223 (a) of the Commercial Act. Information published on the entity’s website, together with the Articles of Incorporation of the entity and the invitation to each individual General Meeting of Shareholders, provides shareholders with clear information regarding their rights and the rules governing the convening and conduct of General Meetings of Shareholders.

Corporate Management ensures that sufficient and timely information is provided on all matters to be considered and voted upon at the General Meeting of Shareholders.

Invitations for the General Meeting of Shareholders, together with the related documentation, are publicly disclosed and submitted to the Financial Supervision Commission and the regulated market through the “X3 News” system, as well as published on the website of “Trace Group Hold” PLC.

The Corporate Management and the elected Chairperson of the General Meeting of Shareholders ensure that all shareholders are given the opportunity to express their views and to ask questions during the Meeting.

“TRACE GROUP HOLD” PLC

Statement on Corporate Governance

Prepared in accordance with Art. 100 (n), paragraph 8 in conjunction with paragraph 7, item 1 of the Public Offering of Securities Act (POSA)



Shareholders entitled to vote may exercise their voting rights at the General Meeting in person or by proxy. A template of a Power of Attorney and the Rules for Proxy Voting are disclosed as part of the materials for the General Meeting of Shareholders.

The Managing Board has adopted rules governing the organisation and conduct of both regular and extraordinary General Meetings of Shareholders. These rules ensure the equal treatment of all shareholders and guarantee each shareholder the right to express their opinion on the items on the agenda. The procedures for holding the General Meeting are designed so as not to make voting unduly complex or unnecessarily burdensome.

A majority of the members of corporate management bodies attend the General Meeting of Shareholders.

The materials for the General Meetings are clear, specific, and not misleading. All proposals for significant corporate actions, including proposals for profit distribution, are presented as separate items on the agenda of the General Meeting of Shareholders.

By publishing the Minutes of the General Meeting of Shareholders through the “X3 News” system and on the entity’s website, Corporate Management ensures that shareholders are informed of the decisions adopted at the General Meeting of Shareholders.

All shareholders within the same class are treated equally, and all shares within a class carry equal rights, in accordance with the Articles of Incorporation and the applicable internal acts of the entity.

Corporate Management does not restrict shareholders, including institutional investors, from consulting with one another on matters relating to their fundamental shareholder rights, provided that such actions do not constitute market abuse or other unlawful practices.

Corporate Management does not permit transactions with controlling shareholders that infringe upon the rights or legitimate interests of other shareholders, including transactions involving conflicts of interest or self-dealing.

Disclosure of financial and non-financial information

“Trace Group Hold” PLC has established a policy and system for the disclosure of information in compliance with the applicable statutory requirements and the entity’s Articles of Incorporation. The policy ensures equal access to information for all stakeholders and prevents the misuse of inside information. The information disclosure system is designed to provide complete, timely, accurate, and comprehensible information, enabling objective and informed decision-making. The entity has implemented internal rules governing the preparation of annual and interim financial statements, as well as a procedure for the disclosure of information. Information is disclosed through the “X3 News” system, which ensures equal and timely access for all users. Such information is simultaneously published on the entity’s website in the same format as the one disclosed through the “X3 News” system.

The entity maintains a corporate website that provides information on the entity, its management bodies, organisational structure, and the entities within the “Trace” group. The “Shareholders” section includes internal administrative acts, information relating to the rights of shareholders, documents and materials for upcoming General Meetings of Shareholders (GMS), information on decisions adopted by the General Meetings of Shareholders (GMS), and the financial statements for the past ten (10) years. The “News” section provides information on significant events, contracts in progress, concluded contracts pending execution, and other material developments relating to the entity’s activities.

The entity publishes an annual corporate calendar indicating the specific dates for the disclosure of regulated information, as well as key events relating to the convening and holding of General Meetings of Shareholders.

In accordance with its disclosure rules, the entity promptly discloses information on its capital structure and any agreements that may result in the acquisition or exercise of control. Such disclosures are made in compliance with the Public Offering of Securities Act (POSA), its implementing acts, and the applicable European regulations.

Through the implementation and oversight of the Disclosure Policy, corporate management ensures that the rules and procedures governing changes in corporate control and significant transactions (including mergers and disposals of substantial assets) are disclosed in a clear and timely manner.

Pursuant to Directive 2014/95/EU of the European Parliament on the disclosure of non-financial information and the provisions of the Accountancy Act, certain companies are required to disclose non-financial information either as a separate statement or as part of their annual their Management Reports. This requirement applies to large public-interest entities (including public companies, credit institutions, and financial institutions, and others), which as at financial year-end (31 December), exceed the threshold of an average of 500 employees during the respective financial reporting period (“average number of employees” criteria). Entities with net sales revenues of BGN 100 million or more, or a book value of assets of BGN 50 million or more, are classified as large enterprises. As “Trace Group Hold” PLC employs fewer than 500 employees, it is not required to disclose non-financial information in its annual Management Report.

Non-financial information disclosed by the entity primarily relates to the progress of contracts, changes in the business environment, corporate social responsibility initiatives, and other relevant developments.

During 2025, the entity disclosed regulated information within the prescribed deadlines and in accordance with the procedures set out in the Public Offering of Securities Act (POSA) and its implementing acts. Non-financial information is disclosed as unregulated information, in compliance with the applicable legal requirements, including through the website of the “Trace for People” Foundation”, which serves as a platform for the company’s Social Policy and social responsibility initiatives.

The corporate management of “Trace Group Hold” PLC believes that its activities during the financial reporting year 2025 have ensured an appropriate level of transparency in its relations with investors, financial media, and financial market analysts.

Stakeholders. Sustainable development

The Corporate Management of “Trace Group Hold” PLC strives to comply with the established social and ecological principles aimed at achieving sustainable development. While the entity has not adopted a standalone Sustainable Development Policy, it conducts its activities in compliance with the statutory requirements relating to environmental protection and human rights. The entity’s internal acts, rules, and regulations are aligned with the generally accepted principles of sustainable development.

The entity identifies as stakeholders (interested parties) all parties with an interest in the economic performance and prosperity of “Trace Group HOLD” PLC, including shareholders, potential investors, workers and employees, customers, suppliers, contracting authorities (such as Ministries, Municipalities, Agencies), financial institutions, public organisations, users, and the general public.

Corporate management ensures that the rights of stakeholders, as established by law or by virtue of contractual agreements with the company, are respected, and applies the principles of transparency, accountability, business ethics, and respect for human rights in its interaction with them.

The Entity maintains ongoing communication with stakeholders through meetings, discussions, and the established information disclosure channels. Stakeholder interests are considered on the basis of formally obtained information, including correspondence, opinions, reports, and other relevant documentation.

Environmental protection

“Trace Group Hold” PLC applies internationally recognised environmental management standards. The company considers its sustainable development, competitiveness, and economic performance to be closely linked to the global efforts for environmental protection.

The Management of “Trace Group Hold” PLC concentrates its efforts in reducing the entity’s environmental impact by:

- Efficient use of energy resources, including electricity and heating;
- Minimisation of waste generation;
- Prevention of pollution through the reduction and / or minimisation of harmful air and water emissions;
- Implementation of modern technologies and equipment in the execution of the entity’s activity and operations;
- Monitoring of air, water, and soil quality;

The entity has implemented measures to reduce paper consumption, the use of printing consumables, and electricity usage through the introduction of an ERP-based digitalisation and process management system. Information is predominantly exchanged electronically. Procedures for separate waste collection have been established and are being applied in practice.

The vehicle fleet undergoes regular (annual) technical inspections, and the systems for controlling and reducing their harmful emissions are subject to ongoing monitoring.

“Trace Group Hold” PLC maintains an Integrated Quality Management System in accordance with the requirements of international standards, including ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 39001:2012.

Environmental protection principles that define the activities for minimising pollution and the harmful effects on the environment are integrated into all infrastructure projects undertaken by the Entity. These principles support the identification, assessment, and management of significant environmental aspects, as well as the prevention of environmental pollution during project implementation. The environmental protection principles comply with the core activities in the project’s implementation and the operation of sites and environmental considerations are incorporated throughout all phases of project development and execution, including design, permitting, construction, and commissioning:

- Preparation and approval of spatial planning documentation in the event of land-use changes
- Preparation and coordination of project documentation
- Obtaining of required building and construction permits
- Implementation of projects and execution of project activities
- Commissioning of completed sites
- Compliance with conditions set out in the environmental assessment and / or environmental impact assessment decisions

The entity applies procedures in accordance with the applicable Bulgarian and European environmental legislation to ensure the prevention of significant adverse impacts on the environment and human health in the implementation of investment proposals. These include environmental assessment of plans and programmes related to spatial planning, environmental impact assessment; Assessments of compatibility with the scope and the objectives for the preservation and protection of designated areas.

“TRACE GROUP HOLD” PLC

Statement on Corporate Governance

Prepared in accordance with Art. 100 (n), paragraph 8 in conjunction with paragraph 7, item 1 of the Public Offering of Securities Act (POSA)



The economic dimensions of the responsible social behaviour of “Trace” is reflected in the company’s resilience during period of economic uncertainty, its reputation, its enhanced competitive advantage, and the ability to attract the attraction of investors.

Providing a safe and comfortable working environment for the personnel, and ensuring due care for the employees’ health

The entities within the “Trace” Group undertake social initiatives that support their commitment to protecting the integrity, health, rights, and welfare of its employees.

Salaries and social security contributions are paid regularly and without any delays. Food vouchers are provided to all employees twice per year. Employees undergo preventive medical examinations on an annual basis.

Social activities

The company undertakes social initiatives in the fields of culture and sports through the “Trace for People” Foundation.

Description of the key characteristics of the internal control and risk management systems related to the financial reporting process

“Trace Group Hold” PLC has an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system has been designed, and operates to identify risks inherent in the Group’s activities and to support their effective management. The Managing Board bears the principal responsibility and plays a key role in establishing and maintaining the internal control and risk management system. It performs all managerial, supervisory, guidance, and ongoing monitoring functions. The Supervisory Board exercises oversight over the implementation of decisions adopted.

“Trace Group Hold” PLC has adopted and applies rules governing the effective operation of the reporting and disclosure systems of the entity. The rules describe the different types of information, prepared and disclosed by the entity, the internal document flow process, the different levels of access of the responsible personnel to such information, and the deadlines for processing and managing information flows.

