EXPLANATORY NOTES

BY “TELELINK BUSINESS SERVICES GROUP” AD

as of the end of the FOURTH QUARTER OF 2022 as per art. 100o[1], par. 2, with regard to art. 100o[1] , par. 4, p. 2 and par. 5 of the POSA and art.15, with regard to art. 14 of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission of securities to trading on a regulated market (Ordinance 2)

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Business profile

Telelink Business Services Group AD (TBS Group, the Company, the Issuer) was established on July 12 2019 with the purpose of consolidation, foundation and management of investments in subsidiaries operating in the field of information and communication technologies (ICT), together with which it constitutes the economic “Group TBS” (the Group).

The main activity of the Company comprises the provision of administrative and financial services and services relative to the management and support of the business development, marketing and sales of Group subsidiaries. The Company itself does not carry out direct commercial activities in the field of ICT or other areas addressing end customers outside the Group.

The main activity of the Group consists of the operating activities of the subsidiaries making part thereof and comprises the sale of products and services and the implementation of complex solutions in the field of ICT, including, but not limited to:

- delivery, warranty and post-warranty support of equipment and software produced by third-party technology suppliers, and applications and services developed at the client’s request;

- system integration covering system design, configuration, installation, setup and commissioning of the supplied equipment, software or integrated ICT systems, combining functionally two or more product types;
- consultancy services comprising the analysis of the situation, requirements, transformation and future development of the client's ICT systems, processes and infrastructures;
- managed services whereby the client transfers the management and responsibility for a certain ICT function or group of functions to the Group, and the latter undertakes to maintain them on a certain level.

A part of delivered managed services include the provision of equipment and software as a service presenting the client with a flexible alternative to their own investments in such assets.

As of December 31 2022, the products and services offered by the Group cover a broad range of technologies organized in 10 technology groups – Service Provider Solutions, Enterprise Connectivity, Private Cloud, Public Cloud, Modern Workplace, Computers and Peripherals, Application Services, Hyperautomation, Intenet of Things ("IoT") and Information Security.

To assure comparability to the classification used in the period 2020-2021, section V.1.1.1 of this Notification also provides references of the above groups to the corresponding ones applied during the above period.

I.2 Share capital and ownership structure

The Company has a registered capital in the amount of BGN 12,500 thousand divided in 12,500,000 common shares with a nominal value of BGN 1.00 each.

In the period 2020-2021, there were three tranches of public offering of existing Company shares, pursuant to which three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock Exchange (BSE) a total of 2,625,000 shares, representing 21% of the Company's registered capital.

Pursuant to share buybacks for the purposes of employee incentive programs, as of December 31 2022, the Company held 6,030 own shares representing 0.05% of its registered capital, 5,674 of which were acquired in the second and third quarter of 2022 pursuant to an MB resolution for the buyback of up to 42,000 shares from May 25 2022.

As of December 31 2022, the persons holding over 5% of the Company's capital were Lubomir Minchev with a stake of 8,371,678 shares or 66.97% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,733,837 shares or 13.78%.

I.3 Governance

The Company has a two-tier board system.

As of December 31 2022, The Company's Managing Board (the MB) features five members, including:

- Ivan Zhitianov – Chairman of the MB and Executive Director;
- Teodor Dobrev – member of the MB;
- Orlin Rusev – member of the MB;
- Nikoleta Stanailova – member of the MB;
- Gojko Martinovic – member of the MB.

As of December 31 2022, the Company's Supervisory Board (the SB) features three members, including:

- Boris Nemsic – chairman of the SB (elected in replacement of Hans van Houvelingen on an SB meeting held on December 04 2022, following his election in replacement of Bernard Jean Luc Moscheni by GMS resolution from June 29 2022);
- Hans van Houvelingen – vice-chairman of the SB (elected in that capacity on an SB meeting held on December 04 2022);
- Ivo Evgeniev – member of the SB.

I.4 Public Information

In accordance with the requirements of art. 27 and the subsequent provisions of Ordinance 2 of the FSC, with regard to art. 100t, par. 3 of the POSA, the Company discloses regulated information to the public through a selected media service. All of the information provided to that media, is available in full and unedited form on http://www.x3news.com/. The required information is presented to the FSC through the unified e-Register system for the electronic presentation of information, developed and maintained by the FSC.

The above information is also available on the Company's investor web page https://www.tbs.tech/investors/.

Telelink Business Services Group AD has fulfilled its obligation as per art. 89o of the POSA, pursuant to which it has obtained a legal entity identification (LEI) code 894500RSIIEY6BQP9U56.

The Company's issued shares have been registered with an ISIN code: BG1100017190 and, as of the date of this Report, are being traded on the Standard Equities Segment of the BSE under the ticker of TBS.

The Company's Investor Relations Director is Ivan Daskalov, with the following contact details: telephone number +359 2 9882413, e-mail address: ir-tbs@tbs.tech.

II INVESTMENT PORTFOLIO

Subsidiary	Country of incorporation and management	Capital share held by TBS Group
(direct)		
Telelink Business Services EAD	Bulgaria	100%
Comutel DOO	Serbia	100%
Telelink Business Services Montenegro DOO	Montenegro	100%
Telelink DOO	Bosnia and Herzegovina	100%
Telelink DOO	Slovenia	100%
Telelink Business Services DOO	Croatia	100%
Telelink Business Services DOOEL	Macedonia	100%
Telelink Albania SH.P.K.	Albania	100%
Telelink Business Services SRL	Romania	100%
Telelink Business Services Germany GmbH	Germany	100%
Telelink Business Services, LLC	USA	100%
(indirect)		*(through TBS EAD)*
Telelink BS Staffing EOOD	Bulgaria	100%
Green Border OOD	Bulgaria	50%

As of December 31 2022, the Company held shares in eleven subsidiaries, including:

- Telelink Business Services EAD (Bulgaria) (TBS EAD), Comutel DOO (Serbia) ("Comutel"), Telelink Business Services Montenegro DOO ("Telelink Montenegro"), Telelink DOO (Bosnia and Herzegovina) ("Telelink Bosnia"), Telelink DOO (Slovenia) ("Telelink Slovenia") and Telelink Albania Sh.p.k. („Telelink

Albania"), the participations in which were transferred into Company pursuant to a reorganization by means of spinoff of the Business Services activities of Telelink Bulgaria AD in August 2019;

- Telelink Business Services DOOEL (North Macedonia) ("TBS Macedonia"), established by the Company in September 2019;
- Telelink Business Services DOO (Croatia) ("TBS Croatia"), established by the Company in November 2020;
- Telelink Business Services, LLC (USA) ("TBS USA"), established by the Company in January 2021;
- Telelink Business Services SRL (Romania) ("TBS Romania"), established by the Company in November 2021;
- Telelink Business Services Germany GmbH (Germany) ("TBS Germany"), established by the Company in January 2022.

As of December 31 2022, the Company was the sole owner of all of the above subsidiaries and held indirect interests in two more companies controlled by TBS EAD. All directly and indirectly owned subsidiaries are governed in their respective countries of incorporation.

As of December 31 2022, all direct subsidiaries except for the recently established TBS Germany carried out active commercial operations.

As of December 31 2022, the indirectly owned Telelink BS Staffing EOOD, established with a view to potential cooperation with a leading financial advisory firm, was yet to deploy material business activities, while joint venture Green Border EOOD has exhausted its purpose with the completion of the project it was established for and is not expected to have a material impact on the Group's future results and financial position.

III IMPORTANT EVENTS DURING THE REPORTING PERIOD

On a meeting held on January 18 2022, the Company's MB adopted a preliminary resolution on extending the term of the suretyship agreement whereby TBS EAD has provided security in favour of Raiffeisen Bank AD Beograd, Serbia, for the due fulfillment of the obligations of Comutel.

On January 21 2022, the suretyship commitment of TBS EAD securing the due fulfillment of the respective obligations of Comutel was extended with regard to an annex for the extension of the term of credit agreement № 265-0000001624611-36 between Comutel and Raiffeisen Banka AD Beograd, Republic of Serbia, until January 31 2023. The annex was signed on January 21 2022.

On January 24 2022, subsidiary Telelink Business Services GmbH was entered in the Trade register of the Federal Republic of Germany as represented by Silviya Marinova. The company's capital in the amount of EUR 25,000 has been fully paid in.

On February 10 2022, the Company's MB resolved upon entering into an Overdraft Agreement with Raiffeisenbank (Bulgaria) EAD (presently KBC Bank Bulgaria EAD), with the following limits:

- Overdraft credit up to EUR 2,000,000, with a repayment term until February 28 2026;
- Contingent bank credit up to EUR 2,000,000, with a utilization term until January 28 2026.

All limits are available for utilization in BGN, EUR or USD, at respecitively applicable interest rates of RIR + 1.5%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but not less than 1.5% (regardless of the currency of utilization).

Provided security to the agreement includes:

- pledge on receivables from accounts with the bank;

- pledge of current and future receivables from commercial agreements between TBSG AD and its subsidiairies;
- suretyship by TBS EAD.

The agreement was signed on February 15 2022.

On February 11 2022, the Company's MB resolved upon the extension of a corporate guarantee by the Company for securing the obligations of TBS Croatia under operating lease agreements with Unicredit Leasing Croatia d.o.o. On February 15 2022, the Company issued a corporate guarantee for EUR 56,554.95.

