30.06.2023

Consolidated Interim Management Report

TELELINK BUSINESS SERVICES GROUP AD

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DEAR SHAREHOLDERS,

We, the members of the Managing Board of TELELINK BUSINESS ERVICES GROUP AD (the Company), guided by our commitment to manage the Company in the best interest of its shareholders and in accordance with the provisions of art. 100o, par. (5) of the POSA and art. 13 of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission to trading on a regulated market, prepared the present Consolidated Management Report (the Report). The Report presents commentary and analysis of key financial and non-financial indicators and an objective overview, providing a true and fair representation of the development and operating results of the Company and its subsidiaries (the Group), as well as of its condition, together with a description of the main risks thereto.

THIS MANAGEMENT REPORT IS PREPARED IN ACCORDANCE WITH PROVISIONS OF ART. 100O, PAR. (5) OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA) AND ART. 13 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 June 30 2023, 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.

I.2 Governance

The Company has a two-tier board system.

As of June 30 2023, The Company's Managing Board (the MB) features five members, including:

- Ivan Zhitiyanov – 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 June 30 2023, the Company's Supervisory Board (the SB) features three members, including:

- Boris Nemsic – chairman of the SB;
- Hans van Houvelingen – vice-chairman of the SB;
- Ivo Evgeniev – member of the SB.

I.3 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.

As of June 30 2023, the persons holding over 5% of the Company's capital were Lubomir Minchev with a stake of 6,263,624 shares or 50.11%, SEET INVESTMENT HOLDINGS SARL (Luxembourg) with a stake of 2,872,380 shares or 22.98% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,733,837 shares or 13.78%.

Pursuant to share buybacks for the purposes of employee incentive programs, as of June 30 2023, the Company held 29,530 own shares representing 0.24% of its registered capital, 23,500 of which were acquired in the second quarter of 2023.

I.4 Investment portfolio

As of June 30 2023, 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.

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 June 30 2023, 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 June 30 2023, all direct subsidiaries except for the recently established TBS Germany carried out active commercial operations.

As of June 30 2023, 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.

I.5 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.

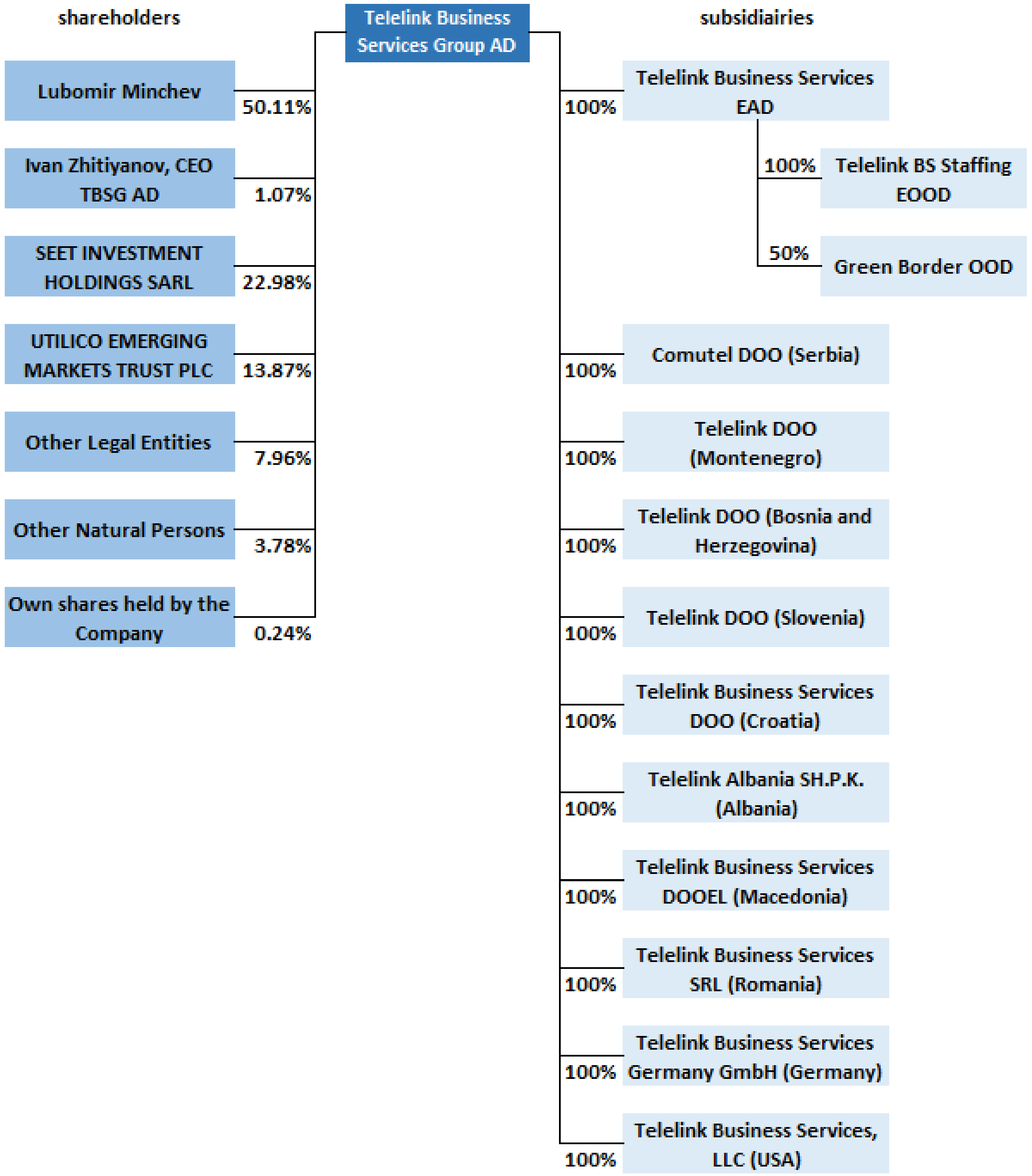
The above information is also available on the Company's investor web page https://www.tbs.tech/investors/.

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.

I.6 Summarized shareholding structure of the Company and the Group



II REVIEW OF THE GROUP'S ACTIVITIES AND FINANCIAL POSITION

As of June 30 2023, the Group continued to conduct active commercial operations and had a positive net worth of BGN 18,839 thousand.

The Group's financial position and the factors behind the formation of its assets, liabilities and equity are presented in the Statement of Financial Position included in the Consolidated Financial Statements and analyzed below.