Corporate Management strives to enhance efficiency in risk management by introducing a risk management system aligned with the best international practices. The risk management system defines the authorities and responsibilities of the structural units in the entity, the procedures for interaction in risk management, the analysis and assessment of risk-related information, and periodic risk reporting. Risk management is performed by the Heads of Directorates and the Heads of Divisions. The established risk management system ensures the effective implementation of internal control in the preparation and processing of all corporate documents, including the financial statements and other regulated information required to be disclosed under the applicable legislation. The rules for internal control and risk analysis are also applied on an integrated basis across the subsidiaries.

A unified integrated enterprise resource planning (ERP) system has been implemented to provide a reliable basis for informed decisions-making and analysis within “Trace Group Hold” PLC and the entities within its structure. The ERP system covers the main activities in the structure, all departments and organisational units, and the processes carried out therein.

The Risk Management Policy is implemented in an integrated manner and in accordance with all other policies and principles set out in the internal acts of “Trace Group Hold” PLC. A description of the main types of risks inherent in the activity of “Trace Group Hold” PLC is disclosed in the annual and interim management reports.

I. Information pursuant to Art. 10, paragraph 1, items (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the European Council, dated 21 April 2004, on takeover bids, in accordance with Art. 100 n, paragraph 8, item (4) of the Public Offering of Securities Act (POSA)

Shareholders holding 5% or more of the share capital as at 31.12.2025 are as follows:

Nikolay Ganchev Mihaylov – 67.01% and

“Galini – N” EOOD (LTD) – 9.00%

“Trace Group Hold” PLC has not issued any shares conferring special control rights.

There are no restrictions on voting rights, such as limitations on the voting rights of shareholders holding a specified percentage or number of votes, deadlines for exercising voting rights, or arrangements whereby the financial rights attached to securities are separated from the ownership of those securities, in respect of the shares issued by “Trace Group Hold” PLC.

The rules governing the election of members of the Supervisory Board of “Trace Group Hold” PLC are set out in the entity’s Articles of Incorporation. In accordance with Art. 15, paragraph 1 of the Articles of Incorporation of “Trace Group Hold” PLC, members are elected by the General Meeting of Shareholders. The requirements applicable to candidate members are disclosed under Art. 15, paragraphs 2 – 6.

In accordance with Art. 17, paragraph 1, the members of the Managing Board are elected by the Supervisory Board. The requirements applicable to such persons are also disclosed under the same Article.

The powers and authorities of the members of the Supervisory Board and the members of the Managing Board of “Trace Group Hold” PLC are specified in Art. 15, paragraph 8, Art. 16, Art. 17 and Art. 18 of the Articles of Incorporation of the entity. In accordance with Art. 187 (b) of the Commercial Act and Art. 111 of Public Offering of Securities Act, the authority to issue or redeem shares rests with the General Meeting of Shareholders.

Pursuant to Art. 5, paragraph 4 of the Articles of Incorporation, the entity may also issue preference shares, except for shares granting more than one vote per share, additional dividend rights, or additional rights to a liquidation share.

Information pursuant to Art. 100 (n), paragraph 8, item 5 of the Public Offering of Securities Act (POSA) – Composition and functioning of the administrative, managing, and supervisory bodies, and their committees

“Trace Group Hold” PLC operates under a two-tie management system, with a Managing Board, comprising the following members:

Desislava Ivanova Lyubenova

Boyan Stoyanov Delchev

Manol Tanev Kavrakov

The Managing Board adopts rules of operation (Work Manual) and elects one of its members to act as Chairperson, and another as Deputy Chairperson. The Managing Board (MB) convenes regular meetings, at least once every three

“TRACE GROUP HOLD” PLC

Statement on Corporate Governance

Prepared in accordance with Art. 100 (n), paragraph 8 in conjunction with paragraph 7, item 1 of the Public Offering of Securities Act (POSA)



months, to discuss the entity's performance and future development. Any member of the Board may request the Chairperson to convene a meeting to discuss other matters.

The Managing Board takes decisions provided that at least half of its members are present or are represented by another Board member. A present member may not represent more than one absent member. Decisions are taken by simple majority. Minutes of the meetings of the Managing Board are maintained and signed by all members present.

The Managing Board may also adopt decisions in absentia by means of a written resolution signed by all its members. The Managing Board of “Trace Group Hold” PLC coordinates its actions with the Supervisory Board in relation to the implementation of the Entity's business plan, significant transactions, as well as other activities provided for in the entity's Articles of Incorporation.

The activities of the Managing Board are subject to oversight by the Supervisory Board, which is composed of the following members:

Nikolay Ganchev Mihaylov

Manol Peychev Denev

Mariela Ivanova Rounteva

The Supervisory Board adopts rules of operation (Work Manual) and elects one of its members to act as Chairperson, and another as Deputy Chairperson. The Supervisory Board (SB) convenes regular meetings, at least once every three months, to discuss the entity's development strategy. Any member of the Board may request the Chairperson to convene a meeting to discuss other matters.

The Supervisory Board takes decisions provided that at least half of its members are present or represented by another Board member. A present member may not represent more than one absent member. Decisions are taken by simple majority. Minutes of the meetings of the Supervisory Board are maintained and signed by all present members.

The Supervisory Board may also adopt decisions in absentia by means of a written resolution signed by all its members.

Committees

An Audit Committee, elected in accordance with the applicable statutory requirements, operates within the Entity. The Audit Committee consists of three members and assists the management bodies in the execution of their oversight functions and the risk management and risk identification system.

The structure, scope of activities, and organisation of the Audit Committee's work are regulated in the Rules of Procedure of the Audit Committee, which are approved by the General Meeting of Shareholders (GMS).

Information, pursuant to Art. 100 (n), paragraph 8, item 6 of the Public Offering of Securities Act (POSA) – description of the Diversity Policy (including age, gender, education, and professional experience diversity) applied to the administrative, management, and supervisory bodies of “Trace Group Hold” PLC, the Policy objectives, its implementation processes and procedures, and results during the current financial reporting period; where such a Policy is not mandatory, the statement shall contain an explanation of the reasons therefor.

The entity does not apply a formal Diversity Policy relating to age, gender, education, and professional experience to the Managing and Supervisory Boards of the entity.

“TRACE GROUP HOLD” PLC

Statement on Corporate Governance

Prepared in accordance with Art. 100 (n), paragraph 8 in conjunction with paragraph 7, item 1 of the Public Offering of Securities Act (POSA)



The election of members of the corporate management is carried out in accordance with the applicable statutory requirements and is aligned with the business strategy of the company.

A balanced and non-discriminatory policy is applied in the nomination of candidates for members of the Managing and Supervisory Boards. This approach is based on the candidates' personal qualities and skills, and professional experience and is free of any form of discrimination. The key criteria include education and qualifications corresponding to the nature of the company's activities, its long-term objectives, and business plans. The entity does not discriminate against members of the Corporate Management on the basis of their age or gender.

The composition of the management bodies is consistent with the nature and scale of the entity's activities and ensures an appropriate level of collective expertise.

The members of the Supervisory and Managing Boards of “Trace Group Hold” PLC possess extensive professional experience gained through previously held positions and participation in significant projects, in line with their respective competencies, demonstrating strong management capabilities and high professional and ethical standards. Their professional competencies have been acquired through education, training, and professional qualifications.

The Managing Board is composed of individuals with diverse skills and higher education degrees – economic, financial, and engineering, each of whom also possess additional qualifications in the field of business management.

Eng. Boyan Delchev Digitally signed by Boyan Stoyanov Delchev
Executive Director Date: 2026.04.30 18:48:23 +03'00'

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled “Statement on Corporate Governance to the Consolidated Management Report in accordance with Art. 100 (n), paragraph 8, in conjunction with paragraph 7, item 1 of the Public Offering of Securities Act (POSA)”, consisting of 13 (thirteen) pages, and that I am competent in both English and Bulgarian language to render this translation.



Non-financial Statement

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

I. INTRODUCTION

Pursuant to Art. 41 of the Accountancy Act, “Trace Group Hold” PLC, as a public-interest company and as a holding structure which, as at 31.12.2025, exceeds the criterion of an average number of 500 employees during the respective financial reporting period, includes a non-financial statement in its Consolidated Management Report in accordance with Art. 48 of the Accountancy Act.

The public non-financial information included in this Statement reflects the objectives and performance results of “Trace Group Hold” PLC on matters relating to social and environmental activities, human rights and anti-corruption, in the context of the entity’s corporate social responsibility and sustainable development.

II. BUSINESS MODEL

“Trace Group Hold” PLC was established in 2005 and operates as a public company whose shares have been traded on the Bulgarian Stock Exchange – Sofia AD since 2007. The entity’s registered office is located at 96 “Prof. Tsvetan Lazarov” Blvd., entr. B, fl. 12, Sofia.

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

The entities within the “Trace” Group operate in the following construction fields:

✓ **Construction and maintenance of road infrastructure in the Republic of Bulgaria, the Republic of Serbia and the Republic of Romania, including the construction of bridges and tunnels**

“TRACE” participates in the implementation of major national infrastructure projects, including the completion of the “Trakya” and “Hemus” motorways. The Entity also participates in the construction of the Serbian section of Corridor No. 10, as well as in the construction of a section of the “Ploiesti – Buzau” motorway.

The entities within the “TRACE” structure implement projects for the reconstruction and rehabilitation of road networks and urban infrastructure. They also carry out routine repairs and winter maintenance of part of the road network in the Republic of Serbia. The company has the resources required for the implementation and maintenance of traffic management systems, vertical road signage and horizontal road marking. It also has the technical and human resources necessary to perform emergency response and recovery activities in regions affected by natural disasters.

“Trace BG” EOOD (LTD) and “Trace Serbia” AD (JSC) specialise in the construction of road infrastructure.

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

“Trace Group Hold” PLC has been actively involved in the construction of the “Sofia Metro” since the inception of the project. Twelve of the existing metro stations, together with the adjacent metro lines, have been constructed by “Trace Group Hold” PLC. The company is currently engaged in (in the process of completing) the design and construction of a new metro section under the “Sofia Metro Extension Project, Stage IIP”, including one underground metro station (MS3) and an inter-station ventilation system (VS), located under “Vladimir Vazov” Boulevard. The implementation of construction works under the project: “Extension of Line 3 of the Sofia Metro – Shipka Str. – Slatina Residential District – Tsarigradsko Shosse Blvd. continued in 2025. Trace Group Hold PLC is a leading partner in consortia engaged under two separate LOTs for the construction of 4 (four) metro stations.