On February 14 2022, the Company published a statement by CEO Ivan Zhytiyanov on the successful completion of due diligence and the subsequent termination of the consultations with Slovenia Broadband S.a.r.l. with regard to the potential acquisition of the Company due to diverging strategic views on key areas of business development and growth. Without prejudice to the above, Mr. Zhitiyanov also stated his maintained solidarity with the selling shareholders' intention to offer a majority stake in case of further interest from strategic investors matching the Company's goals.

On February 21 2022, a contract was signed between TBSG (lender) and TBS Romania (borrower) with a maximum amount of EUR 200 thousand, subject to multiple withdrawal and repayment, an initial tenor of 12 months and an annual interest rate of 2.5%.

As of February 24 2022, the structure of subsidiary TBS Croatia has been changed by the removal of its supervisory board as a governing body.

In accordance with a preliminary resolution of the Company's MB from February 23 2022, on February 25 2022, TBS Group AD signed contracts for the provision of corporate and business development services with subsidiaries TBS EAD, Comutel, TBS Montenegro, Telelink Bosnia, Telelink Slovenia, TBS Macedonia, Telelink Albania and TBS Croatia.

On a meeting held on March 04 2022, the MB resolved to convene a general meeting of shareholders on April 11 2022.

On a meeting held on March 11 2022, the SB approved the Group's annual budget for 2022 and a policy for the motivation of stakeholders.

On March 16 2022, TBSG AD provided a corporate guarantee securing the obligations of Telelink Slovenia under Framework Credit Agreement №. 5074/2022 with Unicredit Banka Slovenia d.d. for the amount of EUR 1,500,000 with an annual interest rate of 1.5% +1m. EURIBOR and maximum term until January 19 2023, as approved by the Company's MB on March 15 2022. The credit agreement was signed on March 22 2022.

As of March 18 2022, the structure of subsidiary Comutel has been changed by the removal of its supervisory board as a governing body.

On March 23 2022, a Cash Loan Areement was signed between TBS EAD (lender) and TBSG AD (borrower) with a limit of up to BGN 1,000 thousand subject to revolving utilization and repayment for a term of 12 months, at an interest rate of 2.25%. As of the date of this Report, the utilized amount is BGN 250 thousand. The agreement was approved in preliminary by resolution of the GMS held on September 14 2021.

On a meeting held on March 28, the MB approved the individual annual financial statements of TBSG AD for 2021.

On March 29 2022, an annex was signed to the loan agreement between TBSG AD (lender) and TBS Croatia (borrower), whereby the limit was extended to EUR 500 thousand and the term – until December 21 2022.

On April 11 2022, the general meeting of shareholders adopted the following resolutions:

- Authorizing the Company's MB to engage in dealings subject to art. 114, par. 1, item 3 of the POSA, i.e. agreements whereby the Company will provide corporate and business development and management services to its subsidiaries;
- Authorizing the Company's MB to engage in dealings subject to art. 114, par. 1, item 2 of the POSA, i.e. providing the possibility for the Company to make transactions entailing obligations of the Company towards third parties with regard to issuing guarantees for the performance of commitments by its subsidiaries.

In accordance with a GMS resolution from April 12 2022, on the same date, the Company signed contracts with subsidiaries TBS EAD, TBS Montenegro, Telelink Bosnia I Herzegovina, Telelink Slovenia, TBS Macedonia, Telelink Albania, TBS Croatia and TBS Romania for the provision of business services, including but not limited to assistance in the implementation and maintenance of ISO standards and Regulations (GDPR), the establishment of contacts and partnerships with key distributors and suppliers, business development, product positioning, PR and marketing activities and the popularization of their activities, valid until December 31 2024.

On April 12 2022, a contract was signed between TBS EAD and Consortium Digital Backpack DZZD, whereby the subsidiary will carry out works amounting to a total of BGN 11,045,266.85 without VAT with regard to a project for the Delivery and implementation of a single electronic platform for educational services and content (SEPESC) and modules thereto" of the Ministry of Education and Science. The dealing was pre-approved by the MB of TBSG Group AD on April 12 2022 on basis of a request filed by the subsidiary for signing the deal.

On April 27 2022, the MB adopted the following resolutions:

- Approval of the consolidated annual financial statements and consolidated report on the Company's activities for 2021;
- Preparation of a proposal to the General Meeting of Shareholders through the Company's SB for the distribution of net profit from 2021;
- Approval of a loan agreement between subsidiairies TBS EAD (lender) and TBS USA (borrower) with a limit of USD 1,000,000, interest rate of 2.5% and a tenor until December 31 2022, subsequent to which the agreement was signed on April 28 2022.

By resolutions of the SB from May 13 2022 and May 17 2022 an agenda was adopted for the forthcoming General Meeting of Shareholders scheduled for June 29 2022. The invitation and the materials for the meeting have been made available in x3news and on the Company's web site, at https://www.tbs.tech/bg/documents/general-meetings-bg/.

On May 25 2022, the MB adopted a resolution to initiate a procedure for the buyback of up to 42,000 Company shares, representing 0.336% of the Company's capital, in accordance with the GMS resolutions from December 10 2020 and June 21 2021.

On May 31 2022, TBS EAD (borrower) signed Annex № 7 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 with Unicredit Bulbank AD (lender), whereunder TBSG AD is a Guarantor and Pledgor, whereby the utilization term was extended until May 31

2023. The Annex established changes in the sublimits within the overall credit limit of EUR 13,000,000 up to the following dates and amounts:

- Overdraft credit up to EUR 3,000,000 with a utilization period until May 31 2023 and a repayment deadline until July 31 2023;
- Revolving credit up to EUR 4,000,000 with a utilization period until May 31 2023 and a repayment deadline until May 31 2023;
- Contingent bank credit up to EUR 13,000,000 with a utilization period until June 30 2030;
- Letters of credit term extension until May 15 2024.

With regard to the above, on May 31 2022, TBSG AD signed Annex №4 to the Suretyship Agreement with Unicredit Bulbank AD from October 10 2019 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 between TBS EAD and Unicredit Bulbank AD, whereby the Agreement's term was extended until May 31 2023.

On June 17 2022, the MB approved the annual financial statements and report on the activities of TBS EAD for 2021 and resolved upon the distribution of a dividend from the subsidiary's profit for 2021 I the amount of BGN 10,365,899.00.

On June 29.06.2022, a regular GMS was held, adopting the following resolutions:

1. Adoption of the Annual management report on the activities of the Company in 2021
2. Adoption of the Audit Report on the audit of the Annual Financial Statement of the Company for 2021
3. Approval of the audited Annual financial statement of the Company for 2021
4. Presentation of the Report on implementation of the Remuneration Policy for the members of the Supervisory and Managing Board of the Company for 2021
5. Adoption of the Consolidated annual management report on the activities of the Company in 2021
6. Adoption of the Audit report on the audit of the consolidated Annual financial statement of the Company for 2021
7. Approval of the audited consolidated Annual financial statement of the Company for 2021
8. Adoption of a decision for distribution of the Company's profit realized in 2021
9. Adoption of a decision to release from liability the members of the Managing and Supervisory boards of the Company for their activities in 2021
10. Adoption of the annual report on the activities of the Investor Relations Director in 2021
11. Adoption of the report on the activities of the Audit committee in 2021
12. Amendments and supplements to the Articles of Association of the Company
13. Change in the composition of the Supervisory Board of the Company
14. Determining remuneration and the amount of the guarantee for the management of the newly elected member of the Supervisory Board

On June 30 2022, the MB approved the annual financial statements for 2021 of Comutel, Telelinik Bosnia, TBS Montenegro, Telelink Slovenia, TBS Macedonia and TBS Croatia and resolved upon the distribution of dividends towards TBSG in the total amount of EUR 1,520,000.00, including EUR 720,000.00 from Comutel, EUR 700,000.00 from Telelink Slovenia and EUR 100,000.00 from TBS Macedonia.

On August 17 2022, the Issuer posted an invitation and materials for an Extraordinary General Meeting of Shareholders (EGMS) to be held on September 21 2022. The invitation and materials for the GMS are available at http://www.x3news.com/ and on the Issuer's website: https://www.tbs.tech/documents/general-meetings/.

On August 19 2022, the MB approved the contract signed between TBS EAD and Consortium "SYSTEL" DZZD signed on August 30 2022, whereunder equipment to be delivered to the consortium exceeds the threshold of 5% of the value of the subsidiary's assets as per the latest audited balance sheet as of December 12 2021, taking into account the participation of an interested party in the transaction.

On September 09 2022, an Annex was signed to the loan agreement between TBSG AD (lender) and TBS Croatia (borrower), whereby the limit was extended up to EUR 1 million, and the term – extended until December 31 2023.

On September 21 2022, an Extraordinary General Meeting of Shareholders (EGMS) was held, adopting the following resolutions:

1. Adoption of the 6-months financial statements for the first half of 2022;
2. Resolution as per art. 41 para. 2 of the Company's Articles of Association upon the distribution of profit and payment of 6-month dividend on the basis of the adopted 6-months financial statements;
3. Election of a registered auditor to perform an independent financial audit for 2022;
4. Extension of the term of office of the current members of the Company's Supervisory Board;
5. Determination of the remuneration and the amount of the management guarantee for the members of the Supervisory Board;
6. Resolution to provide the members of the Managing Board with remuneration based on shares of the Company for 2022 and approval of a schedule for providing remuneration based on shares of the Company to the members of the Managing Board for 2022.