II.1 Key financial indicators

Financials (BGN thousand)	period	period	change
	30.6.2023	*30.6.2022*	
Net sales revenue	**59,813**	**71,784**	**-17%**
Cost of Sales	-47,043	-59,082	-20%
Gross Profit	**12,770**	**12,702**	**1%**
Sales and Marketing Expenses	-6,131	-4,301	43%
General and Administrative Expenses	-4,576	-3,303	39%
Other Operating Income/(Expenses) (net)	248	150	65%
Operating Profit	**2,311**	**5,248**	**-56%**
Financial Income/(Expenses) (net)	-588	525	-212%
Income Tax Expense	-426	-950	-55%
Net Profit	**1,297**	**4,823**	**-73%**
Depreciation & Amortization Expenses	-1,982	-1,537	29%
Interest Income/(Expenses) (net)	-224	-66	239%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**3,929**	**7,376**	**-47%**
One-off and Extraordinary Income/(Expenses) (net)	0	0	-
Normalized EBITDA	**3,929**	**7,376**	**-47%**
	30.6.2023	*31.12.2022*	0%
Total Assets	**93,349**	**78,390**	**19%**
Non-current Assets	25,171	17,544	43%
Current Assets and Assets Held for Sale	68,178	60,846	12%
Equity	**18,839**	**17,763**	**6%**
incl. Retained Earnings and Profit for the Period	19,158	17,861	7%
Total Liabilities	**74,510**	**60,627**	**23%**
Non-current Liabilities	14,212	8,619	65%
Current Liabilities	60,298	52,008	16%
Cash & Cash Equivalents	**4,239**	**14,828**	**-71%**
Total Financial Debt*	**11,337**	**3,115**	**264%**
Net Financial Debt**	**7,098**	**-11,713**	**18,811**
	30.6.2023	*30.6.2022*	0%
Net Cash Flow from Operating Activities	**-15,597**	**2,648**	**-18,245**
Net Cash Flow from Investment Activities	**-2,223**	**-1,823**	**-400**
Net Cash Flow from Financing Activities	**7,231**	**-2,325**	**9,556**
	30.6.2023	*31.12.2022*	0%
Number of Employees as of Period End	**326**	**311**	**5%**

** Incl. loans and finance lease contracts; ** Total Financial Debt - Cash & Cash Equivalents*

Ratios	period	period	change
	30.6.2023	***30.6.2022***	
Gross Margin	21.3%	17.7%	3.7%
Operating Margin	3.9%	7.3%	-3.4%
Net Margin	2.2%	6.7%	-4.6%
EBITDA margin	6.6%	10.3%	-3.7%
	30.6.2023	***31.12.2022***	
Current Ratio*	1.13	1.17	-0.04
Equity / Total Assets	20%	23%	-2%
Financial Debt / Total Assets	12%	4%	8%
	30.6.2023	***30.6.2022***	
Annualized Average Return on Assets (ROA)	3.0%	13.0%	-10.0%
Annualized Average Return on Equity (ROE)	14.2%	55.5%	-41.3%

** Current Assets and Assets Held for Sale / Current Liabilities*

II.2 Revenues

In total, consolidated net sales revenue for the first half of 2023 amounted to BGN 59,813 thousand, decreasing by 17% from the same period of 2022.

The biggest factor behind this change were the sales realized by Comutel, TBS Montenegro, Telelink Bosnia and Telelink Slovenia, which decreased by 38%[1] as a result of lower revenues from traditional clients from the regional telecom sector and the absence of substantial revenues from public projects against the significant turnover recorded in this segment in the first half of 2022. In spite of the strongly positive development of revenues in TBS Croatia, which grew by 118%[1] with the implementation of the company's first large deliveries to the local public sector, the above factors led to a total decrease in sales from region Mid-Western Balkans by 31%[1]. Reflecting this above-average negative growth rate, companies from the region accounted for a decreasing combined share of 34% of consolidated sales (comparing to 41% in the first half of 2022).

A comparatively moderate but nonetheless substantial decrease by 11%[1] was also registered in sales realized by TBS EAD, which recorded positive growth in revenue from international clients and maintained similar overall sales to public and private sector accounts outside the telecom realm, but also registered a significant drop in revenues from traditional accounts in the telecom sector. In relative terms, the company maintained its leading part in the formation of consolidated sales with a growing share of 62% (comparing to 58% in the same period of 2022).

Compensating in part the above changes, combined sales from the South-Western Balkans region registered significant relative growth of 208%[1] mainly as a result of rebounding revenues from public projects in North Macedonia, comparing to their acute stagnation in the same period of 2022. Notwithstanding this positive trend, the two companies continued to play a limited part in the formation of consolidated sales with a share of 3% (stronger, yet similar to the corresponding share of 1% in the first half of 2022).

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

II.2.1 Revenues by main categories of products and services

Product Group	Net Sales Revenue (BGN thousand)				
	30.6.2023	30.6.2022	change	share 30.6.23	share 30.6.22
Service Provider Solutions	13,462	19,596	-31%	23%	27%
Enterprise Connectivity	20,249	12,810	58%	34%	18%
Private Cloud	7,441	14,981	-50%	12%	21%
Public Cloud	738	653	13%	1%	1%
Modern Workplace	13,636	7,861	73%	23%	11%
Computers and Peripherals	1,521	562	170%	3%	1%
Application Services	240	10,915	-98%	0.4%	15%
Hyperautomation	68	330	-80%	0.1%	0%
Information Security	1,931	2,434	-21%	3%	3%
IoT	326	335	-3%	1%	0.5%
Other	201	1,308	-85%	0.3%	2%
Total	**59,813**	**71,784**	**-17%**	**100%**	**100%**

Reflecting the slowdown in sales to traditional accounts from the telecom sector in Bulgaria and region Mid-Western Balkans referred to in section II.2, revenue from Service Provider Solutions (BGN 13,462 thousand) decreased by 31% as compared to the first half of 2022. Nevertheless, they continued to have a substantial contribution to the formation of consolidated revenues with a decreasing (as compared to the corresponding value of 27% for the first half of 2022) but nonetheless significant share of 23%.

As they also accounted for a significant part of the sales of data center technologies in the first six months of 2022, decreasing sales to telecom operators also affected significantly Private Cloud. As a result of this and their slightly lower share in public projects realized in the current period on the Bulgarian market, revenue from this technology group (BGN 7,441 thousand) decreased by 50% and accounted for only 12% of consolidated sales, as compared to 21% in the first half of 2022.

In the absence of significant projects in the field of Application Services completed in the ended six months period, revenue from this line of business (BGN 240 thousand) decreased by 98% against the same period of 2022, when TBS EAD realized significant early sales from a big public project in this domain, and stood out as the biggest factor behind the overall drop in consolidated sales for the current period.

While also decreasing by 21% against the mix realized in the first half of 2022, which featured some relatively larger projects in the Serbian public and Bulgarian private sector, sales of Information Security (BGN 1,931 thousand) continued to grow in the Bulgarian public sector and maintained a limited, yet stable share of 3% of consolidated revenues.

On a positive note, the Group registered a sizeable increase in first half revenues from Enterprise Connectivity, which grew by 58% to BGN 20,249 thousand mainly as a result of a large new project in the Bulgarian public sector and growing revenues from international clients at TBS EAD. Accordingly, this line of business stood out as the leading driver of consolidated revenues with a growing share of 34% (comparing to 18% in the first half of 2022).