✓ **Construction of railway infrastructure and all related facilities, including construction of high-speed railway tracks and the implementation of innovative railway technology (the Geismar system)**

Railway substructure and superstructure activities, including:

- Mechanised rehabilitation, reconstruction, and construction of new railway tracks;
- Mechanised installation of new railway tracks and dismantling of existing railway tracks;
- Earthworks, rock excavations, and bulk works, including landscaping and land reclamation, using advanced equipment and modern technologies;
- Repair, rehabilitation, and construction of small- and large-scale engineering structures on existing and newly constructed railways lines;
- Reconstruction of existing railway stations and stops, and construction of new railways stations and stops.

“Trace” is currently implementing several major, large-scale railway projects. The Group is engaged in the modernisation of railway infrastructure, including catenary, signalling, and telecommunication systems at the “Plovdiv” station, as well as the construction of a transport and communication underpass beneath the railway area of the “Plovdiv” station; Design and construction of road overpasses and underpasses in the Manole – Belozem interstation and in the Mihaylovo – Khan Asparuh and Bezmer – Chernograd railway sections;

Projects for the modernisation and rehabilitation of the railway section “Nis – Brestovac” in the Republic of Serbia, as well as for the reconstruction and modernisation of the railway line “Nis – Dimitrovgrad” section in the Republic of Serbia, are also in progress.

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

The reconstruction of the “Graf Ignatievo” Air Base is an emblematic project for the company with both the design and construction phases completed concurrently within a period of just three (3) months. The project involved the implementation of new technologies, including the production and application of polymer-modified bitumen and polymer-modified asphalt concrete, as well as the installation of a state-of-the-art airfield lighting system.

✓ **Construction of wastewater treatment plants; integrated water cycle systems; water mains, and environmental (eco) projects**

The Holding focuses its efforts in the water sector on projects for the rehabilitation, reconstruction, and construction of new water supply and sewerage networks and related facilities, thereby contributing to the improvement of the quality of life of the population. Projects of this type are currently being implemented in Stara Zagora and Sofia.

“Trace Group Hold” PLC focuses its efforts in the environmental sector on the implementation of waste management and soil protection projects and sites, including the development of facilities for municipal waste treatment and disposal, construction of regional municipal solid waste landfills, and the construction of pre-treatment plants, including facilities for composting, sorting, and waste separation.

“Trace Group Hold” PLC has extensive experience in the design and implementation of landslide mitigation and prevention measures, structural stabilisation works, coastal protection, and shoreline protection facilities.

✓ **High-rise construction, with diversified profile, including energy efficiency projects;**

The Holding has a team of experts specialised in the construction of public, industrial, commercial, and residential buildings. The subsidiaries of “Trace” have the capacity to develop hotel complexes, as well as industrial, residential, commercial, and administrative buildings, together with the associated infrastructure.

The construction of the “Atana” city complex, located in “Druzha” Residential District, in Sofia, is ongoing. The first building (Atana 1), with a built-up area of 1,372 square meters and a total gross built-up area of 32,187.23 square meters, has been completed. The “ATANA” city complex is modern and functionally designed, comprising three residential sections and one office section, including a restaurant, retail outlets, sports facilities, and other (entertainment) amenities. “Trace Properties” EOOD (LTD) is the project investor, while “Injproekt” OOD (LTD) is the project’s designer. The construction of the “Atana 3” building within the “Atana” city complex

commenced in 2025. The “Atana 3” building shall have a built-up area of 455.36 square meters and a total gross built-up area of 6,478.97 square meters. The construction of the “Atana 2” building within the “Atana” city complex commenced in the third quarter of 2025. The “Atana 2” building shall have a built-up area of 1,825.19 square meters and a total gross built-up area of 22,885.58 square meters.

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

“Trace Group Hold” PLC engages in commercial activities involving construction products and materials in order to ensure the quality of its project implementation. The holding has established a strong presence across multiple market segments through its subsidiary “Infra Commerce” EOOD (LTD), including white and dark fuels, road bitumen, technical salt, fittings, railway consumables and materials, and construction machinery, among others.

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

ORGANISATIONAL STRUCTURE

The parent company, “Trace Group Hold” PLC, is managed under a two-tier management system comprising a Supervisory Board (SB), consisting of three members, and a Managing Board (MB), also consisting of three members.

The Supervisory Board defines and monitors the strategic guidelines for the entity’s development, provides guidance in determining its vision and oversees its implementation. It provides the Managing Board with guidance in the design and development of the risk management system, including internal control and internal audit, as well as the financial information system, and monitors their functioning. The Supervisory Board also monitors compliance with the laws and regulations and with the provisions set out in the entity’s Articles of Association. The work of the Supervisory Board is supported by a Consulting Board, a Financial Board and an Audit Committee.

The Managing Board of “Trace Group Hold” PLC manages the Entity independently and responsibly, in accordance with the approved strategies, vision and objectives of the company, and taking into account the interests of its shareholders. The Managing Board has established, adopted and applies the Entity’s risk policy. An internal control and risk management system has been established and operates under the supervision of the Managing Board. The Managing Board coordinates with the Supervisory Board its activities relating to the Entity’s business plan, significant transactions and other matters defined in the Articles of Association.

“Trace Group Hold” PLC is a holding company with the following structure in 2025:

ENTITY	PRINCIPAL ACTIVITY	SHARE OF THE CAPITAL
Trace Group Hold PLC	Acquisition, management, valuation and disposal of participating interests in Bulgarian and foreign entities; execution of building and construction works; and project management in the fields of high-rise, road and railway construction.	Parent-company – consolidating
Trace BG EOOD (LTD)	Construction, reconstruction, rehabilitation and maintenance of underground (metro) railway systems, railway infrastructure, construction of plants and facilities; rehabilitation, reconstruction, construction and maintenance of roads, highways and airports; construction of public infrastructure and urban landscaping of residential areas; implementation of projects aimed at improving energy efficiency; construction of water supply and sewerage systems, wastewater treatment plants, emergency response and recovery activities in cases of natural disasters and industrial accidents; and construction and maintenance of civil and military airports	100%
Trace Serbia AD (JSC)	Construction of roads and facilities, maintenance and repair of specialised construction equipment, and maintenance activities in the water supply and sewerage sector, including gas distribution and water supply networks, wastewater treatment plants,	100%

	integrated water cycles, solid waste treatment plants, landfills and utilities; construction of railway infrastructure	
Trace Yambol AD (JSC)	Construction and maintenance of roads, motorways and road facilities, construction of public infrastructure, and improvement and landscaping of residential areas	99.48%
Trace Mechanization EAD (JSC)	Rental of mechanization, mechanised services	100%
Infra Commerce EOOD (LTD)	Domestic and international trade activities; trade intermediation and representation of Bulgarian and foreign individual; trade in construction products and materials; and logistics	100%
Trace Properties EOOD (LTD)	Real estate management	100%
Asphalt Commerce EOOD (LTD)	Production of goods and provision of services in Bulgaria and abroad; domestic and international trade activities; trade intermediation and representation; IT, consulting and commissioning activities in Bulgaria and abroad; logistics and transport transactions; participation in public procurement procedures and application under EU funding programmes; import and export.	100%
Trace Rent EOOD (LTD)	Rental of mechanisation and transport vehicles, provision of mechanised services, and passenger and cargo transport	100%
Trace Build EOOD (LTD)	Construction of residential and non-residential buildings	100%
Trace Group Hold USA Llc, USA	Construction, current repair and maintenance of road, railway and airport infrastructure and the related infrastructure facilities	100%

The production facilities and warehouses of “Trace Group Hold” PLC are located in key transport and communication centres, enabling the high-quality implementation of assigned projects and sites within the shortest possible timeframes. As part of the expansion of its market scope, the company has equipped its production facilities with specialised equipment of the highest class. The main facilities and equipment of “Trace Group Hold” PLC include:

- Ten asphalt plants, two of which are modular mobile plants
- A polymer-modified bitumen production installation and a Bitumen emulsion production installations
- Stone flour production installations
- Six aggregate quarries
- Ten crushing plants for the production of stone fractions, four of which are mobile;
- Two machines for laying concrete pavement
- Asphalt laying equipment
- Excavation equipment
- A Geismar system for laying S2PV railway track
- A Series 55 diesel locomotive and 12 platform wagons
- A ballast tamper for heavy railway repairs

The “Trace for People” Foundation, registered with the Ministry of Justice of the Republic of Bulgaria as a non-governmental organisation operating entirely in the public interest, is also part of the Group.

DEVELOPMENT STRATEGY

“Trace Group Hold” PLC will continue to strengthen its market positions in Bulgaria and in the countries in which it operates by retaining and developing the Company’s human capital potential.

Management of “Trace Group Hold” PLC makes continuous efforts to maintain operational efficiency across all areas of the Group’s activities. Over the past two years, the activities of the “Trace” Group have been restructured and optimised. Future investment initiatives are being assessed and refined with a view to preserving financial resources and mitigating the impact of inflationary pressures.

Taking into account the challenging economic environment, “Trace Group Hold” PLC will continue to strengthen its market positions in Bulgaria and in the countries in which it operates by retaining and developing the Company’s human capital potential.

In Bulgaria, the entities within the Group will participate in tenders for the implementation of infrastructure projects included in the programme period of the European Union operational programmes, with a focus on railway and road construction, metro construction, the water sector, waste depots and landfills, public works and community development projects co-financed by the State budget and European programmes, high-rise construction projects and building rehabilitation projects aimed at improving energy efficiency, as well as initiatives with private investors interested in infrastructure, logistics and industrial construction and public-private projects.

High-rise construction will continue to be of significant importance within the Group’s structure, both as an investment activity and as an operational activity. The construction of the modern and functional “Atana” city complex, located in Druzhba Residential District, Sofia, is ongoing. The construction of a second building forming part of the complex began in 2024. In the short term, the Holding intends to participate in the construction of residential, administrative and office buildings in Bulgaria and in the other countries in which the Group operates.

“Trace Group Hold” PLC has strengthened its position in the field of road maintenance in Serbia, in particular in the maintenance and rehabilitation of road infrastructure in the south-eastern part of Serbia. The entity continued to strengthen its positions in the railway construction sector in the country in 2024 and is currently rehabilitating a large section of the Niš – Brestovac railway line and a section of the Niš – Dimitrovgrad railway line. In addition to the road and railway infrastructure sectors, the company intends to enter the high-rise construction sector. In 2025, the construction of a multi-purpose building in Belgrade, Serbia, continued.