The total amount of dividends proposed for distribution in 2022 as per art. 2 of the above agenda is BGN 10,125,000 or BGN 0.81 per share, including BGN 2,429,535.15 from the Company's individual profit for 2021 and BGN 7,695,464.85 of the same for the first half of 2022.

Together with the interim dividend of BGN 9,572 thousand distributed in 2021, the dividend of BGN 2,430 thousand proposed for distribution in 2022 from the Company's individual profit for 2021 (BGN 12,271 thousand) reached 100% of the distributable part of the latter after the allocation of BGN 269 thousand to the Reserve Fund as per art. 246 of the Commercial Code.

The interim dividend of BGN 7,695 thousand proposed for distribution in 2022 represents 60% of the Company's individual profit for the first half of 2022 (BGN 12,884 thousand). The main source of the latter was financial income from dividends received from directly controlled subsidiaries in the total amount of BGN 13,339 thousand, which included distributions made in June 2022 out of 4 subsidiaries with the main contribution of TBS EAD. With the proposed distributions, the Company fulfilled the commitment as per its Articles of Association to distribute as dividend no less than 50% of the distributable profit for the respective year or 6-month period in accordance with the provisions of the Articles and applicable law.

In compliance with a GMS resolution from April 12 2022, on October 01 2022, TBSG AD signed with subsidiaries TBS Germany and TBS USA agreements for the provision of business services, including but not limited to assistance in the implementation and support of ISO standards and Regulations (GDPR), establishment of partnerships with key suppliers and distributors, business development and product positioning, PR and marketing activities and popularization of the activities of the above subsidiaries, valid until December 31 2024.

On a meeting held on October 04 2022, the SB adopted the following resolutions:

- Election of Boris Nemsic for chairman of the Company's SB;

- Election of Hans van Houwelingen for vice-chairman of the Company's SB;
- Reelection for a new one-year mandate of the incumbent members of the Company's MB, including Ivan Krasimirov Zhitiyanov, Teodor Dimitrov Dobrev, Nikoleta Elenkova Stanailova, Gojko Martinovic and Orlin Emilov Rusev.

On October 06 2022, an annex was signed to the loan agreement between TBS EAD (lender) and TBS USA (borrower) from April 28 2022, as approved by the MS of TBSG AD on October 05 2022, whereby the amount of the loan was extended up to USD 2,000,000, the agreement's term – until December 31 2024, and the interest rate – up to 3.5 p.a., subject to revision by the lender.

On October 07 2022, the Company announced as a determined starting date for the payout of dividends October 14 2022. As of the date of this Notification, the dividend has been transferred in full to the Central Depository, in compliance with Bulgarian law.

On November 15 2022, the Company provided a counter guarantee to Raiffeisenbank Romania for securing a public procurement bid bond by TBS EAD and TBS Romania as partners in Consortium TBS, for the amount of EUR 9,000, valid through May 15 2023.

On November 18 2022, the Company provided a counter guarantee for the amount EUR 150,000 securing the obligations of TBS Macedonia with regard to an overdraft agreement with ProCredit Bank North Macedonia valid through May 31 2024.

On December 06 2022, the Company provided a counter guarantee to Raiffeisenbank Romania for securing a public procurement bid bond by TBS EAD and TBS Romania as partners in Consortium TBS, for the amount of EUR 31,000, valid through May 03 2023.

On December 21 2022, the following annexes were signed to loan agreements among subsidiaries, as approved by the Company's MB on December 21 2022:

- Annex to the loan agreement between TBS EAD (lender) and TBS Macedonia (borrower) for the amendment of the loan amount to EUR 1,000,000, the agreement's term – to December 31 2023, and the interest rate – to 4% p.a. for 2023, subject to revision by the lender;
- Annex to the loan agreement between TBS EAD (lender) and Telelink Albania (borrower) for the amendment of the agreement's term to December 31 2023, and the interest rate – to 4% p.a. for 2023, subject to revision by the lender;

On December 21 2022, an annex was signed to the loan agreement between TBSG AD (lender) and TBS Croatia (borrower), whereby the limit was extended to EUR 1,500 thousand, and the interest rate – changed to 4% p.a., effective from January 01 2023.

On December 21 2022, an annex was signed to the loan agreement between TBSG AD (lender) and TBS Romania (borrower), whereby the limit was extended to EUR 500 thousand, and the interest rate – changed to 4% p.a., effective from January 01 2023.

IV RISKS FACED BY THE COMPANY AND THE GROUP

The risks associated with the Company and the Group's activities can be generally divided into systemic (common) and non-systemic (related specifically to their activities and the sector, in which they operate).

IV.1 Systemic Risks

Common (systemic) risks are those that relate to all economic entities in the country and are the result of factors, which are external to the Group and cannot be influenced by the companies included in its composition. The main methods for limiting the impact of these risks are the reporting and analysis of current information and the forecasting of future developments by common and specific indicators and their impact on the activities and financial results of the Group.

IV.1.1 Political risk

Political risk is the possibility of a sudden change in the country's policy pursuant to a change of the government, the occurrence of internal political instability and adverse changes in European and/or national legislation, as a result of which the economic and investment climate and the overall environment in which local business entities operate may change adversely and investors may suffer losses.

The international political risks for Bulgaria and the Western Balkans include the challenges related to undertaken commitments to implement structural reforms, improve social stability and the standard of living, reduce inefficient expenses and follow common policies in their capacity of candidate members or members of the EU, as well as to the threats of terrorist attacks in Europe, the acute destabilization of countries in the Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves driven by these factors and the potential instability of other key countries near the Balkans.

Other factors relevant to this risk include potential legislative changes, and particularly those affecting the economic and investment climate in the region.

IV.1.2 Macroeconomic risk

The general macroeconomic risk is the probability of various economic factors and trends, including, but not limited to recession, trade barriers, currency changes, inflation, deflation and other factors, affecting negatively demand and purchasing power in the countries where Group companies carry out their activities, as well as in the countries where cross-border counterparties thereof operate.

Presently, inflation remains high and the expectations of many independent market analysts and institutions continue to point out risks of slowdown in growth or recession of the economies of the developed Western European countries and the USA, as well as in Bulgaria and Western Balkan countries, which may lead to limitations in private sector spending and remain insufficiently compensated with countercyclical measures by national and supranational authorities.

IV.1.3 Currency risk

The systemic currency risk is the probability of changes in the currency regimes or exchange rates of foreign to the local currencies in the countries where Group companies operate affecting adversely the costs, profitability, international competitiveness and general stability of economic agents and the local and regional economy as a whole.

Presently, Bulgaria maintains a currency board system, based on a fixed Euro / Lev exchange rate. The Euro has also been adopted as a benchmark for managed floating, fixing base or local currency in Bosnia and Herzegovina, Montenegro and Slovenia. The above factors limit substantially the systemic currency risk relevant to the Group. However, the countries in which it operates, as well as European economies as a whole remain exposed to the effects of the exchange rate dynamics of other leading global currencies, including mostly the US dollar.

IV.1.4 Interest risk

The Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions in the countries where Group companies operate, as well as by international institutions and markets, affecting adversely the accessibility of financing, funding costs, investment returns and economic growth.

In the context of the anti-inflation measures taken by the leading global economies and the EU, the latest quarter saw a general trend of increases in all leading local and international interest rates, which is a premise for an increased level of systemic interest risk.

IV.1.5 Credit risk

Systemic credit risk is the probability lowering the credit ratings of the countries in which Group companies or key counterparties thereof operate, or other countries important to their economies, affecting adversely the accessibility and cost of debt financing, the stability and attractiveness of their economies. This risk is determined and measured by specialized international credit agencies.

IV.1.6 Risk of adverse changes in tax legislation and practices

Changes in tax legislation towards increasing tax rates, the adoption of new taxes or adverse changes in double tax treaties may lead to increased or unforeseen costs of the economic agents.

Similar risks may also arise from unforeseen or controversial tax practices in Bulgaria and/or other countries, in which Group companies operate.

IV.1.7 Risks related to imperfections of the legal system

Although since 2007 Bulgaria has introduced a number of significant legal and constitutional reforms and most of its legislation has been harmonized with EU law, the country's legal system is still in the process of reformation. The above concern is all the more relevant to the countries of the Western Balkans, which are yet to join the EU.

Judiciary and administrative practices remain problematic and local courts are often inefficient in resolving property disputes, violations of laws and contracts, etc. Consequently, identified risks of legal infrastructure deficiencies may result in uncertainties arising from corporate conduct, the supervision thereof and other matters.

IV.2 Risks specific to the Group and the sector in which it operates

IV.2.1 Risks relative to the business strategy and growth

IV.2.1.1 Inappropriate business strategy

The choice of an inappropriate development strategy, as well as a failure to adapt it in a timely manner to the changing conditions of the environment can lead to losses and missed benefits for the Group. The management of strategic risk through the constant supervision and periodic tracking of fluctuations in the market environment and key performance indicators and the interaction among all levels in the organization in order to identify potential problems and implement the appropriate measures in a timely manner are of essential importance. Although this process has been recognized as of high priority and importance, it is possible that the Group's management and employees prove limited in the implementation of the above practices due to a lack of experience, timely information or insufficiency of human resources.