Strongly positive growth was also observed in sales by the Modern Workplace technology group, which grew by 73% to BGN 13,636 thousand. Reflecting both the earlier rollout of license and service sales under signed contracts in Bulgaria as compared to 2022 and significant new public projects in Croatia and Macedonia, this increase elevated the technology group to the second rank in the structure of consolidated revenues for the period with a share of 23% (comparing to only 11% in the first half of 2022).

Comparing to the modest revenues for the first half of 2022, sales of Computers and Perpherals (BGN 1,521 thousand) registered nearly threefold growth as a result of the substantial deliveries to a traditional client from the Bulgarian telecom sector realized in the current period. Nevertheless, this line of business remained of limited importance to consolidated sales with a share of 3% (stronger, yet similar to the corresponding share of 1% in the first half of 2022).

Other product lines with limited contributions to consolidated revenues for the period included growing sales of Public Cloud (showing a moderate increase by 13% to BGN 738 thousand), stable revenue from IoT (showing a slight 3% decrease to BGN 326 thousand) and substantially lower revenues from Hyperautomation (decreasing by 80% to BGN 68 thousand) other products and services (decreasing by 85% to BGN 201 thousand).

II.2.2 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	30.6.2023	30.6.2022	change	share 30.6.2023	share 30.6.2022
Bulgaria	32,791	38,262	-14%	55%	53%
Serbia	10,483	15,017	-30%	18%	21%
Croatia	3,491	2,472	41%	6%	3%
Slovenia	3,312	4,909	-33%	6%	7%
Bosnia and Herzegovina	2,372	3,478	-32%	4%	5%
North Macedonia	1,611	381	323%	3%	1%
Germany	1,384	640	116%	2%	1%
United States of America	1,047	856	22%	2%	1%
Albania	278	258	8%	0.5%	0.4%
Montenegro	111	48	130%	0.2%	0.1%
Romania	102	221	-54%	0.2%	0.3%
Other	2,830	5,241	-46%	5%	7%
Bulgaria	32,791	38,262	-14%	55%	53%
Mid-Western Balkans	19,770	25,924	-24%	33%	36%
South-Western Balkans	1,943	645	201%	3%	1%
Other Balkan Markets	716	3,970	-82%	1%	6%
Central & Eastern Europe	3,505	2,074	69%	6%	3%
Other Markets	1,088	908	20%	2%	1%
Total	**59,813**	**71,784**	**-17%**	**100%**	**100%**

** By registration of the client.*

Reflecting the development of sales at TBS EAD described in section II.2, the Group registered a substantial 14% decrease in revenues realized on the territory of Bulgaria (BGN 32,791 thousand), while achieving significant growth of sales to international clients from Central and Western Europe (BGN 3,505 thousand) and Other markets (BGN 1,088 thousand, derived mostly from the USA), respectively by 69% and 20%, against the first six months of 2022. In terms of relative contribution to consolidated revenues, the Bulgarian market continued to lead the Group's territorial mix with a growing share of 55% (similar to the 53% recorded in the first half of 2022), while deliveries to Central and Western Europe and Other markets reached a combined share of 8% (comparing to just 4% in the first half of 2022).

Besides lower revenues from Serbia, Slovenia and Bosnia and Herzegovina, which led to a combined decrease in sales to region Mid-Western Balkans by 24% to BGN 19,770 thousand in spite of significant growth in sales to Croatia, the drop in the combined revenues of the subsidiaries making part of this region referred to in section II.2 also related to the slowdown of their deliveries towards a client from the Greek telecom sector, which led to a decrease in sales to Other Balkan Markets (BGN 736 thousand) by 82% against the first half of 2022. In terms of their relative contribution to consolidated revenues, these two territorial segments registered decreasing respective shares of 33% and only 1%, comparing to 36% and 6% in the first half of 2022.

Reflecting the developments observed in North Macedonia and Albania referred to in section II.2 combined sales to region South-Western Balkans (BGN 1,943 thousand) grew by 201% against the first half of 2022, accounting for a still limited but growing share of 3% of consolidated revenues (comparing to 1% in the first half of 2022).

II.3 Expenses and profitability

II.3.1 Gross profit

Reflecting the substantially higher consolidated gross margin of 21.3% realized in the current period (comparing to 17.7% in the first half of 2022), in spite of the substantial decrease in revenues, consolidated gross profit exhibited a minor increase by BGN 68 thousand, reaching BGN 12,770 thousand.

The observed improvements in the Group's relative profitability stemmed from both TBS EAD, where lower sales to the telecom sector bear typically lower profitability as compared to the relatively stable or growing revenues from public and other private sector projects and international customers, and region Mid-Western Balkans, where the Group registered moderate overall margin improvements in all sectors.

II.3.2 Sales and marketing expenses

Compared to the same period of 2022, consolidated sales and marketing expenses for the first six months of 2023 (BGN 6,131 thousand) registered a significant increase by 43% and implied a growing ratio of 10.3% of the consolidated revenues for the period (comparing to 6.0% for the first half of 2022).

Besides continued inflation in the second half of 2022 and the first quarter of 2023, the main factors behind the observed increase included the allocation of further activities and human resources in Bulgaria towards the assurance of current and targeted sales, internal and external marketing processes and functions, new market entries and the strategic market development goals of the Group as a whole, as well as the deployment of local sales and marketing teams in Croatia and Romania in the second half of 2022 and since the start of 2023 with regard to the set goals for positioning and expansion on these markets.

II.3.3 General and administrative expenses

Compared to the same period of 2022, consolidated general and administrative expenses for the first six months of 2023 (BGN 4,576 thousand) registered a significant increase by 39% and implied a growing ratio of 7.7% of the consolidated revenues for the period (comparing to 4.6% for the first half of 2022).

Similar to sales and marketing expenses, the observed increase also related to both inflation and the expansion of personnel and supporting activities with regard to strengthening the capacity to manage and service current and planned growth of the Group in Bulgaria, Romania, Germany and the USA, as well as to the substantial expenditures on external services and internal activities and resources directed towards the due diligence and negotiations for the potential acquisition of companies in the Mid-Western Balkans region from the start of 2023.

II.3.4 Operating profit and earnings before interest, taxes, depreciation, and amortization (EBITDA)

In the context of minimal gross profit growth and a moderately positive effect from the change in net other operating income, the far more sizeable increase in sales and marketing and general and administrative expenses in relation to the economic environment and the Group's strategy resulted in a significant reduction of consolidated operating profit by 56% (BGN 2,937 thousand) to BGN 2,311 thousand and a decrease in the operating profit margin from 7.3% in the first half of 2022 to 3.9% in the current period.