The initiatives aimed at penetrating the neighbouring Romanian market are also developing successfully. The entity successfully completed the contract for the construction of a section of the “Ploiesti – Buzau” motorway. In the end of 2025, an Alliance, in which Trace Group Hold PLC has 30% participating interest, concluded a contract for the construction of a section of the Bucharest subway (metro). The Holding continues to explore opportunities to participate in upcoming tender procedures for infrastructure projects in Romania.

The international division of the Holding will continue to explore the markets of Central and Eastern Europe.

III. POLICIES

1. QUALITY, ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY POLICY

The continuous improvement of work quality is among the key priorities of the Management of “Trace Group Hold” PLC. This is achieved through the development of a clear policy and strategy aimed at gaining the trust of clients and all stakeholders and meeting their requirements and expectations.

Management’s efforts are focused on:

- Maintaining a system for continuous improvement and effective planning and management of key activities related to quality, environmental protection, occupational health and safety;
- Maintaining highly qualified personnel;
- Optimising processes;
- Complying with, implementing and ensuring compliance of all activities with the applicable legal and regulatory requirements related to quality, the environment and occupational health and safety;

- Applying an appropriate approach in the selection of the entity’s suppliers and subcontractors;
- Preventative measures aimed at eliminating or minimising cases of customer’s complains and/or objections and related to the entity’s principal activities;
- Preventative measures aimed at preventing injuries and occupational diseases;
- Continuously improving the management and implementation of occupational health and safety;
- Continuously improving environmental performance and preventing pollution;
- Ensuring opportunities for the full realisation of each worker and employee of the entity, falling within their competences and responsibilities, in order to create a sense of appreciation, satisfaction and fulfilment;
- Conducting periodic reviews personally by Management in order to assess the adequacy, effectiveness and efficiency of the integrated system operating within the Holding;
- Timely corrective and preventive actions in the event of deviations from the documented process control and management rules and procedures, or where there is a potential risk of such deviations.

To achieve these objectives, “Trace Group Hold” PLC has created conditions for strict compliance with the requirements of the Integrated Management System for quality, environment and occupational health and safety, and for the active participation of Management and executive personnel in the development and improvement of this system.

2. SOCIAL RESPONSIBILITY POLICY

The corporate group of “Trace” follows and promotes compliance with internationally recognised human rights and regards the protection of the integrity, health, rights and welfare of its employees, as well as the protection of the environment, as matters of primary and fundamental importance in the performance and development of its activities.

The SOCIAL RESPONSIBILITY POLICY adopted by the entities within the Group of “TRACE” in the implementation of their core activities is focused on corporate strategic management that contributes to sustainable economic development, fair employment relations with personnel, their families, the local community and society as a whole, aimed at improving the quality of life.

The guiding principles of “Trace Group Hold” PLC in the field of social responsibility include:

- Respecting human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- Safeguarding generally accepted human values;
- Ensuring healthy and safe working conditions for workers and employees;
- Developing and motivating personnel;
- Ensuring security of payments;
- Maintaining adequate remuneration and ensuring the timely payment of salaries and wages, as well as taxes and social security contributions due in respect of workers and employees;
- Establishing rules for constructive business ethics and ensuring compliance with those rules;
- Engaging responsibly in charitable activities, including the improvement of local infrastructure;
- Maintaining constructive interaction with the public and local authorities, as well as with non-governmental organisations, business associations, educational and expert institutions and other stakeholders;
- Disclosing information on the company’s activities through the mass media.

IV. OPERATIONAL ACTIVITIES AND IMPLEMENTATION

ENVIRONMENT

“Trace Group Hold” PLC and the entities within its Group maintain an Integrated Management System in compliance with the requirements of the international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 39001:2012.

The Group engages in social activities that support its principles of protecting the integrity, health, rights and welfare of its employees.

The process control and management system, which affects quality, the environment and occupational health and safety, covers project implementation in Bulgaria and participation in international tenders both in Bulgaria and abroad. It also covers construction, maintenance, reconstruction, rehabilitation and project implementation in the fields of transport infrastructure, including roads, motorways, airports and railway infrastructure; public infrastructure; hydrotechnical construction and environmental landscaping; energy-efficiency infrastructure; high-rise construction and adjacent infrastructure; and electronic communication networks and facilities. The system also covers consulting and engineering activities, as well as the acquisition and management of participating interests and shares in the capital of entities domiciled in Bulgaria and abroad.

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

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

- Efficient use of electricity and heating (energy conservation);
- Waste minimisation;
- Prevention of pollution by reducing and minimising harmful air and water emissions;
- Use of new generation techniques and equipment in the execution of the entity’s activity;
- Monitoring of air, water and soil pollution

The corporate governance of “Trace Group Hold” PLC recognises the importance of preserving the ecological balance in nature and pays close attention to the environmental impact of the production activities of its subsidiaries’. The Holding monitors activities aimed at reducing harmful effects on the environment in the course of the entities’ operations. All production facilities, including crushing plants, asphalt plants, stone flour plants, and others, are equipped with filtration systems for capturing harmful exhaust emissions and comply with the requirements of the control bodies that monitor the environmental protection.

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

“Trace Group Hold” PLC is one of the first Bulgarian construction companies to introduce the “cold recycling on site” method. This is a modern method for the rehabilitation of damaged road surfaces. It allows 100% of the available material on site to be reused, which is a significant advantage, as it leads to a reduction in the total volume of construction works, harmful emissions, construction deadlines and costs. The entity applies modern mechanisation and provides a wide range of traditional and innovative technologies in the implementation of this method.

The specialised machinery and trucks meet European and international environmental protection standards. The entity invests in modern machinery and equipment and aims to introduce innovative production methods in order to preserve and protect the ecological balance. At the same time, “Trace Group Hold” PLC, through “Trace BG” EOOD (LTD), has secured contracts for the repurchase of processed oils and greases and for the recycling of car and truck tires.

Environmental protection concepts defining the activities for minimising pollution and harmful effects on the environment are developed and applied throughout the implementation of all infrastructure projects. These concepts ensure the identification, assessment and management of significant environmental aspects, as well as the prevention of environmental pollution during the implementation of the respective public procurement contract. The environmental protection concepts are aligned with the core activities related to project implementation and the operation of projects and sites at the design, construction and operational stages, namely:

- Approved spatial planning documentation in cases of land-use changes
- Preparation and coordination of project documentation
- Obtaining construction permits
- Project implementation
- Commissioning of sites

- Conditions set out in issued decisions on environmental assessment and/or environmental impact assessment

Procedures are implemented in accordance with Bulgarian and European environmental legislation, ensuring the prevention of significant adverse impacts on the environment and human health during the implementation of investment proposals. These include Environmental assessment of plans and programmes related to spatial planning and environmental impact assessment, as well as Assessment of compatibility with the subject and objectives of protected areas.

The development strategy of “Trace Group Hold” PLC includes the Holding’s participation in long-term social projects in the field of environmental protection. A waste separation system has been developed and implemented.

The Holding has concluded contracts for the disposal of waste generated in the course of the company’s principal activities. Waste is managed in accordance with the requirements of the applicable legislation, and no issues have been identified to date.

OCCUPATIONAL HEALTH AND SAFETY

The entity monitors the main indicators relating to occupational accidents.

Data for the last three years is presented below. The disclosed data indicates a stable trend, namely the absence of occupational accidents and incidents during work processes.

ANNUAL COMPARISON OF OCCUPATIONAL INJURIES AND DISEASE

	2023	2024	2025
Number of cases of occupational accidents	0	0	0
Number of cases of injuries (incidents)	0	0	0
Number of cases of occupational disease	0	0	0

The identified occupational health and safety requirements are implemented at all organisational levels.

The conditions and procedure for conducting occupational health and safety training and instruction for workers and employees are applied in compliance with the requirements of Ordinance № RD-07-2 dated 16.12.2009 on the conditions and procedure for conducting periodic training and instruction of workers and employees on the rules for ensuring healthy and safe working conditions. This includes initial and periodic training, as well as occupational health and safety training for responsible officials.

Upon initial appointment within the structure, newly recruited employees are required to familiarise themselves with the following documents:

- Internal Labour Rules;
- Action plans in the event of disasters, emergencies, accidents and fires;
- Fire safety rules;
- Risk assessment and the respective risk assessment card for the position performed.

The entities have established safety instructions for all types of activities carried out during construction and installation works.

SOCIAL RESPONSIBILITY

CHILD LABOUR

“Trace Group Hold” PLC does not use and does not encourage child labour.

The entity’s policy prohibits the use of child labour. This policy is in accordance with the applicable statutory requirements set out in the Labour Code, the Child Protection Act and other effective regulatory requirements.

FORCED AND COMPULSORY LABOUR

All workers and employees of “Trace Group Hold” PLC and its subsidiaries work voluntarily and with consent.

In order to ensure the voluntary nature of work, the entity is committed to ensuring that all workers and employees are aware of their rights and obligations arising from and stipulated in their employment contracts. Internal Labour Rules have been developed and communicated to personnel. Each employment contract sets out the terms and conditions of employment, including the respective wage and/or salary, working hours, annual paid leave, position and notice period upon termination of the employment relationship.

FREEDOM OF ASSOCIATION

All workers and employees of “Trace Group Hold” PLC have the right to establish, participate in and organise trade unions of their choice, and to bargain collectively with the entity on their own behalf. Personnel are informed that they are free to participate in an organisation of their choice and that this will not result in any negative consequences or repressive measures by the entity. The functioning and management of such workers’ organisations are free and are not restricted by any interventions undertaken by or on behalf of the entity.

DISCRIMINATION

“Trace Group Hold” PLC does not discriminate in recruitment, remuneration, access to training, promotion, retirement or termination of employment on the grounds of race, nationality, social origin, social status, family background, religion, disability, gender, sexual orientation, family obligations and responsibilities, marital status, trade union membership, political views or any other condition that could lead to any form of discrimination.

The company does not interfere with personnel exercising their right to observe principles and practices or to meet needs based on their race, nationality or social origin, religion, disability, gender, sexual orientation, family obligations and responsibilities, trade union membership, political views or other conditions that could lead to discrimination. The entity’s employees belong to different religious affiliations, which does not interfere with their joint and team work. The company is open to recruiting disadvantaged persons, including representatives of different minority groups and persons with disabilities. The entity strives to provide young people with opportunities for career and personal development.