IV.2.1.2 Insufficient management capacity and increased growth management costs

Notwithstanding the availability of managerial staff with significant experience and competence sufficient to manage the Group in its current business size and scale, targeted expansion can require additional management. It is part of the Group's policy to cultivate such staff by promoting employees with sufficient experience and highly esteemed aptitude to grow in hierarchy. However, the number of suitable employees is limited and some of them may not meet the expectations on a managerial level. In turn, recruiting management staff with proven track record externally, especially on developed markets, can be difficult and may entail high costs with a potentially negative impact on profitability.

IV.2.1.3 Insufficient capacity and increased costs for the operational assurance of growth

The Group's expansion on both existing and new markets is highly dependent on the recruitment and successful integration of additional staff, including centralized and local teams of marketing and sales specialists and resource hubs for project management, engineering and technical personnel.

Identifying and recruiting appropriate marketing and sales professionals with the aim to attract new customers can be difficult, slow, or involve additional costs, which may slow growth or reduce sales profitability. Considering the overall growth trend and increased demand for engineering, technical and project staff in the ICT sector on the Group's markets and globally, the expansion of existing and the development of new resource centres may also be slowed down or may require higher costs. The lack of experience at group companies on new markets and segments, the shortage and increased price competition for the recruitment of personnel, can also result in high staff turnover due to recruitment of unsuitable specialists or solicitation by competitors that offer levels of remuneration, which the Group cannot afford to profitability match.

All of the above factors can lead to both missed benefits due to the impossibility to win and secure the implementation of new projects, services and customers, and the erosion or loss of the Group's competitive advantages based on the quality of service, number and cost of human resources.

IV.2.1.4 Insufficient access and increased cost of external resources and subcontractors

As far as external experts and subcontractors are also subject to increased demand on the ICT market, the risks outlined above also apply to the recruitment of such on a temporary basis to complement the Group's internal capacity.

IV.2.2 Risks relative to human resources and managerial staff

Besides their importance to the Group's growth, management staff and human resources are also essential to the assurance of its ongoing operations, and the Group is therefore exposed to various risks relative to the retention, increased turnover and costs of such personnel.

IV.2.2.1 Loss, deficit and increased costs of management staff and key personnel

The Group's operational management and business development depend to a large extent on the contribution of a limited number of individuals managing key subsidiaries and the Group as a whole, playing key roles in the administration, sales and operations and/or possessing key certifications, experience and other knowledge essential to these functions that could be difficult to replace with similarly qualified personnel. A possible withdrawal of those persons from the relevant structures or their inability to fulfil their obligations over a long period of time could have adverse effects on the operating performance depending on the time of their absence or the time needed for their substitution and the training of their substitutes, their adequate familiarization with the organization and the specifics of the business and their full functional deployment. Possible retention measures could result in the increase of respective costs relative to their motivation through raises in base salaries, bonuses and benefits, at the expense of the Group.

IV.2.2.2 Loss, deficit and increased costs of implementation staff

Considering the dynamic development and high demand for human resources in the ICT sector, the Group is exposed to the risk of high turnover and costs of retaining or replacing engineering and technical staff, marketing and sales specialists, and other personnel specialized in this field. A possible withdrawal of those persons from the relevant structures or their inability to fulfil their obligations over a long period of time could have adverse effects on the operating performance contingent on the time of their absence or the time needed for their substitution and the training of their substitutes, their adequate familiarization with the organization and the specifics of the business and their full functional deployment. Any possible retention measures could result in the increase of costs relative to their motivation through raises in base salaries, bonuses, fringe and other benefits, at the expense of the Group.

IV.2.3 Risks relative to the market environment and competition

IV.2.3.1 Slowdown or unfavourable trends in demand

Notwithstanding the observed positive development and positive growth forecasts by key expert organizations in the industry for key Group markets and the ICT market as a whole, there is no guarantee that future market developments will reaffirm these expectations and will continue to be positive or that the corresponding growth in demand will not slow down significantly compared to the expected growth rates for certain periods. The demand for ICT is also dependent on trends and circumstances specific to the various business sectors and customers that determine their willingness and ability to purchase the Group's products and services, which may differ in one direction or another from the overall market trend. This may include the possibility that the Group's target customers in one or more markets may not demonstrate interest in the products and services being offered as they were expected to, or their adoption might take much longer than expected. The aforementioned factors can lead to both a slowdown in sales growth and a deterioration in operating performance due to lower prices and gross profitability, as well as delayed return on operating and investment expenditures on business development.

IV.2.3.2 Regulatory changes unfavourable to market demand

The Group generates a substantial part of its revenue from regulated or government policy-influenced sectors and market niches such as telecommunications, banking, distribution companies, national security, healthcare, etc. In that sense, demand for the Group's products and services, respectively its revenue and operating results, can be significantly influenced by possible adverse changes in local and supranational regulations and policies, including possible reduction or redirection to other areas of the EU and other structural funds which its current and target customers are eligible to utilize.

IV.2.3.3 Intense competition

The Group operates in a sector characterized by intense competition from both local and international companies. Local competitors have an established market presence in key segments, which limits the possibilities to enter or expand the Group's operations in these segments and may serve as a basis for an expansion of the position of those competitors at the expense of the Group. Large international companies have widely recognized trademarks, a leading role in the implementation of innovative solutions and widely diversified customer base and market presence, as well as large-scale organizational and financial capacity that provides them with greater possibilities to exercise and withstand competitive pressures. A possible increase in competitive pressure on the part of existing or newly emerging market players in the current segments and markets, as well as any possible adverse reaction against the entry of the Group into new segments and markets, could result in decline in the performance and delays or failure of the planned expansion of operations.

IV.2.3.4 Unfair competition

As a part of competitive pressure from other market players, the Group may be exposed to various forms of unfair competition that may impair the Group's performance and limit its expansion opportunities. Such actions may include soliciting key personnel with the aim to reduce its technical and organizational capacity, implying a negative image before certain customers or on the market as a whole, covert lobbying by and for the benefit of competitors, biased use of legal and contractual mechanisms with the aim to impede or delay the execution of public procurement and other activities, making competitive bids based on unprofitable prices or a hidden decrease in the utility offered, which may result in choices on the part of the Group’s counterparties that deviate from the actual cost-benefit ratio between the offerings of the Group and its competitors.

IV.2.4 Risks relative to public procurement

IV.2.4.1 Delayed tendering and implementation

The implementation of projects in the public sector depends on their timely definition, the approval of budget or program financing, announcement and tendering, contracting and acceptance of performed works by the relevant governmental entities or local and central government. The failed or late implementation of any of these steps may result in discarded or delayed revenues and a corresponding deterioration in the Group’s current performance or slowdown in its growth.

Factors that can lead to a delay at the aforementioned key stages include current and future changes in managerial and expert staff in the context of local and/or central elections, the appointment of temporary authorities and other factors, which can lead to delays in decision making and executive action at the contracting organizations. Delays may also arise as a result of appeals filed by competitors against tendering procedures announced or the results thereof. Regardless of their merits, considering the applicable statutory hearing terms, appeals result in more or less significant delays in tenders and the award of contracts for their implementation.

IV.2.4.2 Competition for public procurement

Due to the large volume and attractiveness of the public ICT market, public procurement is subject to relatively more intensive and unfair competition compared to sales to the private sector. Commonly employed instruments of unfair competition include the unscrupulous use of legal means to appeal tendering procedures or the results thereof, with competitors aiming to procure more time for their own preparation or to affect negatively the Group’s financial results by delaying the project’s implementation and the realization of respective revenues and profits.

IV.2.5 Concentration risks

IV.2.5.1 Adverse changes in key client relationships

By virtue of its specialization in high-grade technological solutions and professional services targeted mostly at large and medium organizations and projects, the Group is inherently exposed to a concentration risk with regard to key clients and client groups. Such counterparties with substantial portions of the Group’s revenues for the past three financial years and/or with potential significance to future development include telecommunication operators, public organizations, banks, multinational clients and other private enterprises. In spite of the Group’s progress towards growing revenue diversification, the potential loss, a drastic decrease in sales or a deterioration in the terms of cooperation with such clients could have an adverse effect on the volume and results from operations in the short term, as well as a potentially negative reputational effect on the Group in perspective.

IV.2.5.2 Adverse changes in relationships with key technological partners

Accounting for the significant importance of innovative and large-scale technologies offered by leading global vendors to the offered products and services, the Group is exposed to a concentration risk with regard to its key technological partners. Such counterparties accounting for substantial portions of the Group's purchases for the past three financial years include several leading vendors in the fields of networking, data center and office productivity solutions. Although the Group's vendor policy is flexible and open to various technological partners, a potential termination or a deterioration in key terms of such partnerships, such as requirements for the maintenance of technological specializations, levels of discounts, terms of payment, etc., could have an adverse effect on the cost and volume of operations.

IV.2.6 Risks relative to changes in technology and technological choices

IV.2.6.1 Time and cost of adpating to new technologies

The ICT sector is characterized by a fast pace of technological innovation, reducing the life cycle of products and requiring a constant update of the Group's technological specializations in accordance with trends in market demand and opportunities for generating revenue from the introduction of new solutions and services. Despite the Group's consistent practices in this respect and its open approach to establishing new and extending the scope of existing technological partnerships, in some cases they may require additional time or costs for researching and establishing relationships with relevant suppliers.