Accounting for the opposite effects of the growing share of depreciation and amortization (increasing by BGN 445 thousand to BGN 1,982 thousand) in operating expenses and the net foreign exchange loss realized during the period (BGN (-) 270 thousand, representing a negative change by BGN 977 thousand against the net gain from the same in the first half of 2022), consolidated EBITDA registered an even bigger decrease by BGN 3,447 thousand or 47% against the first half of 2022, contracting to BGN 3,929 thousand, with a consequent decrease in the corresponding margin from 10.3% to 6.6%.

II.3.5 Financial income and expenses

Reflecting both the above-mentioned negative change in the net result from foreign currency operations and an increase in net interest expenses by BGN 158 thousand to BGN 224 thousand as a result of growing market interest rates, the Group's higher average exposure (funds utilized in cash) under credit lines and the increase in the expenses recognized as per IFRS 16 with regard to the growing rights of use from rental and operating lease contracts, the net finance costs of BGN (-) 588 thousand recorded in the current period represented a substantial negative change of BGN 1,113 thousand against the net financial income recorded in the first half of 2022.

II.3.6 Net profit

Accounting for the parallel decrease in operating profit and increase in net financial expenses, in spite of the largely proportional decrease in corporate income tax, consolidated net profit registered a significant drop of BGN 3,526 thousand or 73% against the first half of 2022, contracting to BGN 1,297 thousand, with a corresponding decrease in the net profit margin from 6.7% to 2.2%.

II.4 Assets, liabilities and equity

II.4.1 Assets

Reaching a total of BGN 93,349 thousand, consolidated assets reported as of June 30 2023 grew by BGN 14,959 thousand or 19% from the end of 2022 as a result of substantial increases in both current and non-current assets.

The registered increase in current assets by BGN 7,332 thousand or 12% up to BGN 68,178thousand included a more than double growth in inventories along the lines of goods and work in progress (observed mostly in relation to forthcoming deliveries and projects in the process of implementation in Bulgaria) and nonetheless substantial increases in trade receivables from deliveries made towards period end (observed mostly in Bulgaria and Croatia), offset only in part by the significant decrease in cash and cash equivalents (BGN 10,589 down to a period-end balance of BGN 4,239 thousand).

For its part, the registered increase in non-current assets by BGN 7,627 thousand or 43% up to BGN 25,171 thousand included both continued growth in long-term prepaid expenses in relation to the sale of equipment support services spanning over 1 year in Bulgaria and region Mid-Western Balkans and significant growth in tangible and non-tangible assets in Bulgaria with regard to the substantial expenditures on furniture, improvements and fit-out works and the recognition of right of use assets as per IFRS 16 from a long-term lease contract for a new office for TBS EAD.

II.4.2 Liabilities

In parallel with assets, consolidated liabilities registered a similar increase by BGN 13,883 thousand or 23% from December 31 2022, ending the period at BGN 74,510 thousand as a result of significant growth in both current and non-current liabilities.

In line with non-current assets, the registered increase in non-current liabilities by BGN 5,593 thousand or 65% up to BGN 14,212 thousand originated mostly from growing long-term deferred income from equipment support services spanning over 1 year and the recognition as per IFRS 16 of new long-term lease liabilities in relation to the new office lease contract of TBS EAD. Adding the latter, total non-current lease liabilities reached BGN 3,234 thousand, including BGN 14 thousand arising from finance lease agreements and BGN 3,220 thousand recognized with regard to operating leases and rentals, which do not represent financial debt.

In a context of slight decreases trade and other payables and contract liabilities, the registered increase in current liabilities by BGN 8,290 thousand or 16% up to BGN 60,298 thousand originated almost entirely from growing loan obligations reflecting the utilization of credit lines in Bulgaria, Serbia and Slovenia (reaching a total of BGN 11,264 thousand after an increase by BGN 8,385 thousand against December 31 2022). Besides the latter, the Group continued to account decreasing short-term obligations from finance lease contracts (BGN 59 thousand), while growth in overall short-term lease liabilities was entirely due to the current liabilities from rental and operating lease contracts booked as per IFRS 16 (BGN 939 thousand), which do not represent financial debt.

II.4.2.1 Financial debt

Summing the above loan obligations (BGN 11,264 thousand) and finance lease liabilities (totaling BGN 73 thousand), consolidated financial debt as of June 30 2023 amounted to BGN

11,337 thousand, showing an increase by 264% or BGN 8,222 thousand from previous year end and reaching ratios of 12% of total assets and 15% of total liabilities, substantially higher than those reported as of December 31 2022 (4% and 5%).

Accounting for the lower balance sheet value (BGN 4,239 thousand) and significant decrease in cash and cash equivalents by BGN 10,589 thousand from the end of 2022, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) registered a substantially bigger increase by BGN 18,811 thousand, reaching BGN 7,098 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.

II.4.3 Liquidity

As of period end, the Group recorded a decreasing but nonetheless substantial surplus of current assets and assets held for sale over current liabilities in the amount of BGN 7,880 thousand, as compared to BGN 8,838 thousand at the end of 2022.

Accounting for faster growth in current liabilities and the increase in inventories and receivables in the context of diminishing cash and cash equivalents, the Group registered moderate decreases in current and quick liquidity from 1.17 and 0.86 at the end of 2022 to 1.13 and 0.76 as of June 30 2023 and substantially lower cash liquidity of 0.07, as compared to 0.29 at the end of 2022.

II.4.4 Equity

In the absence of dividend distributions out of the Group during the period, consolidated equity thousand registered a slight increase by BGN 1,076 thousand or 6% from the end of 2022 reflecting mostly current profit for the ended six months period, reaching BGN 18,839 thousand.

As of period end, the Company maintained an unchanged registered share capital of BGN 12,500 thousand and its Reserve Fund (which reached the maximum requirement of 10% of the registered capital or BGN 1,250 thousand as per art. 246 of the Commercial Code in 2022), with the latter and similar funds in other subsidiaries continuing to amount to a total of consolidated legal reserves of BGN 1,352 thousand.

Showing a total reduction of BGN 221 thousand mainly as a result of the buyback of 23,500 own shares during the period with regard to the forthcoming fulfillment of obligations from programs for the stimulation of employees and the MB, other reserves and components of equity reached a total value of (-) 14,171 thousand, which continued to include mostly the negative effect of BGN (-) 14,127 thousand accounted according to the rules of reporting business combinations under common control upon the Company's Reorganization from August 14 2019 and other effects from share incentive programs and plans.

Together with retained earnings as of December 31 2022, accumulated earnings from the current and previous periods making part of equity as of June 30 2023 reached BGN 19,158 thousand.

Accounting for the much more substantial growth in total assets, the Group registered a moderate decrease in its balance sheet capitalization (the ratio of equity to total assets) to 20% (comparing to 23% as of the end of 2022).