The entity does not tolerate sexual harassment or any other form of abusive, exploitative or threatening behaviour, including gestures, language or physical contact in the workplace.

COMPARISON OF MALE AND FEMALE WORKERS AND EMPLOYEES

	2023	2024	2025
Total personnel	896	980	810
Of which male	737	803	655
Of which female	159	177	155
Personnel, appointed at managerial positions	78	83	77
Of which male	64	67	61
Of which female	14	16	16

There are no age- or gender-related pay gaps. Salaries and wages are determined based on the position held by the respective employee, following approval by the Executive Director, and in accordance with the Salaries and Wages Manual.

Management, site managers and all persons appointed to managerial positions treat all personnel with dignity and respect. All disciplinary practices are set out in the Internal Labour Manual.

The Labour Code does not provide for the imposition of “fines” on employees and, therefore, “Trace Group Hold” PLC does not impose, nor does it intend to impose, any such sanctions. In the event of breaches of labour discipline within “Trace Group Hold” PLC, only the disciplinary measures provided for under Art. 188 of the Labour Code are applied. These include three disciplinary measures: reprimand, warning of dismissal and disciplinary dismissal.

WORKING HOURS

“Trace Group Hold” PLC complies with industry standards and applicable legislation relating to working hours and public holidays. The standard working week does not exceed 40 hours. Personnel are provided with at least one day off after every six consecutive working days.

REMUNERATION, FINANCIAL INCENTIVES

The remuneration provided by “Trace Group Hold” PLC and its subsidiaries complies with the minimum industry and/or statutory standards and ensures remuneration sufficient to meet the basic needs of personnel and provide discretionary income.

With regard to the payment of agreed salaries, wages and social security contributions, “Trace Group Hold” PLC and the subsidiaries within its Group treat their workers and employees fairly. The company motivates its employees, specialists and workers by providing additional remuneration.

A prompt response and increased flexibility are required in order to sustain business operations in the current challenging economic environment. Daily monitoring of external factors affecting the Company and daily reporting of income and expense items are necessary. As a result of decisions taken in 2021 and 2022 in relation to human capital, an approach was identified to simplify the entity’s processes, reduce costs and minimise losses, enabling the entity to properly fulfil its commitments as an employer. This approach has ensured the regular and timely payment of salaries, wages and social security contributions, without delay.

DONATIONS

As a public and socially responsible company, “Trace Group Hold” PLC has supported a number of donation initiatives over the years. These initiatives are in the fields of social activities, ecology, cultural and historical heritage, and education, and are aligned with the corporate culture of “Trace”.

The “Trace for People” Foundation unites the efforts of all entities within the Group in the field of corporate social responsibility.

ANTI-CORRUPTION POLICY

No form of bribery or corruption is tolerated within “Trace Group Hold” PLC. The entity refrains from any actions or behaviour that could be perceived as active or passive bribery. This policy applies to all types of corrupt practices, including:

- Active bribery — giving, promising or offering bribes;
- Passive bribery — requesting, agreeing to receive or accepting bribes;
- Bribery of public or state officials;
- Unjustified increase in personal wealth through misuse of the entity’s assets;
- Unauthorised private use of goods and assets.

The entity has adopted a Code of Ethics, which is mandatory for all personnel.

The entities within the “Trace” Group observe the rules for clear and transparent donations and/or sponsorships in all cases. All donations are made through the “Trace for People” Foundation, which prepares annual public reports on its activities.

No formal corruption risk assessment system has been implemented within the Group. Nevertheless, all processes and procedures are carried out in a manner that excludes any form of corruption within the entities. All transactions conducted by the entities within the “Trace” structure are individually pre-assessed, and transactions of significant value are approved both by the Holding’s Management and by the Management of the entity conducting the respective transaction.

CAREER DEVELOPMENTT AND EDUCATIONAL TRAINING

Personnel motivation is an important factor in achieving the development targets set by the Company. The Management of “Trace Group Hold” PLC has a clear development strategy for each person employed within the Holding’s structure. The strategy covers areas such as:

- Professional development of specialists and workers through the organisation of training aimed at maintaining and improving their qualifications, as well as by providing opportunities for advanced specialisation in specific professional fields;
- Providing opportunities and the necessary time for employees to improve their education and acquire additional qualifications;
- Encouraging initiatives to learn foreign languages, work with specialised software, implement new technologies and acquire knowledge of new equipment and technologies;
- Stimulating innovative thinking and enabling creative people to apply their ideas in practice;
- Providing opportunities for career development within the Group’s structure, depending on the personal and professional interests of each individual worker, employee and manager.

PERSONNEL MOTIVATION AND GROWTH

All operational activities of “Trace”, including design, construction, reporting, accounting, planning and supplies, are digitalised. The implementation of a system designed specifically for the Company has led to a fundamental change in the way the organisation works, including task allocation, execution and control. At the same time, the various teams within “Trace” undergo training.

The machinery, asphalt plants and aggregate quarries, as well as vehicles owned by the Holding, have also been digitalised. Mobile communication modules, together with various sensors and detectors, enable process automation, monitoring, maintenance and the identification of potential issues. The software allows real-time data to be collected on the location, workload, fuel consumption and work performed by each machine. It also supports control over the construction process and contributes to improved efficiency. Real-time data collection enhances operational efficiency and enables in-depth analysis and complex management decision-making.

The ERP software used by “Trace” enables the interconnection of all units and systems within the company, from production to accounting and financial transactions. It supports reporting by making it easier, faster and more efficient. All correspondence related to the construction projects and sites of “Trace” is carried out digitally and simultaneously, with each employee receiving automated access, according to their assigned role, to the electronic project documentation and related administrative work.

“Trace Group Hold” PLC strives to keep pace with current international market trends by relying on globally recognised and high-quality digital solutions aimed at improving the entity’s processes. This facilitates certain processes, shortens information flows and improves Management’s awareness and decision-making.

EU TAXONOMY-RELATED DISCLOSURES

The EU Taxonomy Regulation — Regulation (EU) 2020/852 of the European Parliament and of the Council, dated 18 June 2020, hereinafter referred to as “the Regulation”, establishes a framework for classifying economic activities as environmentally sustainable in relation to six environmental objectives.

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;

- Transition to circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

Pursuant to Art. 3 of the Regulation, an economic activity qualifies as environmentally sustainable where it: (1) contributes substantially to one or more of the six environmental objectives; (2) does not significantly harm any of the other environmental objectives under the DNSH principle; (3) is carried out in compliance with the minimum safeguards relating to health, social and working conditions at company level (social guarantees); and (4) complies with the technical screening criteria established by the Commission in accordance with Arts. 10–15 of the Regulation.

Article 8 of the Regulation requires entities to include in their consolidated non-financial statements information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under Arts. 3 and 9 of the Regulation.

More specifically, entities are required to disclose:

- the proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable;
- the proportion of capital expenditure and operating expenses related to assets or processes associated with economic activities that qualify as environmentally sustainable.

Delegated Regulation (EU) 2021/2178 of 6 July 2021, supplementing Regulation (EU) 2020/852, defines the content and presentation of the information to be disclosed by entities in relation to their sustainable economic activities. For the purposes of the EU Taxonomy, a taxonomy-eligible economic activity, hereinafter referred to as “eligible activity”, is an economic activity described in Delegated Regulation (EU) 2021/2139 of 4 June 2021, regardless of whether that activity meets some or all of the technical screening criteria set out in that delegated act. A taxonomy-ineligible economic activity is any economic activity not described in Delegated Regulation (EU) 2021/2139. An economic activity that meets the specific criteria set out in Art. 3 of Regulation (EU) 2020/852, which economic activities must satisfy in order to qualify as environmentally sustainable, is considered a taxonomy-aligned economic activity, hereinafter referred to as “taxonomy-aligned”.

As part of the “Omnibus” package, Commission Delegated Regulation (EU) 2026/73 of 4 July 2025, amending Delegated Regulation (EU) 2021/2178, introduced measures to simplify the content and presentation of the information to be disclosed. These measures include the introduction of materiality in the assessment of the eligibility and alignment of economic activities, as well as the reduction and simplification of the reporting templates. The revised EU Taxonomy Delegated Act, Commission Delegated Regulation (EU) 2026/73, entered into force on 28 January 2026.

In accordance with Art. 8 of Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment, and Commission Delegated Regulation (EU) 2021/2178, TRACE GROUP HOLD PLC prepared an analysis of the economic activities of the entities within the Holding in order to identify which of them are EU taxonomy-eligible and which are taxonomy-ineligible. TRACE GROUP HOLD has prepared this EU Taxonomy Statement in compliance with the latest amendments to the Regulation. The amendments do not affect the content and presentation of this Statement, except for the use of updated disclosure templates presented in Appendices 1 – 4.

This non-financial statement presents an analysis of the eligibility of the economic activities of TRACE GROUP HOLD PLC for the 2025 reporting period (1 January – 31 December 2025).

Eligibility of the activities of “TRACE GROUP HOLD” PLC

For the 2025 reporting period, the Group is required to disclose key performance indicators (KPIs) for turnover, capital expenditure and operating expenses relating to taxonomy-eligible and taxonomy-ineligible economic activities under the Delegated Regulation (EU) 2021/2139 of 4 June 2021 and Delegated Regulation (EU) 2021/2178 of 6 July 2021 (Table 1).

Table 1. Percentage of taxonomy-eligible and taxonomy-ineligible economic activities in terms of total turnover, capital expenditure and operating expenses of TRACE GROUP HOLD PLC for 2025.

2025	Total Denominated in BGN	Total Denominated in euros	Proportion of the taxonomy-eligible economic activities (%)	Proportion of the taxonomy-ineligible economic activities (%)
Turnover	444 747.68	227 395.88	86.43	13.57
CapEx	12 912.00	6 601.80	99.97	0.03
OpEx	434 987.00	273 534.51	1.84	98.16

The main activities carried out by the entities within the Group of TRACE GROUP HOLD PLC are in the field of construction. They include construction and rehabilitation of road and railway infrastructure, construction of metro systems (subways) and airports, water supply and sewerage infrastructure, as well as construction of residential, public and industrial buildings.

The economic activities of the Group covered by the EU Taxonomy pursuant to Delegated Regulation (EU) 2021/2139 fall mainly within the following sectors: construction, transport infrastructure, and water supply and sewerage.

Key performance indicators (KPIs)

The key performance indicators (KPIs) include KPI related to turnover, KPI related to capital expenditure (CapEx) and KPI related to operating expenditure (OpEx).