IV.2.6.2 Loss of clients due to their transition to alternative technologies

Notwithstanding the wide range of technologies and technological partners offered by the Group and its open approach and extensive experience in establishing new partnerships with equipment and software vendors, customers may still opt to change current technologies and vendors with others with whom the Group does not have and cannot establish partnerships providing the respective competences and attractive delivery terms. Due to the presence of competitors with better positioning in respect of a technological partner and better delivery terms for their products, it is possible for the Group to not be preferred as a supplier by the client in spite of having an established partnership with the same vendor. Such circumstances could also lead to substantial decreases in revenues and operating results.

IV.2.6.3 Delayed adoption of new technologies by the clients

The main geographical markets, in which the Group operates, are lagging behind in the adoption of many innovative ICT products and services. In spite of the market segmentation applied by the Group in accordance with the clients' technological maturity, it is possible for the target client groups to also react more conservatively than expected, delaying significantly the implementation of the Group's strategy and growth targets.

IV.2.6.4 Delayed or unsuccessful positioning of propriatary products and services

To tap identified market opportunities in given market segments, the Group may continue to invest in the development of proprietary complex solutions and services adapted to the needs and specifics of the respective markets and client groups. Despite this adaptation, there is a risk that the new products and services will not meet the actual requirements or that they will not be adopted fast enough or at all by the Group's current and targeted clients, which could lead to a delayed, limited or negative return on the undertaken investments.

IV.2.7 Risks relative to long-term contracts

IV.2.7.1 Cost of commitments for regular service and support

Many contracts signed by the Group include commitments for warranty and post-warranty servicing and maintenance of hardware, software and complex systems and infrastructures, or the provision of managed and other services against fixed one-off or subscription fees. The costs of fulfilling these commitments may exceed the amount of revenue without the Group being able to compensate additional costs at the expense of the customer or the respective primary suppliers and technological partners, having an accordingly negative impact on results from operations.

IV.2.7.2 Early termination

Medium and long-term contracts for multiple deliveries or regular service in the form of maintenance, managed and other services can be terminated unilaterally and early at the client's initiative. While some of these contracts include provisions limiting the above risk and respective losses for the Group, such as penalties, buyout commitments etc., they can prove insufficient to cover missed benefits or the incurred additional costs. The earlier termination of such contracts could lead to a decrease in the Group's recurring revenues, which may not be compensated with new sources of revenue and may lead to an overall decrease in sales and results from operations.

IV.2.7.3 Specific risks relative to the provision of equipment as a service

Depending on changes in the IT policies of respective clients or other factors, the long-term contracts signed by the Group for managed services including the provision of equipment-as-a-service can be terminated unilaterally and prior to their expiry. Despite the provisions enforcing preliminary notifications and compensations for expenses incurred up to that point, a potential termination could be a factor for a decrease in the Group's recurring revenues and overall sales.

Under certain circumstances of termination, some contracts provide a possibility for respectively leased equipment to remain the property of the Group instead of being bought out by the client. This could lead to additional costs for dismantling, transportation, etc., as well as delayed or non-materializing resale of the equipment to other clients.

Some contracts provide the option to expand their scope at the client's initiative through the delivery and integration of additional equipment provided as a service based on prices or conditions identical to or subject to limited indexation compared to the initial ones. If, in the meantime, the market price of the equipment has increased, and/or there has been a significant rise in the expenses for the provision of respective services, this could lead to an uncompensated increase in the Group's expenses and an overall decrease in the profitability of similar operations.

IV.2.8 Financial risks

IV.2.8.1 Currency risk

The Group operates on different markets and in currencies different from its functional currency and is accordingly exposed to transaction and translation currency risks. The main source of transaction-driven currency risk is the purchase of equipment from global technological partners denominated in US dollars and financed with credit limits in the same currency. Despite the presence of mechanisms of currency indexation in some contracts and the practice of voluntary forward hedging of larger purchases at the discretion of respective Group companies, such transactions continue to generate net results (including losses) from foreign currency operations Group subsidiaries. Accounting for the fixed exchange rates of the Bulgarian Lev and the Bosnia and Herzegovina Convertible Mark to the Euro and the adoption of the latter as the national currency in Slovenia and Montenegro a limited floating benchmark in Croatia, the Group is exposed to a translation risk relative mainly to the floating Serbian Dinar, the Macedonian Denar and the Albanian Lek, as well as to the exchange rates of the Romanian Lei and the US dollar, in the perspective of the targeted positioning and expansion on these markets.

IV.2.8.2 Interest rate risk

The Group is exposed to the risk of increase in market interest rates mainly with regard to the use of overdraft limits and revolving credit lines in Bulgaria, Serbia and Slovenia based on the base interest rate (BIR) of the Bulgarian National Bank (until January 13 2023), EURIBOR and USD LIBOR indexes and the reference interest rates and average deposit indexes (ADI) of lending banks based on the variable yields on non-financial enterprise and retail deposits in Bulgaria, as well as finance leases in Bulgaria and North Macedonia based on ADI and floating EURIBOR indexes. Due to the dynamic nature and relatively low level of overdraft and credit line exposures, the low effective variability of interest indexes determined by the application of fixed minimum total interest rates by financing banks and the predominantly low or negative levels of most indexes observed prior to the second quarter of 2022, the Group does not have established interest hedging practices. Consequently, depending on the size and duration of future overdraft and credit line exposures, the rise in market indexes could have a more or less significant negative impact on its results.

IV.2.8.3 Liquidity risk

The Group's cash flows can undergo significant momentary fluctuations as a result of various factors such as peaks in net working capital, increased investment activity, payment of dividends, etc., which may result in a given Group company's cash and cash equivalents being insufficient to meet its due liabilities. In spite of the signed financing contracts providing significant limits for funding working capital and the financing of a significant portion of investments with finance lease contracts, there is a risk that these limits may be insufficient in certain moments or periods. Such deficits may result in one or more Group companies' temporary inability to service its obligations to third parties in a timely manner with various adverse effects on its reputation and financial position.

IV.2.8.4 Insufficient financial capacity for the implementation of big projects

Besides their impact on the current liquidity of respective Group companies, possible instances of uncovered cash deficits may also lead to the impossibility of committing the working capital need to start new projects or implement ongoing ones, resulting in delayed revenues, penalties for delayed implementation and respective damage to the Group's reputation. In the event that it is not possible to prove sufficient financial resources in front of potential clients or in accordance with the requirements of public and private tenders for large projects, the respective company may not be able to negotiate sufficient additional financing in due time and miss the opportunities to win the respective projects and the benefits of their implementation.

IV.2.8.5 Credit risk

Although the Group's key accounts are well-established and solvent companies and institutions with proven payment track records, the Group remains generally exposed to the risk of significant delays or non-payment of receivables due to a variety of factors relative to internal processes, financial condition and current trends in the cash flows of those and other customers. Significant past-due receivables may affect the cash flows and immediate liquidity of one or more Group companies and its ability to service its obligations to third parties in due course with a various adverse effects on its reputation and financial condition.

IV.2.8.6 Asset impairment risk

Under certain circumstances (such as impairment and write-off of receivables, intangible assets, investment property, inventories, held-for-sale assets, etc.), it is possible for the Group to record substantial expenses and reductions in the book value of its assets.

IV.2.9 Operational risks

IV.2.9.1 Deviations in processes and quality of service

Group companies are exposed to the risk of losses or unforeseen costs that may arise due to incorrect or inoperative internal processes, human errors, external circumstances, administrative or accounting errors, business interruptions, fraud, unauthorized transactions and asset damages. Any failure of the risk management system to establish or correct an operational risk may have a substantial adverse effect on the Group's reputation and operating results.

IV.2.9.2 Inaptitude or malfunction of specific IT equipment and systems

In carrying out their principal activities, Group companies use specific IT equipment and systems, any potential malfunction, misuse or inaptitude of which would have a substantial impact on their ability to fulfil undertaken commitments to counterparties or which may result in unforeseen technical, legal and other costs affecting negatively the Group's reputation and operating results.

IV.2.9.3 Assuring compliance with standards and norms

Certain Group require their suppliers to ascertain the compliance of their competence and rules for the organization of processes and activities with various international quality management standards, procedures for the handling of confidential information, etc. Notwithstanding the certification of TBS EAD under a number of such standards and norms, the imposition of similar requirements on other Group companies not having the corresponding certifications, or a change in the current requirements and the inability of the Group to respond thereto on a short notice could have a negative impact on the Group's revenue and operating results.

IV.2.9.4 Leakage of personal and sensitive information of clients and employees

In the process of carrying out its activities, the Group stores and processes personal and sensitive data of its employees, customers and third parties. Any loss or unauthorized external and internal access and misuse of such data could have various negative consequences to the competitiveness, reputation and performance of the Group, including judicial or out-of-court proceedings and proceedings against respective subsidiaries and substantial pecuniary sanctions by the relevant authorities.