II.5 Cash flows

II.5.1 Cash flow from operating activities

Reflecting the significant increase in inventories and receivables, the Group registered a substantial increase in net working capital exceeding by far the profit before tax, depreciation and other reconciliations to net cash flow realized during the period. As a result, the Group ended the first half of 2023 with a strongly negative net cash flow from operating activities of BGN (-) 15,597 thousand, representing an even more sizeable decrease against the positive result of BGN 2,648 thousand for the same period of 2022.

II.5.2 Cash flow from investing activities

In spite of lower investments in equipment provided to clients under existing and new long-term contracts and orders for managed services as compared to the first half of 2022, consolidated payments on the acquisition and formation of tangible and intangible non-current assets increased substantially due to the expenditures on fit-out works, improvements and furniture of a new office for TBS EAD in the current period. As a result, the Group ended the first half of 2023 with an increasingly negative net cash flow from investing activities of BGN (-) 2,223 thousand as compared to the result of BGN (-) 1,823 thousand for the same period of 2022.

II.5.3 Cash flow from financing activities

Funding a substantial part of the above negative cash flows with the drawdown of credit line funds, the Group registered net proceeds from borrowings exceeding by far payments on the service of finance lease obligations, interest and other financial expenses and share buybacks. As a result, the net cash flow financing activities reached a strongly positive value of BGN 7,231 thousand, representing an even more substantial increase against the negative result of BGN (-) 2,325 thousand recorded in the same period of 2022.

II.5.4 Net cash flow

Summarizing the above changes, during the ended six months period, the Group registered an increasingly negative interim net cash flow of BGN (-) 10,589 thousand as compared to the corresponding result of BGN (-) 1,500 thousand for the first half of 2022 mainly as a result of a substantial growth in net working capital in relation to projects with current or forthcoming implementation, the advanced strategic expansion of sales, marketing and administrative expenses in coincidence with a slowdown in interim revenues and the one-time capital expenditures on the migration to a new office of the growing operating and management organization in Bulgaria.

III MAIN RISKS FACED BY 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).

III.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.

III.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 unfavorably 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.

III.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.

III.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 Croatia, 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.

III.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 applied by the leading global economies and the EU, there has been a general trend of increases in all main international interest indexes, as well as in the base interest rate (BIR) of the Bulgarian National Bank, which is a premise for an increased level of systemic interest risk.

III.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.

III.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.

III.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.

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

III.2.1 Risks relative to the business strategy and growth

III.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.

III.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.

III.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 centers 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.

III.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.

III.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.

III.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.

III.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 and benefits at the expense of the Group.

III.2.3 Risks relative to the market environment and competition

III.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.

III.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.

III.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.

III.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.

III.2.4 Risks relative to public procurement

III.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 may result in the postponement of decisions 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.

III.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.

III.2.5 Concentration risks

III.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.

III.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.

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

III.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.

III.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.

III.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.

III.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.

III.2.7 Risks relative to long-term contracts

III.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.

III.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.

III.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.

III.2.8 Financial risks

III.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 Croatia, Slovenia and Montenegro, the Group is exposed to a translation risk relative mainly to the floating Serbian Dinar, the Macedonian Denar, the Albanian Lek, the Romanian Lei and the US dollar.

III.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 floating interest indexes, including EURIBOR, USD LIBOR / SOFR, 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 of finance leases in Bulgaria and North Macedonia based on ADI and EURIBOR. Due to the dynamic nature and low to medium historical levels 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 until 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 significantly negative impact on its results.

Interest risk can also manifest through increases in the contractual markups over the floating interest indexes making part of the total interest rates on utilized credit facilities subject to regular renewal, such as most of the overdraft limits and revolving credit lines used by the Group, at the initiative of the financing banks. Notwithstanding the efforts of the Company and relevant subsidiaries to negotiate and maintain most attractive terms with current creditors and the procurement of competitive offers from other banks, it is possible for such increases to prove inevitable within a certain time period, in case of migration between incumbent and creditors, or as a whole, in case they reflect prevailing trends on the credit market.

III.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.

III.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.

III.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.

III.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.

III.2.9 Operational risks

III.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.

III.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.

III.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.

III.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.

III.2.10 Other risks

III.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.

III.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.

III.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.

III.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.

III.3 Military conflict between Russia and the Ukraine

Consequent to the military conflict between Russia and Ukraine, which escalated in February 2022, increased 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 and the inflation observed as a result of the growing prices of energy and key agricultural goods, have also continued to impact directly or indirectly the activities of many companies and industries in the European Union and the USA.

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.

IV DISCLOSURE OF INTERNAL INFORMATION, AS REQUIRED BY ART. 12, PAR. (1), ITEM 2, PURSUANT TO ART. 13, PAR. (1) OF ORDINANCE 2 OF THE FSC

The Company publishes insider information as per art. 7 от Regulation (EC) № 596/2014 regarding the circumstances having occurred in the first six months of 2022 on its web site: https://www.tbs.tech/bg/za-investitorite/.

All of the information has also been disclosed to the public via the selected media service available on the web address: http://www.x3news.com/.

V ADDITIONAL INFORMATION AS PER ART. 12, PAR. (1), ITEM 4, PURSUANT TO ART. 13, PAR. (1) OF ORDINANCE 2 OF THE FSC

V.1 Changes in the accounting policy during the reporting period, reasons therefor and effects thereof on the Issuer's equity and financial results

No changes were made to the accounting policies of the Issuer and the Group during the ended six months period.

V.2 Changes in the Issuer's group of companies under the terms of the Accountancy act

On May 30 2022, a decision was made to change the authorized representative of TBS Germany with the substitution of Silviya Marinova with Harald Ehrl. The change was entered in the trade register of the Federal Republic of Germany on June 19 2023.

During the ended six months period, there were no changes in the composition of the Group and the shareholdings of the Issuer or mutual participations in the capital of its subsidiaries and associates.

V.3 Results from organizational changes within the Issuer, such as reorganization, disposal of subsidiaries, contributions in kind, leased-out assets, long-term investments and discontinued operations

During the ended six months period, the Issuer has not participated in any reorganization, made any disposals of shares in subsidiaries or contributions in kind to the capital of subsidiaries and other companies, leased out any of its assets or discontinued, in part or in full, any of its activities.

During the ended six months period, the Issuer did not make any investments in shareholdings in other companies and had no significant investments in tangible or intangible non-current assets.

During the ended six months period, none of the Group's subsidiaries participated in any reorganization, made any disposals of shares in subsidiaries or contributions in kind to the capital of subsidiaries and other companies, leased out any of its assets or discontinued, in part or in full, any of its activities.

During the period, Comutel continued to lease its investment property, consisting of an office building, to a third party outside the Group. Revenue realized from the latter contract for the period amounted to BGN 15 thousand.

Material investments of Group subsidiaries in non-current tangible and intangible assets are referred to in section II of this Report.

V.4 Opinion on the feasibility of published forecasts for the current financial year, taking into account results from the first six months and factors and circumstances relevant to the achievement of projected results

On May 16 2023, the Issuer published on its web page "Presentation: Updated Financial Guidance 2023-2027", featuring an updated budget of the consolidated financial results for the full financial year 2023 shown in column "Budget 2023" of the table below ("Budget 2023").