The methodology used by the Group to calculate the KPIs related to turnover, capital expenditure and operating expenses is aligned with, and complies with, Sections 1.1.1, 1.1.2 and 1.1.3 of Annex I to Delegated Regulation (EU) 2021/2178. In order to ensure reliability and consistency in the reporting of the three KPIs, the Group eliminates any double counting of the same amounts when allocating them to turnover, CapEx and OpEx. This is achieved through detailed analytical accounting records established for the purposes of preparing the Group's financial statements.

In accordance with Delegated Regulation (EU) 2021/2178 on the disclosure of information in relation to the EU taxonomy, accounting criteria have been taken into account when calculating the numerator and denominator of taxonomy-eligible and taxonomy-ineligible net turnover, CapEx and OpEx.

- Turnover, in accordance with Article 8, paragraph 2, point (a) of the Regulation, represents the proportion of net turnover derived from products or services, including intangible assets, associated with economic activities that qualify as environmentally sustainable. It is calculated as the numerator divided by net turnover, as defined in Article 2, paragraph 5 of Directive 2013/34/EU, which represents the denominator.

Turnover includes gains from the disposal of Property, Plant and Equipment (PPE), whereas grant income has been eliminated.

- Capital expenditure, or CapEx, in accordance with Article 8, paragraph 2, item (b) of the Regulation, includes additions to tangible and intangible assets during the relevant financial year, before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year, and excluding fair value changes. For TRACE GROUP HOLD PLC, capital expenditure is presented in Appendix 3.

- Operating expenditure, or OpEx, in accordance with Art. 8, paragraph 2, item (b) of the Regulation, is defined differently under the EU Taxonomy from the traditional definition of operating expenses applied in financial statements. According to the EU Taxonomy, OpEx covers direct non-capitalised costs relating to research and development, short-term leases, maintenance and repairs, and any other direct expenditure relating to the day-to-day servicing of property, plant and equipment by the undertaking or by a third party to whom such activities are outsourced, where such expenditure is necessary to ensure the continued and effective functioning of those assets. Therefore, it should be noted that OpEx cannot be directly reconciled to the consolidated statement of profit or loss, as this would result in inconsistencies between the operating expenses presented in the financial statements and

the operating expenditure defined by the relevant Regulations specifically for EU Taxonomy purposes. The operating expenditure of TRACE GROUP HOLD PLC for the 2025 financial reporting period is presented in Appendix 4.

To determine the proportion of taxonomy-eligible economic activities in total turnover, capital expenditure and operating expenditure under the three key performance indicators, TRACE GROUP HOLD PLC calculates the ratio of taxonomy-eligible net turnover, CapEx and OpEx (numerator) to their total turnover, CapEx and OpEx (denominator) as at the end of the 2025 financial reporting period.

KPI related to turnover

The proportion of taxonomy-eligible economic activities in the total turnover of TRACE GROUP HOLD PLC for the 2025 financial reporting period was calculated by dividing the part of net turnover derived from products and services associated with taxonomy-eligible economic activities, representing the numerator, by total net turnover, representing the denominator.

The denominator of the turnover KPI is based on the Group's net turnover, determined in accordance with Article 2, item (5) of Directive 2013/34/EU, namely the amounts derived from the sale of products and the provision of services after deducting sales rebates, value added tax and other taxes directly linked to turnover. Total net turnover was determined by aggregating the revenue items from construction activities and sales of goods and services of all entities within the structure of TRACE GROUP HOLD PLC.

The total share of turnover from taxonomy-eligible activities was calculated at BGN 384,412.68 thousand, representing 86.43% of the Holding's total net turnover.

It should be clarified that this percentage includes taxonomy-eligible, but not environmentally sustainable, activities, i.e. activities that are not taxonomy-aligned. This Statement does not include a legal analysis of whether the economic activities comply with the technical screening criteria under the EU Taxonomy and, accordingly, whether these activities are environmentally sustainable. Therefore, the share of taxonomy-aligned activities is 0%.

With regard to the numerator, the following activities forming part of net turnover have been identified as taxonomy-eligible:

- Construction, expansion and operation of water collection and purification systems, and water supply systems (*taxonomy code 5.1*) – 1.32%. The activity is related to the first two environmental objectives: climate change mitigation and climate change adaptation.
- Infrastructure, including road transport and public transport (*taxonomy code 6.15*) – 45.23%. The activity is related to the second environmental objective: climate change adaptation.
- Railway transport infrastructure (*taxonomy code 6.14*) – 38.29%. The activity is taxonomy-eligible and is related to the first two environmental objectives: climate change mitigation and climate change adaptation.
- Construction of new buildings (*taxonomy code 7.1*) – 1.59%. The activity is taxonomy-eligible and is related to three environmental objectives: climate change mitigation, climate change adaptation and circular economy.

KPI related to CAPEX

KPI related to CAPEX is calculated by dividing taxonomy-aligned capital expenditures, representing the numerator, by total capital expenditure, representing the denominator.

Delegated Regulation (EU) 2021/2178 provides a definition of total capital expenditure that covers additions to non-current tangible and intangible assets and investment property during the financial reporting period, considered before impairment, depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, and excluding fair value changes. These include acquisition to property, plant and equipment (IAS 16), intangible assets (IAS 38), right-of-use assets (IAS 16), investment property (IAS 40).

The analysis performed indicates that 99.97% of the total capital expenditure of “TRACE GROUP HOLD” PLC for the 2025 financial reporting period, amounting to BGN 12,908 thousand, relates to taxonomy-eligible economic activities.

It should be specified that this percentage (99.97%) include taxonomy-eligible, but not environmentally sustainable activities. This Statement does not include a legal analysis of whether the economic activities comply to the taxonomy technical screening criteria under the EU Taxonomy and, accordingly, whether these activities are environmentally sustainable. Therefore, the proportion of taxonomy-aligned activities is 0%

The following taxonomy-eligible activities have been identified within the numerator:

- Construction, expansion and operation of water collection and purification systems, and water supply systems (*taxonomy code 5.1*) – 1.64%. The activity is related to the first two environmental objectives: climate change mitigation and climate change adaptation.
- Infrastructure, including road transport and public transport (*taxonomy code 6.15*) – 48.22%. The activity is related to the second environmental objective: climate change adaptation.
- Railway transport infrastructure (*taxonomy code 6.14*) – 47.68%. The activity is taxonomy-eligible and is related to the first two environmental objectives: climate change mitigation and climate change adaptation.
- Construction of new buildings (*taxonomy code 7.1*) – 2.43%. The activity is taxonomy-eligible and is related to three environmental objectives: climate change mitigation, climate change adaptation and circular economy.

The following principles were applied in allocating capital expenditure among the above economic activities:

- For Group entities that perform only one of the specified activities, 100% of the reported capital expenditure was associated with that activity.
- For entities that perform more than one of the specified activities, capital expenditure was allocated proportionally based on the share of revenue generated from the respective activity during the financial reporting period.

KPI related to OPEX

KPI related to OPEX is calculated by dividing the taxonomy-aligned operating expenses, representing the numerator, by the total the operating expenses, representing the denominator.

Total operating expenditure includes direct non-capitalised costs that relate to research and development, repairs and renovation costs (used within the activities and investment properties), short-term leases, maintenance and repairs, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment assets and investment properties. Operating costs such as direct costs related to payment of salaries, education and training and other needs to adapt the human capital, were excluded from the analysis performed.

The analysis performed indicates that 1.84% of the total operating expenses of “TRACE GROUP HOLD” PLC for the 2025 financial reporting period, amounting to BGN 7,842 thousand, relate to the taxonomy-eligible economic activities.

It should be specified that this percentage (1.84%) include taxonomy-eligible, but not environmentally sustainable activities. This Statement does not include a legal analysis of whether the economic activities comply to the taxonomy technical screening criteria under the EU Taxonomy and, accordingly, whether these activities are environmentally sustainable. Therefore, the proportion of taxonomy-aligned activities is 0%

“TRACE GROUP HOLD” PLC has taken into account all operating expenses (excluding direct expenses related to salary payments, training and other needs for adapting human resources) and general administrative expenses (security, insurance, taxes, subscriptions, membership fees, commissions) when computing the numerator.

The following taxonomy-eligible activities have been identified within the numerator:

- Construction, expansion and operation of water collection and purification systems, and water supply systems (*taxonomy code 5.1*) – 0.15%. The activity is related to the first two environmental objectives: climate change mitigation and climate change adaptation.
- Infrastructure, including road transport and public transport (*taxonomy code 6.15*) – 1.10%. The activity is related to the second environmental objective: climate change adaptation.
- Railway transport infrastructure (*taxonomy code 6.14*) – 0.56%. The activity is taxonomy-eligible and is related to the first two environmental objectives: climate change mitigation and climate change adaptation.
- Construction of new buildings (*taxonomy code 7.1*) – 0.02%. The activity is taxonomy-eligible and is related to three environmental objectives: climate change mitigation, climate change adaptation and circular economy.

The following principles were applied in allocating operating expenditure among the above economic activities: taxonomy-eligible operating expenditure, including short-term leases and repair and maintenance of machines and equipment, have been allocated among economic activities to which this expenditure refers, and:

- For Group entities that perform only one of the specified activities, 100% of the reported capital expenditure was associated with that activity.

For entities that perform more than one of the specified activities, capital expenditure was allocated proportionally based on the share of revenue generated from the respective activity during the financial reporting period.

Eng. Boyan Delchev
Executive Director

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Appendix 1. Proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure for the financial reporting period 2025 (KPIs summary)

KPI	Total	Proportion of taxonomy-eligible activities	Taxonomy-aligned activities	Proportion of taxonomy-aligned activities	Allocation of taxonomy-aligned activities per environmental objectives						Proportion of enabling activities	Proportion of transitional activities	Unassessed activities considered immaterial	Taxonomy-aligned activities in the previous financial year	Proportion of taxonomy-aligned activities in the prior financial year
					Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity					
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16
Text	BGN '000	%	BGN '000	%	%	%	%	%	%	%	%	%	%	BGN '000	%
Turnover	444 747,68	86,43	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00				0,00	0,00
CapEx	12 912,00	99,97	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00				0,00	0,00
OpEx	434 987,00	1,84	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00				0,00	0,00

Appendix 2. Proportion of turnover from products or services associated with taxonomy-aligned economic activities.