IV.2.10 Other risks

IV.2.10.1 Litigation risk

Group companies are generally exposed to the risk of litigation, including collective claims filed against them by clients, employees, shareholders, etc. by the initiation of civil actions, actions by competent authorities, administrative, enforcement and other types of judicial and extrajudicial proceedings. Some of these proceedings may be accompanied by restrictive and enforcement measures against the Group's assets and activities that could limit its ability to carry out a part or all of its activities for an indefinite period of time. Plaintiffs in similar cases against the Group may seek refund of large or undetermined amounts or other damages that could significantly deteriorate the Group's financial position. The defense costs in future court cases can be significant. Public information on such events or their negative business impact may impair the reputation of respective subsidiaries and the Group as a whole, regardless of whether or not the underlying claims and negative rulings are justified. The potential financial and other consequences of such proceedings may remain unknown for an extensive period of time.

IV.2.10.2 Risks relative transactions with related parties

In the course of their business, Group companies carry out transactions and make commitments to each other as well as to related parties outside its membership. In spite of its endeavor to follow good practices in the implementation of such deals and the commitment to comply with the applicable provisions of the POSA and other applicable regulations, it is possible because of ignorance, employee negligence, etc. that one or more such transactions may be concluded under conditions deviating substantially from market terms, which could have an adverse effect on the results of the Group's operations and its financial position.

IV.2.10.3 Cyber attacks

In addition to unauthorized access to data of the Group data and its counterparties, possible attacks against the Group and its counterparties could be targeted at or result in a malfunction or inability to use information and communication systems, including specialized IT systems for the provision of services. Although the Group specializes in information security and has advanced competences in preventing, limiting, monitoring and recovering systems and data in the aftermath of such attacks, the latter may take some time, during which the effects of these attacks may affect adversely operating results and compromise the Group's reputation.

IV.2.10.4 Force majeure

Like all economic agents, the Group is exposed to the general risk of natural disasters, hostilities, terrorism, political, public and other acts and events beyond its control and not subject to insurance, which could have a substantial adverse effect on the results of its activities and prospects in one or more territorial and other business domains.

IV.3 COVID-19 coronavirus epidemic

In spite of the pandemic's general tendency towards subsiding and the relaxation or discontinuation of most anti-epidemic measures, incidence remains unstable and the Group remains exposed both to the risk of new escalations and to the various repercussions COVID-19, such as accelerated inflation, the extension of the production and delivery cycle of electronic components and equipment and the slowdown in the investments of some private sector industries in certain types of information and communication technologies.

At the same time, there are also significant factors continuing to counter-balance the risks, including the acceleration of public spending on technological development and modernization and economic support of the economy as a whole, as well as a tendency of significant acceleration of private sector investments in digitalization and digital transformation.

The potential impact of the above factors on the Group's sales and financial results has been counted among the current and future factors of the economic environment in the Group's current budgets and mid-term development plans. In that sense, as of the date of this Notification, the latter are not deemed exposed to significant risks arising from a continuing development of the epidemic and/or its repercussions. Nevertheless, the Company's management will continue to monitor the situation's development on a day-to-day basis, with a view to the timely identification of actual and potential adverse effects and the undertaking of all possible measures towards the limitation of their impact in due course.

IV.4 Military conflict between Russia and the Ukraine

Consequent to the military conflict between Russia and Ukraine, which escalated in February 2022, the year was marked by both increasing geopolitical tension and various economic repercussions, including restrictions or halt on the activities of many Ukrainian and Russian companies as a result of the military action and sanctions against Russia, accelerated inflation as a result of the growing prices of energy and key agricultural goods and increased instability on the stock and currency markets, having direct or indirect potential or actual impact on the activities of many companies and industries in the European Union and the USA as well.

The Issuer and its subsidiaries have no direct exposure to related parties, clients and/or suppliers from the countries involved in the conflict. Therefore, the Group is not deemed to be directly exposed to risks arising from the above events.

Considering the uncertainty of the inherently dynamic development of the conflict and its repercussions, the Company's management is of the opinion that it lacks the premises and conditions to a reliable quantitative assessment of the potential indirect impact of respective changes in the micro- and macroeconomic environment on the Group's financial position and results. Nevertheless, it remains committed to the ongoing monitoring of the situation and analysis of the possible future consequences of the conflict results, with a view to the timely identification of potential and actual negative effects and the undertaking of all possible measures towards limiting their effect.

V PRESENTED INFORMATION ON THE GROUP'S ACTIVITIES WITH AN IMPACT ON FINANCIAL RESULTS AS OF DECEMBER 31 2022

Financials (BGN thousand)	(period end)		change
	31.12.2022	31.12.2021	
Net sales revenue	**155,235**	**165,794**	**-6.4%**
Operating Expenses	-142,786	-151,164	-5.5%
Other Operating Income/(Expenses) (net)	23	10	130%
Operating Profit	**12,472**	**14,640**	**-15%**
Financial Income/(Expenses) (net)	-79	-443	-82%
Income Tax Expense	-1,348	-1,790	-25%
Net Profit	**11,045**	**12,407**	**-11%**
Depreciation & Amortization Expenses	-3,114	-2,935	6%
Interest Income/(Expenses) (net)	-132	-224	-41%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**15,639**	**17,356**	**-10%**
	31.12.2022	31.12.2021	
Total Assets	**78,483**	**69,943**	**12%**
Non-current Assets	17,752	15,578	14%
Current Assets	60,731	54,365	12%
Equity	**17,871**	**17,027**	**5%**
incl. Retained Earnings and Profit for the Year	17,973	17,429	3%
Total Liabilities	**60,612**	**52,916**	**15%**
Non-current Liabilities	8,596	9,636	-11%
Current Liabilities	52,016	43,280	20%
Cash & Cash Equivalents	**14,829**	**12,815**	**16%**
Total Financial Debt*	**3,092**	**2,290**	**35%**
Net Financial Debt**	**-11,737**	**-10,525**	**-1,212**
	31.12.2022	31.12.2021	
Net Cash Flow from Operating Activities	**15,871**	**14,703**	**1,168**
Net Cash Flow from Investment Activities	**-3,112**	**-1,314**	**-1,798**
Net Cash Flow from Financing Activities	**-10,745**	**-12,336**	**1,591**
incl. Dividends Paid***	-9,724	-9,535	-189
incl. Withholding Tax on Distributed Dividends	-405	-414	9

** Incl. loans and finance lease contracts*

*** Total Financial Debt - Cash & Cash Equivalents*

**** Net, after withholding taxes*

Ratios	(period end)		change
	31.12.2022	31.12.2021	
Operating Margin	8.0%	8.8%	-0.8%
Net Margin	7.1%	7.5%	-0.4%
EBITDA margin	10.1%	10.5%	-0.4%
	31.12.2022	31.12.2021	
Current Ratio	1.17	1.26	-0.09
Equity / Total Assets	23%	24%	-2%
Financial Debt / Total Assets	4%	3%	1%
	31.12.2022	31.12.2021	
Average Return on Assets (ROA)	14.9%	-	-
Average Return on Equity (ROE)	63.3%	-	-

V.1 Revenue, costs and profitability

V.1.1 Revenues

Compared to the record level achieved in the previous year, consolidated net sales revenue for 2022 decreased by 6.4%, reaching BGN 155,235 thousand.

The biggest factor behind the latter was the significant slowdown in public projects in the ICT domain and related TBS revenues in North Macedonia against the strongly positive development in this domain in 2021. This stagnation is also the main factor behind the significant drop in combined sales from the South-Western Balkans region (encompassing TBS Macedonia and Telelink Albania) by 66%[1] from the previous year, as a result of which the two companies ended 2022 with a rather limited share of 3% of consolidated sales (comparing to 7% for 2021).

While also registering a 5%[1] decrease on against the background of some particularly big projects in the Bulgarian public sector in 2021, TBS EAD continued to realize significant revenues from both the Bulgarian market, where it maintained its leading role in the execution of public procurement orders and recorded growing sales to the private sector, and foreign customers and remained a top driver of consolidated sales with a share of 65% (similar to the ratio of 64% for 2021).

Compensating in part the above movements, combined sales from subsidiaries in Serbia, Montenegro, Bosnia i Herzegovina, Slovenia and Croatia (region Mid-Western Balkans) exhibited 5%[1] of growth favoured by both continuing expansion in a telecom account in Croatia, which started in 2021, and growing sales to enterprise and public clients in Serbia. Reflecting this positive development and the drop in North Macedonia, Group companies from the region ended 2022 with a growing combined share of 32% of consolidated sales (comparing to 29% for 2021).