The ratios of achieved consolidated results as of June 30 2023 towards Budget 2023 are shown in section "Results as of June 30 2023" of the same table.

Financials	Budget 2023		Results as of June 30 2023		
	EUR'T	BGN'T	EUR'T	BGN'T	% of Budget 2023
Net sales revenue	**102.2**	**199,886**	**30.6**	**59,813**	**30%**
Gross Profit	**20.1**	**39,312**	**6.5**	**12,770**	**32%**
Sales and Marketing Expenses	-9.0	-17,602	-3.1	-6,131	35%
General and Administrative Expenses	-5.4	-10,561	-2.3	-4,576	43%
EBITDA	**7.7**	**15,060**	**2.0**	**3,929**	**26%**
Operating Profit	**5.7**	**11,148**	**1.2**	**2,311**	**21%**
Net Profit	**4.8**	**9,388**	**0.7**	**1,297**	**14%**
Revenue by Invoicing Country/Region:					
Bulgaria	79.6	155,684	19.0	37,097	24%
Serbia, Montenegro, Bosnia and Herzgovina and Slovenia	9.0	17,602	8.9	17,388	99%
Croatia	4.5	8,801	1.6	3,142	36%
South-Western Balkans	3.9	7,628	1.1	2,070	27%
Romania	3.6	7,041	0.0	47	1%
Germany and USA	1.6	3,129	0.0	67	2%
Revenue by Technology Group					
Service Provider Solutions	8.2	16,069	6.9	13,462	84%
Enterprise Connectivity	33.9	66,433	10.4	20,249	30%
Private Cloud	23.9	46,836	3.8	7,441	16%
Public Cloud	1.2	2,352	0.4	738	31%
Modern Workplace	10.9	21,360	7.0	13,636	64%
Computers and Peripherals	1.7	3,331	0.8	1,521	46%
Application Services	7.9	15,481	0.1	240	2%
Hyperautomation	0.0	0	0.0	68	-
Information Security	11.2	21,948	1.0	1,931	9%
IoT	0.5	980	0.2	326	33%
Other	2.6	5,095	0.1	201	4%

As evidenced by the above calculations, consolidated total revenue and gross profit amounted to 30% and 32% of Budget 2023 at a gross margin exceeding by 1.7% the one budgeted for the full year, while, due to the higher such ratios on the levels of sales and marketing and general and administrative expenses and higher financial expenses, including loss from foreign currency operations, consolidated EBITDA, operating and net profit for the first half of the year amounted to lower ratios of 26%, 21% и 14% of the corresponding budgeted results for the full 2023.

In a territorial aspect, as of June 30 2023, the Group realized almost entirely the combined sales budgeted for the full year from Serbia, Montenegro, Bosnia and Herzegovina and Slovenia and more than one third of those targeted from Croatia, as well as approximately a quarter of the annual revenues planned from Bulgaria and the South-Western Balkans, but only 1% and 2% of those targeted from Romania and Germany and the USA.

In product terms, the sales attained in the first six months amounted to more than half of their full year budget in the Service Provider Solutions and Modern Workplace technology groups, as well as close to or more than one third of those targeted in Enterprise Connectivity, Public Cloud, Computers and Peripherals and IoT, but only 16% in Private Cloud, 9% in Information Security and 2% in Application Services and 4% in Other products and services.

Overall, notwithstanding the slower development of revenues in the first six months, the above ratios of interim to the planned full-year revenues and profits were generally consistent with the expected faster evolution of sales and marketing and general and administrative expenses and the realization of the larger part of these revenues and profits in the second half of 2023. To one or a another extent, the above observation applies to almost all territorial and product segments of the Group, most of which are affected by the typically higher concentration of targeted projects in the public sector in the second half and particularly in the last quarter of the year, as well as, in particular, to the evolution of new and relatively new local markets such as Croatia, Romania, Germany and the USA. Not least, along with the potential risk from the more pronounced lags in sales in some segments, upside opportunities must also be taken into account with regard to such where the Group has already realized the larger part of its annual targets without having exhausted their market potential for the year.

Without prejudice to the above, the Company's management will continue to monitor the current performance and analyze the factors and circumstances relevant to the achievement of projected results for 2023, maintaining its readiness to adopt and disclose a potential further revision of the latter, if and when such revision may be deemed justified by the established degree of probability and significance of the respective factors and facts.

V.5 Persons owning directly and/or indirectly at least 5% of the votes in the General Meeting as of the end of the first six months of the year and changes in the number of votes held during the reporting period

By virtue of the ordinary voting shares in the Company's capital held thereby and the number of own shares held by the Company (which, as such, do not participate in the voting at the GMS), as designated in section I.3 of this Report, the persons owning directly or indirectly at least 5% of the votes in the GMS as of June 30 2023 included majority shareholder and founder of the former economic group of Telelink Lubomir Minchev with a share of 50.23% and foreign investment funds SEET INVESTMENT HOLDINGS SARL (Luxembourg) with a share of 23.03% Utilico Emerging Markets Trust PLC (UK) with a share of 13.90%.

Changes in the shares held by persons owning directly or indirectly at least 5% of the votes in the GMS during the period are summarized in the table below.

Shareholder ≥5% of the votes in the GMS	Held as of 30.06.2023			Held as of 31.12.2022			Change		
	Number of shares	% of the capital	% of the votes in the GMS	Number of shares	% of the capital	% of the votes in the GMS	Number of shares	% of the capital	% of the votes in the
LUBOMIR MIHAILOV MINCHEV	6,263,624	50.11%	50.23%	8,371,678	66.97%	67.01%	-2,108,054	-16.86%	-16.78%
SEET INVESTMENT HOLDINGS SARL	2,872,380	22.98%	23.03%	0	0.00%	0.00%	2,872,380	22.98%	23.03%
UTILICO EMERGING MARKETS TRUST PLC	1,733,837	13.87%	13.90%	1,733,837	13.87%	13.88%	0	0.00%	0.02%
Total shares in the capital	12,500,000	100.00%	-	12,500,000	100.00%	-	0	0.00%	-
Own shares bought back	29,530	0.24%	-	6,030	0.05%	-	23,500	0.19%	-
Number of votes in the GMS	12,470,470	99.76%	100.00%	12,493,970	99.95%	100.00%	-23,500	-0.19%	-

As of the date this Report, the Company has not issued preferred or other shares without voting rights.