Economic activities	Code	KPI - taxonomy-eligible (proportion of taxonomy-aligned turnover)	KPI - taxonomy-aligned (amount of turnover)	KPI - taxonomy-aligned (proportion of taxonomy-aligned turnover)	Allocation of taxonomy-aligned activities per environmental objectives						Enabling activity	Transitional activity	Proportion of taxonomy-aligned of taxonomy-eligible
					Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity			
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14
Text		%	BGN '000	%	%	%	%	%	%	%	E - in the respective cases	T - in the respective cases	%
6.15 Infrastructure enabling road transport and public transport	AIK, SIK	45,23	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
7.1 Construction of new buildings	AIK, SIK, KI	1,59	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
6.14 Railway transport infrastructure	AIK, SIK	38,29	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
5.1 Construction, expansion and operation of water collection and purification systems, and water supply systems	SIK, AIK	1,32	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
Total - alignment per objective					0,00	0,00	0,00	0,00	0,00	0,00			
Total KPI (turnover)		384 412,68	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00

Appendix 3. Proportion of capital expenditure (CapEx) from products or services associated with taxonomy-aligned economic activities.

	Code	KPI - taxonomy-eligible (proportion of taxonomy-aligned CapEx)	KPI - taxonomy-aligned (amount of CapEx)	KPI - taxonomy-aligned (proportion of taxonomy-aligned CapEx)	Allocation of taxonomy-aligned activities per environmental objectives						Enabling activity	Transitional activity	Proportion of taxonomy-aligned of taxonomy-eligible
					Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity			
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14
Text		%	BGN '000	%	%	%	%	%	%	%	E - in the respective cases	T - in the respective cases	%
6.15 Infrastructure enabling road transport and public transport	AIK	48,22	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
7.1 Construction of new buildings	AIK, SIK, KI	2,43	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
6.14 Railway transport infrastructure	AIK, SIK	47,68	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
5.1 Construction, expansion and operation of water collection and purification systems, and water supply systems	SIK, AIK	1,64	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
Total - alignment per objective					0,00	0,00	0,00	0,00	0,00	0,00			
Total KPI (turnover)		12 908,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00

Appendix 4. Proportion of operating expenditure (OpEx) from products or services associated with taxonomy-aligned economic activities.

Economic activities	Code	KPI - taxonomy-eligible (proportion of taxonomy-aligned OpEx)	KPI - taxonomy-aligned (amount of OpEx)	KPI - taxonomy-aligned (proportion of taxonomy-aligned OpEx)	Allocation of taxonomy-aligned activities per environmental objectives						Enabling activity	Transitional activity	Proportion of taxonomy-aligned of taxonomy-eligible
					Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity			
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14
Text		%	BGN '000	%	%	%	%	%	%	%	E - in the respective cases	T - in the respective cases	%
6.15 Infrastructure enabling road transport and public transport	AIK	1,10	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
7.1 Construction of new buildings	AIK, SIK, KI	0,02	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
6.14 Railway transport infrastructure	AIK, SIK	0,56	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
5.1 Construction, expansion and operation of water collection and purification systems, and water supply systems	SIK, AIK	0,15	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00
Total - alignment per objective					0,00	0,00	0,00	0,00	0,00	0,00			
Total KPI (turnover)		7 842,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			0,00

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled ‘Non-financial Statement Pursuant to Art. 51 in conjunction with Art. 48, Art. 49 and Art. 50 of the Accountancy Act’, consisting of 20 (twenty) pages, and that I am competent in both English and Bulgarian to render such a translation.



CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

The Group carries out activities in the extractive industry, in particular the extraction of underground natural resources, the exploitation of mineral raw materials, and mining and blasting activities. Pursuant to Art 53, in conjunction with Art. 59 of the Accountancy Act, the Group is required to prepare a Consolidated Report on Payments to Governments and publish it together with its annual Consolidated Management Report.

In 2025, the following subsidiaries within the Group carried out mining activities:

Trace BG EOOD (LTD), Bulgaria – extraction of underground natural resources

Trace Yambol AD (JSC), Bulgaria – extraction of underground natural resources

Trace Serbia AD (JSC), Serbia – exploitation of mineral raw materials

The Group discloses below the information required under Chapter Seven (7), Section V of the Accountancy Act.

1. Payments under concession agreements

In accordance with five (5) agreements concluded in the Republic of Bulgaria, the Group has been granted concessions for the extraction of underground natural resources, namely construction materials such as marble, marble limestone, limestone and dolomites. The concession agreements were signed in 2001, 2005 and 2011 between the Grantor, the Council of Ministers of the Republic of Bulgaria, and the Concessionaires, being entities within the Group.

Under these agreements, the entities within the Group have been granted the exclusive right to develop and extract construction materials from deposits located in the Republic of Bulgaria, namely in Topolovgrad, Zmeevo, Vinarovo, comprising two deposits, and Boyanovo, within the concession area, and to acquire the extracted materials.

The extraction of construction materials from deposits located in the Republic of Bulgaria is carried out through open-pit mining within the respective concession areas, under the following conditions:

- Concession area: 831 thousand square meters;
- Extraction term: between 25 and 35 years, commencing from the date on which the respective concession agreement enters into force;

Concession payments amounting to BGN 1,099 thousand were paid to the Ministry of Energy of the Republic of Bulgaria in 2025. Part of these payments includes amounts transferred to a special account established to secure the entities' obligations for subsequent reclamation of the exploited concession areas.

2. Payments related to approvals granted for the exploitation of mineral raw materials

In accordance with the legislation effective in the Republic of Serbia, an entity within the Group obtained approvals from the Ministry of Mining and Energy in 2008 and 2017 for the exploitation of mineral raw materials (№310-02-00235/2008-06 and 310-02-00990/2012-02). In 2010, the same entity also obtained approval from the Ministry to carry out mining and blasting works on lands owned by it (№310-02-00616/2009-06).

The approvals granted to the entity provide it with the exclusive right to carry out mining and blasting works and to exploit mineral raw materials from a deposit located in the village Dolac, Municipality of Bela Palanka, Republic of Serbia, within an area owned by the entity.

The extraction of construction materials from deposits located in the Republic of Serbia is carried out through open-pit mining under the following conditions:

- Concession area: 180 thousand square meters;
- Extraction term: indefinite, commencing from the date on which the approval is obtained;

No payments were made to the Ministry of Mining and Energy of the Republic of Serbia in 2025. Quarterly instalments are calculated based on the extraction performed during the respective quarter.

3. Taxes paid

The entities within the Group engaged in mining activities, in particular the extraction of underground natural resources, the exploitation of mineral raw materials, and mining and blasting works, paid BGN 500 thousand in “other taxes” to the National Revenue Agency of the Republic of Bulgaria in 2025 and BGN 842 thousand to the Tax Administration of the Republic of Serbia, comprising:

- BGN 371 thousand – corporate income tax paid in Serbia based on the annual tax returns submitted for 2024 (Bulgaria: BGN 380 thousand);
- BGN 465 thousand – advance payments of corporate income tax due in 2025 (in Bulgaria: BGN 120 thousand);
- BGN 6 thousand – withholding tax paid in 2025 (in Bulgaria: none);

The entities engaged in mining activities also paid BGN 51 thousand in local taxes and fees to Municipalities in the Republic of Bulgaria and BGN 156 thousand to Municipalities in the Republic of Serbia.

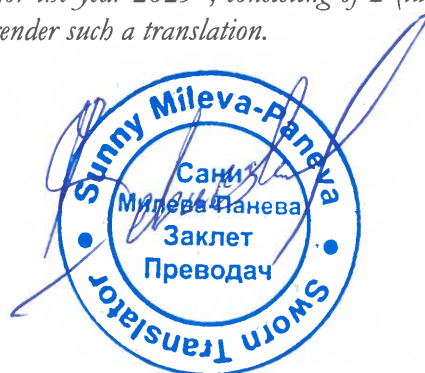
4. Payments under projects

In 2025, the entities within the Group engaged in mining activities did not implement any projects, and accordingly, did not make any payments to persons or entities representing Governments within the meaning of the applicable legislation.

Eng. Boyan Delchev Digitally signed by Boyan Stoyanov Delchev

Executive Director Date: 2026.04.30 18:50:10 +03'00'

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled “Consolidated Report on Payments to Governments for the year 2025”, consisting of 2 (two) pages, and that I am competent in both English and Bulgarian to render such a translation.



DECLARATION

Pursuant to Art. 100 (n), paragraph 4, item 4 of the Public Offering of Securities Act

The undersigned:

Desislava Ivanova Lyubenova, in her capacity as Chairperson of the Managing Board (MB) of “Trace Group Hold” PLC

Boyan Stoyanov Delchev, in his capacity as a Member of the Managing Board (MB) and Executive Director of “Trace Group Hold” PLC;

Manol Tanev Kavrakov, in his capacity as a Member of the Managing Board (MB) of “Trace Group Hold” PLC; and

Boyan Ivanov Hristov, in his capacity as the compiler of the consolidated financial statements of “Trace Group Hold” PLC

Hereby declare that:

1. The set of financial statements, prepared in accordance with the applicable accounting standards, presents a true and fair view of the assets and liabilities, the financial position, and the profit or loss of “Trace Group Hold” PLC;
2. The annual Consolidated Management Report of “Trace Group Hold” PLC provides a fair and comprehensive review of the information required under Art. 100 (n), paragraph 4, item 2 of POSA.

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Desislava Ivanova Lyubenova

Digitally signed by Boyan Stoyanov Delchev
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Boyan Stoyanov Delchev

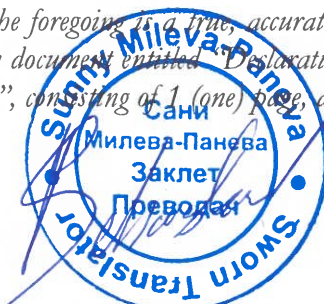
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Manol Tanev Kavrakov

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Boyan Ivanov Hristov – compiler

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled “Declaration under Art. 100 (n), paragraph 4, item 4 of the Public Offering of Securities Act (POSA)”, consisting of 1 (one) page, and that I am competent in both English and Bulgarian to render such a translation.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS /ДО АКЦИОНЕРИТЕ 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 2025, and the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, as well as the notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for opinion

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

Key audit matters

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

Key audit matter

How our audit addressed this key audit matter

Parker Russell Bulgaria LTD Audit | Analysis | Consulting

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Revenue from contracts with customers – Revenue from construction contracts (BGN 374,524 thousand in 2025)

Note I.2.22.1. and Note II.2.1.1. to the consolidated financial statements

The Group's revenue from contracts with customers primarily comprises revenue from construction contracts. Revenue from construction contracts amounted to a total of 374,524 thousand in 2025 and represents 82% of the total revenue received by the Group during the period.