V.1.1.1 Revenues by main categories of products and services

Product Group	Technology Group 2020-2021	Net Sales Revenue (BGN thousand)				
		31.12.22	31.12.21	change	share 31.12.22	share 31.12.21
Service Provider Solutions	Service Provider Solutions	35,470	35,674	-1%	23%	22%
Enterprise Connectivity	Enterprise Connectivity	33,199	24,288	37%	21%	15%
Private Cloud	Hybrid Cloud	35,326	40,027	-12%	23%	24%
Public Cloud	Modern Workplace	1,406	1,739	-19%	1%	1%
Modern Workplace	Modern Workplace	13,701	15,887	-14%	9%	10%
Computers and Peripherals	Modern Workplace	2,589	37,117	-93%	2%	22%
Application Services	Application Services	11,749	3,777	211%	8%	2%
Hyperautomation	Hyperautomation	472	0	-	0.3%	0%
Information Security	Information Security	16,490	3,748	340%	11%	2%
IoT	Other	1,085	0	-	1%	0%
Other	Other	3,747	3,536	6%	2%	2%
Total		**155,235**	**165,794**	**-6%**	**100%**	**100%**

Reciprocally to their leading part in the growth achieved in 2021 with the implementation of big public projects in Bulgaria, sales of Computers and Peripherals (decreasing by 93% to BGN 2,589 thousand) were the main factor behind the decrease in consolidated revenues observed in 2022. Notwithstanding their positive development in Bulgaria, Private Cloud revenues (BGN 35,326 thousand) also registered a substantial drop of 12% in the absence of public projects comparable to those realized in 2021 in North Macedonia. Another

[1] Growth in revenues from clients other than Group companies.

significant factor were sales in Modern Workplace (BGN 13,701 thousand), which decreased by 14% against the strong revenues from the Bulgarian market in the previous year. Unlike Private Cloud and Modern Workplace, which continued to have significant contributions to the formation of consolidated revenues with respective shares of 23% and 9% (comparable to the 24% and 10% in 2021), deliveries of Computers and Peripherals accounted for just 2% of the product mix realized in 2022 (against 22% for the previous year).

At the same time, the Bulgarian public sector was also a major driver of the significant acceleration of sales in the Application Services (BGN 11,749 thousand) and Information Security (BGN 16,490 thousand) groups, which exhibited respective increases by 211% and 340%, as well as of revenues recorded in the developing new categories Hyperautomation (BGN 472 thousand) and IoT (BGN 1,085 thousand). With shares of 8% and 11% (comparing to 2% each for 2021), revenues from Application Services and Information Security were among the significant factors of the realized product mix and stood out as the Group's fastest growing technology groups for 2022.

A positive change was also registered in Enterprise Connectivity sales (growing by 37% up to BGN 33,199 thousand as a result of both realized deliveries to new non-telecom accounts in Serbia and their positive trend in TBS EAD), which accounted for a growing share of 21% of consolidated revenues (comparing to their decrease to 15% in 2021).

In spite of their slight decrease by 1% from 2021, the sales of Service Provider Solutions (BGN 35,470 thousand) remained among the leading sources of consolidated revenues with a share of 23%, scoring significant year-on-year growth in the Bulgarian public and telecom sectors.

Similarly, in spite of the recorded overall decrease in sales categorized as Public Cloud (BGN 1,406 thousand) by 19% from 2021 against the background of a substantial project in TBS Macedonia without a match in 2022, they registered a moderate increase in TBS EAD.

Notwithstanding their relative increase by 6% over 2021, sales realized outside the above product categories (BGN 3,747 thousand) during the year remained of typically marginal relevance to the Group.

V.1.1.2 Revenues by geographic markets

As a main factor of the decrease in the revenues of TBS EAD referred to in section V.1.1 above, deliveries made on the territory of Bulgaria (BGN 94,569 thousand) recorded a similar moderate drop by 4% from 2021. Nevertheless, with a share of 61% (similar to the corresponding ratio of 60% for 2021), the Bulgarian market maintained its leading position in the geographical structure of consolidated sales.

With growing revenues from Serbia and Croatia, the Group realized 13% stronger combined local sales in region Mid-Western Balkans as compared to 2021. Totaling BGN 45,038 thousand, revenues from the region also accounted for a growing share of 29% of consolidated sales (as compared to 24% for the previous year).

Comparing to the intense initial deliveries to a new client from the Greek telecom sector in 2021, total sales to Other Balkan Markets (BGN 4,985 thousand) decreased by 34%, accounting for a reduced share of 3% of consolidated revenues (as compared to 5% share in 2021).

Relating to the drop in revenues in TBS Macedonia referred to in section V.1.1 above, sales to the South-Western Balkans region (BGN 4,038 thousand) registered a steep decline by 66% from 2021 and also contributed just 3% of consolidated sales (as compared to 7% for the previous year).

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.12.2022	31.12.2021	change	share 31.12.2022	share 31.12.2021
Bulgaria	94,569	98,843	-4%	61%	60%
Serbia	28,483	21,857	30%	18%	13%
Slovenia	7,062	10,305	-31%	5%	6%
Bosnia and Herzegovina	5,401	5,817	-7%	3%	4%
Croatia	4,002	1,767	126%	3%	1%
North Macedonia	3,042	8,096	-62%	2%	5%
United States of America	1,993	933	114%	1%	1%
Germany	1,706	1,659	3%	1%	1%
Albania	904	1,003	-10%	1%	1%
Romania	261	148	77%	0%	0%
Montenegro	90	158	-43%	0%	0%
Other	7,721	15,208	-49%	5%	9%
Bulgaria	94,569	98,843	-4%	61%	60%
Mid-Western Balkans	45,038	39,904	13%	29%	24%
South-Western Balkans	4,038	11,816	-66%	3%	7%
Other Balkan Markets	4,985	7,593	-34%	3%	5%
Central & Eastern Europe	4,503	6,543	-31%	3%	4%
Other Markets	2,102	1,095	92%	1.4%	0.7%
Total	**155,235**	**165,794**	**-6%**	**100%**	**100%**

** By receiving country.*

Comparing to substantial projects implemented for a cross-border client of TBS EAD in the UK and Italy in the previous year, sales in Central and Western Europe (BGN 4,503 thousand) decreased by 31%, but nevertheless maintained a substantial share of 3% of consolidated revenues (close to the ratio of 4% for 2021) and continued to consist mostly of international and multinational clients serviced by TBS EAD.

Nearly doubling year on year, sales to Other markets outside Europe reached BGN 2,102 thousand or 1.4% of consolidated sales (comparing to 0.7% in 2021) and continued to reflect mostly the growing revenues from USA-based units of multinational clients of TBS EAD.

V.1.2 Expenses and profitability

In parallel with the slowdown in revenues, consolidated operating expenses (BGN 142,786 thousand) decreased by 5.5% from 2021. For the major part, this reduction related to the sharp drop in revenue from the resale of goods in the Computers and Peripherals category, which led to a decrease of the balance sheet value of assets sold by 42%, with the latter drop exceeding substantially both the reciprocal increase in the cost of external services in the context of growing sales of services and the growth in salary and social security expenses driven by continuing personnel expansion with regard to the strategic goals and initiatives for business development and growth.

In spite of the largely proportional reduction in revenues and operating expenses, consolidated operating profit for 2022 (BGN 12,472 thousand) exhibited a substantial drop by 15% with a corresponding decrease in the operating margin from 8.8% to 8.0%.

Reflecting the positive effect of the realized net gain from foreign currency operations (BGN 308 thousand, comparing to BGN 124 thousand in 2021) and the slight increase in depreciation costs (BGN (-) 3,114 thousand, comparing to BGN (-) 2,935 thousand in 2021), consolidated EBITDA for 2022 (BGN 15,639 thousand) exhibited a relatively more moderate drop by 10% at a respective margin of 10.1% close to the one reported as of December 31 2021 (10.5%).

Reflecting both the above-mentioned positive effect from foreign currency operations and a substantial reduction in net interest and other financial expenses (BGN (-) 132 thousand, comparing to BGN (-) 224 thousand in 2021), net financial expenses (BGN (-) 79 thousand) exhibited a substantial annual reduction by 82% and amounted to just 0.1% of consolidated revenues (as compared to 0.3% in 2021).

In spite of the substantial positive effects of changes in financial income and expenses and corporate income tax costs, the contraction of operating profit resulted in a similar decrease in net profit (BGN 11,045 thousand) by 11% from 2021, with a corresponding reduction in the net profit margin from 7.5% to 7.1%.

V.2 Assets, liabilities and equity

V.2.1 Assets

As of December 31 2022, consolidated assets reached BGN 78,483 thousand, showing an overall increase by BGN 8,540 thousand or 12% from the end of 2021.

Reaching a total value of BGN 60,731 thousand or 77% of total Group assets, consolidated current assets increased by 12% or BGN 6,366 thousand both as a reflection of growth in working capital factors, such as trade receivables, tax receivables and prepayments and owing to growing cash and cash equivalents (increasing by BGN 2,014 thousand to BGN 14,829 thousand or 19% of total assets) favored by the strongly positive net cash flow from operating activities realized during the year.

A substantial increase by BGN 2,174 thousand or 14% was also registered in consolidated non-current assets (BGN 17,752 thousand). The main factor is growth in assets making part of Property, plant and equipment, which reached BGN 7,924 thousand or 10% of total assets as a result of accelerating investments in equipment provided by TBS EAD as a service to clients under long-term managed service contracts, while continuing to also include substantial but decreasing amounts recognized as rights of use under long-term rental and operating lease contracts on buildings and vehicles booked as assets of the respective categories in accordance with the IFRS 16 in force since January 01 2019. Increases were also observed in in long-term prepaid expenses (reaching BGN 7,806 thousand or 10% of total assets), which continued to stem predominantly from equipment support commitments over 1 year in Bulgaria and the Mid-Western Balkans region. While increasing by 33% from December 31 2021 as a reflection of TBS EAD's ongoing development activities in the field of IoT, intangible assets remained of a relatively limited size, ending the period at BGN 640 thousand or 1% of total assets.