V.6 Shares owned by the Issuer's managing and controlling bodies towards the end of the first half of the year and changes thereto over the reporting period

As of June 30 2023, the members of the MB continued to hold a total of 142,924 shares representing 1.14% of the Company registered capital, distributed as follows:

Number of shares held by the members of the MB	Owned as of			
	30.06.23	%*	31.12.22	%*
Ivan Zhtiyanov	133,258	1.07%	133,258	1.07%
Teodor Dobrev	4,996	0.04%	4,996	0.04%
Orlin Rusev	284	0.00%	284	0.00%
Nikoleta Stanailova	3,352	0.03%	3,352	0.03%
Gojko Martinovic	1,034	0.01%	1,034	0.01%
Total	**142,924**	**1.14%**	**142,924**	**1.14%**

** % of the registered share capital*

As of June 30 2023, the members of the SB held a total of 900 shares representing 0.01% of the Company's registered capital, distributed as follows:

Number of shares held by the members of the SB	Owned as of				Movement during the period			
	30.06.23	%*	31.12.22	%*	Acquired	Transfered	Change	%*
Boris Nemsic	0	0.00%	0	-	0	0	0	0.00%
Hans van Houvelingen	900	0.01%	900	0.01%	0	0	0	0.00%
Ivo Evgeniev	0	0.00%	501,661	4.01%	0	-501,661	-501,661	-4.01%
Total	**900**	**0.01%**	**502,561**	**4.02%**	**0**	**-501,661**	**-501,661**	**-4.01%**

** % of the registered share capital*

The observed change in the number of shares held by members of the SB fron December 31 2022 reflected the sale of 501,661 shares, representing 4.01% of the Company's registered capital by Ivo Evgeniev, pursuant to which the latter no longer held any shares in the Company as of June 30 2023.

V.7 Information on pending court cases, administrative and arbitration proceedings concerning receivables or payables equal or greater than 10% of the Issuer's equity

As of June 30 2023 and the date of this Report, there are no pending court, administrative or arbitrary proceedings to which the Company is party and/or concerning receivables or payables thereof in an amount equal or greater than 10% of its equity.

V.8 Loans granted by the Issuer or a subsidiary thereof, provided guarantees or undertaking of obligations towards a person or a subsidiary thereof, including related parties

V.8.1 Loans granted by the Company

As of June 30 2023 and during the reporting period as a whole, the Company remained party (lender) to the following agreements:

- a Cash loan agreement with TBS Croatia (UIN 081341811) (borrower) from September 21 2021 with a current maximum amount of EUR 1,500 thousand subject to revolving

utilization and repayment, a current tenor of December 31 2023, a current interest rate of 4% and outstanding receivables as of June 30 2023 including principal in the amount of EUR 918 thousand and accrued interest in the amount of EUR 3 thousand;
- a Cash loan agreement with TBS Romania (UIN J40/19800/2021) (borrower) from February 21 2022 with a current maximum amount of EUR 500 thousand subject to revolving utilization and repayment, a current tenor of December 31 2023, a current interest rate of 4% and outstanding receivables as of June 30 2023 including principal in the amount of EUR 400 thousand and accrued interest in the amount of EUR 8 thousand.

Obligations from the above loan agreements are unsecured.

V.8.2 Provided security and undertaking of liabilities by the Company

As of June 30 2023 and during the reporting period as a whole, the Company maintained its commitments of a guarantor, respectively pledgor under the following contracts signed as security to the obligations of TBS EAD (UIN 130545438) under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD from October 10 2019, extended with an annex from June 30 2023 with a total amount of the limits subject to utilization in cash of EUR 9 million and a total amount of all limits, including contingent bank credit for the issuance of guarantees, of EUR 13 million, and a utilization period until May 31 2024:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and the annexes thereto until their full repayment;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their full repayment.

As of June 30 2023, the Company also maintained:

- a corporate guarantee issued on July 01 2020 in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel (UIN 07554133) and Telelink Slovenia (UIN 6596240000) to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment terms, up to the amount of USD 5,100 thousand;
- a counter-guarantee issued on October 26 2020 securing the obligations of TBS Macedonia (UIN 7385986) in the amount of EUR 22,000 with regard to a contract with Operator Electrical Distribution Systems, North Macedonia, valid until November 10 2023;
- a corporate guarantee issued on February 15 2022 for the amount of EUR 56,554.95, securing the obligations of TBS Croatia (UIN 081341811) from operating lease agreements with Unicredit Leasing Croatia d.o.o.;
- a corporate guarantee issued on March 16 2022, securing the obligations of Telelink Slovenia (UIN 6596240000) under Framework Credit Agreement №. 5074/2022 with Unicredit Banka Slovenia d.d. for the amount of EUR 1,500,000;
- a corporate guarantee issued on June 28 2022, securing the obligations of TBS Croatia (UIN 081341811) under Framework Agreement for Bank Guarantees №. 0200126236 from June 27 2022 with Zagrebacka Banka d.d. up to the amount of HRK 1,500,000;

- a counter-guarantee issued on November 15 2022 for the amount EUR 9,000 securing a tender bid bond by TBS Romania (UIN J40/19800/2021) towards UM 02499 BUCHAREST (Ministry of Defence);
- bank guarantee issued on November 18 2022 for the amount of EUR 150,000, securing the obligations of TBS Macedonia (UIN 7385986) from a Credit line frame agreement with ProCredit Bank North Macedonia;
- a counter-guarantee issued on December 06 2022 for the amount of EUR 31,000, securing a tender bid bond by TBS Romania (UIN J40/19800/2021) towards UM 02499 BUCHAREST (Ministry of Defence);
- a corporate guarantee issued on March 01 2023, securing the obligations of TBS Croatia (UIN 081341811) under Overdraft Frame Agreement or Bank Guarantees №. 1102903942 from March 01 2023 with Zagrebacka Banka d.d. up to the amount of EUR 245,500.

V.8.3 Loans granted by subsidiaries

As of June 30 2023, the following agreements for loans granted by subsidiaries of the Issuer were in force:

- a Cash loan agreement between TBS EAD (lender) and Telelink Albania (UIN L91803017J) (borrower) from February 15 2021 with a maximum amount of EUR 500 thousand subject to revolving utilization and repayment, a current tenor of December 31 2023, a current interest rate of 4% and outstanding receivables as of June 30 2023 including principal in the amount of EUR 442 thousand and accrued interest in the amount of EUR 10 thousand;
- a Cash loan agreement between TBS EAD (lender) and TBS Macedonia (UIN 7385986) (borrower) from February 15 2021 with a current maximum amount of EUR 1,000 thousand subject to revolving utilization and repayment, a current tenor of December 31 2023, a current interest rate of 4% and outstanding receivables as of June 30 2023 including principal in the amount of EUR 150 thousand and accrued interest in the amount of EUR 33 thousand;
- a Cash loan agreement between TBS EAD (lender) and TBS USA (EIN 87-3192431) (borrower) from April 28 2022 with a current maximum amount of USD 1,000 thousand subject to revolving utilization and repayment, a current tenor of December 31 2024, a current interest rate of 4% and outstanding receivables as of June 30 2023 including principal equivalent to BGN 1,836 thousand and accrued interest equivalent to BGN 44 thousand.