Under the construction contracts, assets controlled by customers are created and / or enhanced and the Group identifies performance obligations satisfied over time, respectively. The Group recognises the revenue to which it expects to be entitled to in accordance with the satisfied performance obligations.

The Group recognises revenue from satisfied performance obligations under construction contracts, only if the Group can reasonably measure progress towards complete satisfaction of those performance obligations. Depending on the specific circumstances and the terms and conditions of the contracts, the Group uses input methods and / or output methods to measure the progress towards complete satisfaction of performance obligations under construction contracts.

The estimation of revenue from construction contracts involves significant uncertainty as it requires Management to make key judgements and subjective assumptions.

Based on the considerations outlined above, we believe that the determination of revenue from construction contracts is a key audit matter.

- Our audit procedures in this field include, but are not limited to:
- Assessment of whether the accounting policies, applied by the Group in the recognition and measurement of revenue from construction contracts, are adequate and complete;
- Evaluation of the consistency and appropriateness of methods used for the specific type of contract. This includes an assessment of related input data and assumptions by reviewing available actual and forecast information, together with re-measurement and comparative analysis;
- Comparison of key assumptions, used in the estimation of revenue, with the terms of similar contracts, historical data and other relevant information;
- Review of selected data used to assess progress towards complete satisfaction of performance obligations, including estimates and budgets, statements and reports, and direct assessment of transferred goods and services, for accuracy, reliability and completeness;
- Review of the adequacy and completeness of the disclosures in the consolidated financial statements of the Group regarding the measurement of revenue from construction contracts, included under Note I.2.22.1. and Note II.2.1.1. to the consolidated financial statements II.2.1.1.

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on these consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit, conducted in accordance with 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 users' economic decisions, taken based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We have 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, statements made to mislead the auditor, 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes to the consolidated financial statements, and whether the consolidated financial statements present fairly the significant transactions and events.
- We plan and perform the Group audit to obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group's financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and that we will communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards implemented to eliminate identified threats or reduce them to an acceptable level.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore 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 section “Additional information, other than the consolidated financial statements and the auditor's report thereon” – we have also performed procedures with regard to the consolidated management report, the statement on Group's corporate governance, the consolidated non-financial statement and the consolidated report on payments to Governments. In accordance with the “Guidelines on new and expanded auditor reporting and auditor communication” of the professional organisation of certified public accountants and registered auditors in Bulgaria – the Institute of Certified Public Accountants (ICPA)” – such procedures are additional to those required under ISAs. These procedures relate to testing the existence, form, and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100 (n), paragraph 10 of POSA in conjunction with Art. 100 (n), paragraph 8, items (3) and (4) of POSA, as well as Art. 100 (n), paragraph 15 of POSA in conjunction with Art. 116 (c), paragraph 1 of POSA), applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

- a) The information included in the consolidated management report for the financial reporting year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements;
- b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100 (n), paragraph 7 of the Public Offering of Securities Act;
- c) The statement on the Group's corporate governance for the financial reporting year for which the consolidated financial statements have been prepared provides the information required in accordance with Art. 100 (n), paragraph 8 of the Public Offering of Securities Act;
- d) The consolidated non-financial statement for the financial year for which the consolidated financial statements have been prepared has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act;
- e) The consolidated report on payments to governments for the financial year for which the consolidated financial statements have been prepared has been 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, items (3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about the Group's activity and the environment in which it operates, the description of the main characteristics of the Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the statement on corporate governance), and the information under Art. 10, paragraph 1 (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council, dated 21 April 2004, on Takeover Bids, do not contain, in our opinion, any material misstatements.

Reporting on the compliance of the electronic reporting format of the consolidated financial statements, included in the annual consolidated financial report under Art. 100 (n), paragraph 5 of POSA, with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of "TRACE GROUP HOLD" PLC for the year ended 31 December 2025, attached in the electronic file "8945006KNJB87NPK6P55-20251231-BG-CON.zip", with the requirements of the Commission's Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards specifying a single electronic reporting format ("ESEF Regulation"). Our opinion is limited solely to the electronic reporting format of the consolidated financial statements and does not cover the other information, included in the annual consolidated financial report under Art. 100 (n), paragraph 5 of POSA.

Description of the subject matter of the engagement and the applicable criteria

Management has prepared the electronic reporting format of the consolidated financial statements of the Group for the year ended 31 December 2025 in accordance with the ESEF Regulation, in order to comply with the requirements of POSA. The rules for preparing consolidated financial statements in this electronic reporting format are set out in the ESEF Regulation and, in our opinion, have the characteristics of appropriate criteria for forming a reasonable assurance opinion.

Responsibilities of Management and those charged with governance

The Group's Management is responsible for complying with the requirements of the ESEF Regulation when preparing the electronic format of the consolidated financial statements in an XHTML format. These responsibilities include the selection and application of appropriate mark-ups, or iXBRL tags, using the ESEF Regulation taxonomy, as well as the implementation and maintenance of such internal control system as Management determines is necessary for the preparation of the electronic reporting format of the Group's annual consolidated financial statements, free from material inconsistencies with the requirements of the ESEF Regulation.

Those charged with the governance are responsible for overseeing the process of preparing the Group's annual consolidated financial statements, including the application of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion as to whether the electronic reporting format of the consolidated financial statements complies with the requirements of the ESEF Regulation. For this purpose, we have applied the "Guidelines on expressing an audit opinion in relation to the implementation of the European Single Electronic Format (ESEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)", issued by the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)", and we have performed a reasonable assurance engagement in accordance with ISAE 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)). This standard requires us to comply with ethical requirements and to plan and perform appropriate procedures in order to obtain reasonable assurance as to whether the electronic format of the Group's consolidated financial statements has been prepared, in all material respects, in accordance with the applicable criteria described above. The nature, timing and extent of the procedures selected depend on our professional judgement, including the assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement performed in accordance with ISAE 3000 (Revised) will always detect material non-compliance with the requirements when such non-compliance exists.

Quality management requirements

We apply the requirements of International Standard on Quality Management (ISQM) 1, which requires us to design, implement and operate a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and the legal and regulatory requirements applicable to the registered auditors in Bulgaria.

We comply with the ethical and independence requirements of the International Code of Ethics for Professional Accountants, including the International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code), as adopted by IDES through the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRS).

Summary of the work performed

The procedures planned and performed by us were aimed at obtaining reasonable assurance that the electronic reporting format of the consolidated financial statements has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation. As part of assessment of compliance with the requirements of the ESEF Regulation regarding

the electronic reporting format, XHTML, of the Group's consolidated financial statements, we maintained professional scepticism and applied professional judgement. We have also:

- Obtained an understanding of the internal control and processes related to the application of the ESEF Regulation with respect to the Group's consolidated financial statements, including the preparation of the Group's consolidated financial statements in an XHTML reporting format and their mark-up in machine-readable language, iXBRL;
- Reviewed whether the applied XHTML format is valid;
- Reviewed whether the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;
- Assessed the completeness of the mark-ups in the Group's consolidated financial statements using machine-readable language, iXBRL, in accordance with the requirements of the ESEF Regulation;
- Assessed the appropriateness of the iXBRL mark-ups used, selected from the core taxonomy, as well as the creation of extension taxonomy elements in accordance with the ESEF Regulation where no appropriate element exists in the core taxonomy;
- Assessed the appropriateness of anchoring the extension taxonomy elements in accordance with the ESEF Regulation.

We believe that the evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic reporting format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, based on the procedures performed by us, the electronic reporting format of the Group's consolidated financial statements for the year ended 31 December 2025, contained in the attached electronic file „8945006KNJB87NPK6P55-20251231-BG-CON.zip“, has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation.

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

In accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act, pursuant to Art. 10 of Regulation (EU) № 537/2014, we further report the information disclosed below.

- We were appointed as statutory auditor of the consolidated financial statements of “TRACE GROUP HOLD” PLC (“the Entity”) for the year ended 31 December 2025 by the General Meeting of Shareholders, held on 30 June 2025, for a period of one year. Kalin Apostolov, Registered Auditor / CPA and holder of Diploma № 0657, was appointed as Audit Engagement Partner by the auditing company of the Registered Auditor – “KA Audit” LTD. “KA Audit” LTD was registered as the auditing company “Parker Russell Bulgaria” LTD, with registration № 195 in January 2026. There have been no other changes to the auditing company's structure and ownership. The appointment of Kalin Apostolov as Audit Engagement Partner (on behalf of the auditing company “Parker Russell Bulgaria” LTD) for the audit of the consolidated financial statements for the 2025 financial reporting period was reconfirmed at the General Meeting of Shareholders, held on 30 March 2026;
- The audit of the Entity's consolidated financial statements for the year ended 31 December 2025 is the fifth consecutive statutory audit engagement, performed by the Registered

Auditor / Audit Engagement Partner and the first audit engagement conducted by “Parker Russell Bulgaria” LTD (formerly registered as “KA Audit” LTD – an auditing company of the registered auditor / CPA until 06 January 2026) for this entity;

- We hereby confirm that the audit opinion expressed is consistent with the additional report submitted to the Audit Committee of “TRACE GROUP HOLD” PLC, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act;
- We confirm that, other than the audit services rendered, we have not provided any prohibited services as stated under Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act;
- We hereby confirm that in conducting our audit we have remained independent of the Group;
- During the period, apart from the statutory audit, we have not provided any services to the Group, including those required to be disclosed in the consolidated management report and / or the consolidated financial statements of the Group.

Auditing company
“Parker Russell Bulgaria” LTD, Reg. № 195
№ 23, Sitnyakovo Blvd., fl. 5, 1505, Sofia
30 April 2026

Kalin Apostolov
Manager
Registered Auditor,
Audit Engagement Partner

Digitally signed by Kalin Apostolov Apostolov
Date: 2026.04.30 22:36:20 +03'00'

I, Sunny Mileva – Paneva, hereby certify that the foregoing is a true, accurate and complete translation, to the best of my knowledge and abilities, of the original Bulgarian document entitled ‘Independent Auditor’s Report on the Consolidated Financial Statements of ‘Trace Group Hold’ PLC for the year ended 31 December 2025’, consisting of 9 (nine) pages, and that I am competent in both English and Bulgarian language to render this translation.