V.2.2 Liabilities

In parallel with growth in assets, consolidated liabilities increased by BGN 7,696 thousand or 15% from December 31 2021, ending the period at BGN 60,612 thousand.

The above change was attributable entirely to current liabilities, which increased by BGN 8,736 thousand or 20% to BGN 52,016 thousand or 66% of total assets and 86% of total liabilities as a reflection of growth in factors reducing net working capital, such as trade payables, short-term deferred income, tax payables and the increase in outstanding loan obligations from utilized working capital credit lines in Serbia and Slovenia (reaching BGN 2,879 thousand after an increase by BGN 1,154 thousand, resulting mainly from the new credit line signed in Slovenia in 2022). Besides the latter, the Group continued to account decreasing short-term obligations from finance lease contracts (BGN 192 thousand), as well as decreasing current liabilities from rental and operating lease contracts booked as per IFRS 16 (BGN 755 thousand), which do not represent financial debt.

Parallel decreases were also recorded in long-term obligations from finance lease agreements (reduced by BGN 195 thousand to just BGN 20 thousand), as well as in non-current liabilities from long-term rental and operating lease contracts reported as per IFRS 16 (reduced by BGN 849 thousand to BGN 413 thousand), which do not represent financial debt. A substantial decrease by BGN 829 thousand was also observed in long-term deferred income (BGN 7,311 thousand). Exceeding substantially the effect of new long-term financing received with regard to TBS EAD's participation in European development programs (BGN 821 thousand), the above factors led to am overall decrease in consolidated non-current liabilities by BGN 1,040 thousand or 11% to BGN 8,596 thousand or 11% of total assets and 14% of total liabilities.

V.2.2.1 Financial Debt

Summing the above loan obligations (BGN 2,879 thousand) and finance lease liabilities (totaling BGN 213 thousand), consolidated financial debt as of December 31 2022 amounted to BGN 3,092 thousand, showing an increase by 35% or BGN 802 thousand from previous year end and maintaining ratios of 4% of total assets and 5% of total liabilities close to those reported as of December 31 2021 (3% and 4%).

Accounting for the substantially higher balance sheet value (BGN 14,829 thousand) and much bigger increase of cash and cash equivalents by BGN 2,014 thousand from the end of 2021, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) was reduced by BGN 1,212 thousand and remained negative, with cash and cash equivalents as of December 31 2022 continuing to exceed financial debt by BGN 11,737 thousand.

The lease obligations accounted under the IFRS 16 in force since January 01 2019 with regard to right-of-use assets arising from long-term rental and operating lease contracts do not represent actual credit relationships and should not be considered as a part of financial debt.

V.2.3 Equity

Taking into account the positive difference between net profit for 2022 (BGN 11,045 thousand) and dividends for 2021 and the first half of 2022 distributed during the year (totaling BGN 10,125 thousand), consolidated net assets (equity) registered a positive change by BGN 844 thousand or 5% from the end of 2021, реацхинг BGN 17,871 thousand.

Pursuant to the fulfillment of the Company's Reserve Fund and the above distribution, accumulated earnings from the current and previous periods making part of equity as of December 31 2022 increased by BGN 544 thousand, reaching BGN 17,973 thousand.

By GMS resolution from June 29 2022, the Company's legal reserves were increased by the allocation of BGN 269 thousand of its net profit for 2021 towards the fulfilment of its Reserve Fund up to 10% of its registered capital or BGN 1,250 thousand, whereby the Company has definitively fulfilled its obligation as per art. 246 of the Commercial Code. Except for the latter increase, consolidated capital reserves did not exhibit significant changes and, besides the above and other legal reserves (totaling BGN 1,352 thousand), continued to include specialized reserves from currency translation and share buybacks in the amount of BGN (-) 589 thousand and other reserves in the amount of BGN (-) 13,365 thousand reflecting the negative effect of BGN (-) 14,127 thousand accounted according to the rules of reporting business combinations under common control upon the Reorganization from August 14 2019, and positive net effects from share incentive programs and plans.

As of period end, the Company maintained an unchanged registered share capital of BGN 12,500 thousand. The nominal value of own shares bought back and held by the Company as of December 31 2022 amounted to BGN 6 thousand.

In spite of the slight decrease reflecting the faster growth in total assets as compared to equity, the Group maintained a relatively stable balance sheet capitalization (ratio of equity to total assets) of 23%, close to the corresponding value of 24% as of the end of 2021.

VI INFORMATION ABOUT LARGE TRANSACTIONS MADE BETWEEN RELATED PARTIES DURING THE REPORTING PERIOD

Upon the presentation of consolidated results, transactions between related parties within the Group are eliminated. Transactions between TBS Group AD and related parties, including such within the Group, were presented in the notification on an individual basis.

As of December 31 2022, the Group has made the following transactions with related parties outside the Group:

Operating Activities (BGN thousand)	Sales to related parties	Purchases from related parties
Other related parties (under common control)	5,736	1,421
Total	**5,736**	**1,421**
Operating Activities (BGN thousand)	**Receivables from related parties**	**Payables to related parties**
Other related parties (under common control)	4,390	37
Total	**4,390**	**37**

Joint operations

The interest of Group companies in joint operations is determined by the consortium agreements whereby such companies and other parties agree to unite their efforts on the basis of mutual cooperation in the form of a consortium for the purposes of implementing specific projects, with none of the parties exercising control.

The interest of Group companies in consortia in terms of revenues, costs, assets and liabilities over the reporting period are presented below.

Operating Activities (BGN thousand)	Sales	Purchases
Participation in joint operations (consortia)	18,882	2
Operating Activities (BGN thousand)	**Receivables**	**Payables**
Participation in joint operations (consortia)	45	174

VII INFORMATION ABOUT SUBSTANTIAL RECEIVABLES AND PAYABLES FOR THE REPORTING PERIOD

In addition to the information on substantial receivables and payables listed in sections III and VI of this Notification, the following transactions were made during the period of January 1 – December 31 2022:

- On February 15 2022, the Company extended a corporate guarantee for the amount of EUR 56,554.95 securing the obligations of TBS Croatia with regard to an agreement for the operating lease of vehicles with Unicredit Leasing Croatia d.o.o., valid through January 20 2027;
- On March 16 2022, the Company extended a corporate guarantee for the amount of EUR 1,500,000 securing the obligations of Telelink Slovenia with regard to an agreement with Unicredit Banka Slovenia d.d. for the issuance of bank guarantees and overdraft, valid through January 19 2023;
- On June 28 2022, the Company extended a corporate guarantee for the amount of EUR 1,500,000 securing the obligations of TBS Croatia with regard to an agreement with Zagrebska banka d.d for the issuance of bank guarantees, valid through February 28 2023.
- On November 15 2022, the Company provided a counter-guarantee for the amount of EUR 9,000 to RAIFFEISEN BANK S.A. Romania, securing a bid bond by TBS EAD and TBS Romania, valid through May 15 2023.
- On November 18 2022, the Company provided a bank guarantee for the amount of EUR 150,000 securing the obligations of TBS Macedonia with regard to an overdraft agreement with ProCredit North Macedonia, valid through May 31 2024.
- On December 06 2022, the Company provided a counter-guarantee for the amount of EUR 31,000 to RAIFFEISEN BANK S.A. Romania, securing a bid bond by TBS EAD and TBS Romania, valid through May 03 2023.

VIII IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 13 2023 an annex was signed to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between Unicredit Bulbank AD (lender) and TBS EAD (borrower), whereunder TBSG AD is a Guarantor and Pledgor, whereby the interest index for overdraft in BGN was changed from BIR to the bank's average deposit index (ADI).

On January 16 2023, an annex was signed to the Credit agreement between Comutel and Raiffeisen Bank AD Belgrade, Republic of Serbia, updating interest rates and extending the utilization term until January 27 2024, as well as a suretyship by TBS EAD for the due fulfillment of the respective commitments of Comutel.

On January 16 2023, TBSG approved the singing of an annex to the Agreement for issuing bank guarantees between Comutel and Raiffeisen Bank AD Belgrade with a term until January 31 2024.

On January 26 2023, an annex was signed to Frame Loam Agreement № 5074/2022 between Unicredit Banka Slovenia d.d. and Telelink Slovenia with a limit of up to EUR 1,500,000, whereby the term was extended until January 18 2024 and the annual interest rate was amended to 1.6% + 3-month EURIBOR. The corporate guarantee provided by TBSG AD to secure the obligations of Telelink Slovenia under the agreement remained in force.

On February 20 2023, the MB resolved to allow CCL CEECAT Fund II SCSp, Luxembeourg, to conduct business, financial and legal due diligence in compliance with applicable Bulgarian and European legislation, by-laws, guidelines of the European Securities and Markets Authority (ESMA), with regard to its expression of interest in a potential investment in TBSG AD, which was disclosed to the FSC, BSE and the public.

On March 01 2023, the MB issued a preliminary approval for the signing of a contract between TBS EAD and Consortium TELESEC DZZD with regard to the execution of a contract with the Ministry of Interior with the subject matter of "Implementation of an National intelligent security system by upgrading the Integrated automated security system", whereby equipment of a total value exceeding the threshold of 5% of the subsidiary's assets as per the latest audited statement of financial position as of December 31 2021, taking into consideration the participation of parties under common management in the dealing.

March 01 2022

Sofia

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
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