Obligations from the above loan agreements are unsecured.

V.8.4 Provided security and undertaking of liabilities by subsidiaries

With regard to the annual renewal of a Loan agreement between Comutel and Raiffeisen Banka AD, Serbia with a credit limit subject to utilization in cash of USD 4,200 thousand, on January 16 2023, the suretyship agreement whereby TBS EAD has guaranteed the due performance of the respective obligations of Comutel was extended until January 31 2024.

With regard to an annex signed on April 05 2023 to an overdraft agreement between the Company and Raiffeisenbank (Bulgaria) EAD (now United Bulgarian Bank AD) for extending the availability period until january 20 2027 and the repayment deadline – until February 28 2027, an extension was also signed to the corresponding suretyship agreement with TBS EAD.

As of June 30 2023, TBS EAD had extended the following guarantees securing third-parties with regard to the implementation of projects by the Group:

Guarantee securing:	UIN	Guarantee Type	Amount (BGN)	End Date
DZZD Digital Backpack Consortium	180705429	performance	258,368.81	30.9.2024
Consortium Secure Borders Telesek DZZD	177158206	performance	39,152.25	30.12.2024
Consortium Secure Borders Telesek DZZD	177158206	performance	151,277.00	27.2.2026
Consortium Systel DZZD	177424500	performance	212,121.21	29.10.2023
Consortium Systel DZZD	177424500	performance	710,000.00	1.9.2024
Consortium Systel DZZD	177424500	performance	73,966.80	31.12.2023
Consortium Telelink Group DZZD	177239104	performance	66,238.86	17.6.2024
Technolink Consortium DZZD	177359593	performance	28,834.89	31.8.2023
TBS Macedonia	7385986	performance	378,453.12	31.7.2023
TBS Macedonia	7385986	performance	1,513,812.50	31.7.2023
TBS Macedonia	7385986	counter-guarantee	135,433.97	15.10.2024
TBS Croatia	81341811	performance	260,777.35	1.2.2024
CONSORTIUM TELESEK DZZD	180851327	performance	1,260,409.00	1.4.2028
CONSORTIUM TELELINK-INFO DZZD	177133772	performance	21,040.00	31.7.2024
Consortium "TBS" - North Macedonia	n/a	tender bid bond	15,646.64	10.10.2024
Consortium "TBS" - North Macedonia	n/a	tender bid bond	20,536.22	19.12.2023

VI INFORMATION ON LARGE TRANSACTIONS WITH RELATED PARTIES AS PER ART. 12, PAR. (3), PURSUANT TO ART. 13, PAR. (1) OF ORDINANCE 2 OF THE FSC

VI.1 Transactions with related parties singed during the reporting period with a substantial impact on the Company's and the Group's financial condition or operating results for that period

During the reporting period, the Company and TBS EAD maintained their contract for the rental of equipped workplaces signed on November 1 2019. The Company's corresponding expenses for the period amounted to BGN 63 thousand.

As of June 30 2023, the Company maintained the agreement s signed with its subsidiaries on April 12 2022 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 and product positioning, PR and marketing activities and the popularization of their business, valid until December 31 2024:

- Agreement between the Company and TBS EAD, whereunder services provided for the reporting period amounted to BGN 949 thousand;
- Agreement between the Company and Comutel, whereunder services provided for the reporting period amounted to BGN 0.24 thousand;
- Agreement between the Company and Telelink Albania, whereunder services provided for the reporting period amounted to BGN 0.30 thousand;
- Agreement between the Company and TBS Macedonia, whereunder services provided for the reporting period amounted to BGN 0.16 thousand;

- Agreement between the Company and Telelink Slovenia, whereunder services provided for the reporting period amounted to BGN 0.16 thousand;
- Agreement between the Company and TBS Croatia, whereunder services provided for the reporting period amounted to BGN 0.72 thousand;
- Agreement between the Company and TBS Romania, whereunder services provided for the reporting period amounted to BGN 3.12 thousand;
- Agreement between the Company and TBS USA, whereunder services provided for the reporting period amounted to BGN 3.30 thousand;
- Agreements between the Company and Bosnia and TBS Montenegro, whereunder there were no services were provided during the reporting period.

On June 20 2023, the MB approved the annual financial statements and report on the activities of TBS EAD for 2022 and resolved upon the distribution of a dividend of BGN 2,933,745.00 from the subsidiary's profit for 2022.

On June 30 2023, the MB approved the annual financial statements for 2022 of Comutel, Telelinik Bosnia, TBS Montenegro, Telelink Slovenia, Telelink Albania, TBS Macedonia, TBS Croatia, TBS Romania, TBS Germany and TBS USA and resolved upon the distribution of dividends towards TBSG in the total amount of EUR 100,000.00, including EUR 70,000.00 from Comutel and EUR 30,000.00 from Telelink Slovenia.

VI.2 Changes in signed transactions with related parties reported in the annual financial statements with a substantial impact on the Company's and the Group's financial position or operating results during the reporting period

There were no changes in the contracts signed between the Company and related parties reported as of December 31 2022, other than those referred to in this Report.

VII IMPORTANT EVENTS AFTER THE DATE OF THE INTERIM FINANCIAL STATEMENTS

On July 05 2023, a Cash loan agreement was signed between the Company (lender) and TBS EAD (UIN 130545438) (borrower) with a limit of BGN 3,000 thousand subject to revolving utilization and repayment, a tenor of December 31 2023 and an interest rate of 4% p.a. over the utilized part of the loan.

On July 10 2023, a Cash loan agreement was signed between the Company (lender) and TBS Germany (UIN 299685098) (borrower) with a limit of EUR 500 thousand subject to revolving utilization and repayment, a tenor of December 31 2023 and an interest rate of 4% p.a.

Effective from July 07 2023, Teodor Dobrev was replaced as an authorized representative of TBS USA by Helge Brummer.

On July 28 2023, in compliance with a Long-term Incentive Plan based on Company shares for the period of 2020-2022, Group employees received a net number of 20,343 shares.

On August 10 2023, the trade register of the Federal Republic of Germany entered an increase in the registered capital of TBS Germany from EUR 25 thousand to EUR 100 thousand.

telelink business services

On August 24 2023, the Company (lender) and TBS Germany (borrower) signed a Cash loan agreement for a maximum amount of EUR 290 thousand, subject to one-time utilization for the purpose of purchasing equipment to be provided to clients under contracts for managed services, with a tenor of 5 years from the date of drawdown and an interest rate of 4% p.a., subject to change in case of significant variance in EURIBOR.

An Extraordinary GMS was held on August 28 2023. Information on the adopted resolutions and all materials are available on http://www.x3news.com/ and on the Company's web page at: https://www.tbs.tech/general-meetings-of-shareholders/.

29.08.2023

Sofia

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2023.08.30 16:48:13 +03'00'

Ivan Zhitiyanov, TELELINK BUSINESS SERVICES GROUP AD