EXPLANATORY NOTES

BY "TELELINK BUSINESS SERVICES GROUP" AD

as of the end of the THIRD QUARTER OF 2023 as per art. 100o[1], par. 2, with regard to art. 100o[1], par. 4, p. 2 and par. 5 of the POSA and art.15, with regard to art. 14 of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission of securities to trading on a regulated market (Ordinance 2)

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Business profile

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

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

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

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

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

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

As of September 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 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 September 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 (including 23,500 shares acquired in the first half of 2023 and 6,030 shares acquired in previous periods) and the transfer of 20,343 shares to employees in the ended quarter in accordance with a bonus plan from 2020, as of September 30 2023, the Company held 9,187 own shares representing 0.07% of its registered capital.

I.3 Governance

The Company has a two-tier board system.

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

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

As of September 30 2023, the Company's Supervisory Board (the SB) features three members, including:

- Hans van Houwelingen – Chairman of the SB (elected in this capacity on an SB meeting from September 18 2023 after being reelected as an independent member on an extraordinary GMS held on August 28 2023);
- Florian Huth – Vice-chairman of the SB (elected in this capacity on an SB meeting from September 18 2023 after being elected as a member on an extraordinary GMS held on August 28 2023);

- Lyubomir Mihaylov Minchev – member of the SB (elected in this capacity on an extraordinary GMS held on August 28 2023);
- William Anthony Bowater Russell – independent member of the SB (elected in this capacity on an extraordinary GMS held on August 28 2023);
- Boris Nemsic – independent member of the SB (reelected in this capacity on an extraordinary GMS held on August 28 2023).

I.4 Public Information

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

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

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

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

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

II INVESTMENT PORTFOLIO

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

As of September 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.

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

As of September 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.

III IMPORTANT EVENTS DURING THE REPORTING PERIOD

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

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

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

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

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

On February 23 2023, an annex was signed to the agreement between TBS Croatia and Zagrebska banka from June 27 2022 for the issuance of bank guarantees, whereby the agreement's term was extended until February 29 2024.

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

On March 01 2023, the Company extended a corporate guarantee for the amount of EUR 245,500 thousand securing the obligations of TBS Croatia with regard to the subsequent signing of an overdraft agreement with Zagrebska banka d.d.

On March 01 2023, a frame overdraft agreement was signed between TBS Croatia and Zagrebska banka d.d. with a tenor of 12 months, a maximum amount of EUR 245,500 and an interest rate of 3-month EURIBOR plus 0.39% p.a.

On March 06 2023, a contract was signed between TBS EAD and Consortium TELESEC DZZD with regard to the execution of a contract with the Ministry of Interior with the subject matter of "Implementation of an National intelligent security system by upgrading the Integrated automated security system", whereby TBS EAD will deliver to the Consortium equipment and services with a total value of up to BGN 19,163 thousand.

On April 05 2023, an annex was signed to the overdraft agreement between the Company and Raiffeisenbank (Bulgaria) EAD (now UBB AD), as pre-approved by an MB resolution from March 31 2023, whereby terms were extended as follows:

- Overdraft credit with a repayment deadline until February 28 2027;
- Contingent bank credit securing the issuance of guarantees available for utilization until January 28 2027.

On April 07 2023, the Company provided a corporate guarantee for the amount of EUR 900 thousand to secure the obligations of TBS Croatia from its agreement for the issuance of bank guarantees with Zagrebska banka from June 27 2022.

On April 07 2023, an annex was signed to the agreement between TBS Croatia and Zagrebska banka from June 27 2022 for the issuance of bank guarantees, whereby the limit was raised from HRK 1,500,000 (EUR 199 thousand) to EUR 900 thousand.

On May 17 2023, TBSG AD published an invitation to convene a Regular General Meeting of Shareholders, which will be held on June 21 2023. The invitation and all materials thereto are available on the Company's web page at the following address: https://www.tbs.tech/general-meetings-of-shareholders/.

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.

On May 31 2023, Annex №9 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 was signed between Unicredit Bulbank AD and TBS EAD in its capacity of Borrower, Pledgor and Security Provider under the terms of the Law on Financial Security

Agreements, under which agreement TBSG AD is Pledgor and Guarantor, whereby the agreement's utilization term was extended until June 30 2023.

On June 20 2023, the MB of TBSG AD approved the annual financial statements and management report of TBS EAD for 2022 and a resolution was adopted to distribute dividend out of the company's profit for 2022, in the amount of BGN 2,933,745.00.

On June 30, the MB of TBSG AD approved the annual financial statements and for 2022 of Comutel, Telelink Bosnia, TBS Montenegro, Telelink Slovenia, Telelink Albania, TBS Macedonia, TBS Croatia, TBS Romania, TBS Germany and TBS USA and a resolution was adopted to distribute dividend towards TBS AD in the total amount of EUR 100,000, including EUR 70,000.00 from Comutel and EUR 30,000.00 from Telelink Slovenia.

On June 30 2023, Annex №10 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 was signed between Unicredit Bulbank AD and TBS EAD in its capacity of Borrower, Pledgor and Security Provider under the terms of the Law on Financial Security Agreements, under which agreement TBSG AD is Pledgor and Guarantor, whereby the agreement's utilization term was extended until May 31 2024 and the following amended amounts of the sublimits making part of the total limit of EUR 15,000,000 were established:

- Overdraft credit up to EUR 4,000,000 available for utilization until May 31 2024 with a repayment deadline until July 31 2024;
- Revolving credit up to EUR 5,000,000 available for utilization until May 31 2024 with a repayment deadline until May 31 2024;
- Contingent bank credit for the issuance of bank guarantees up to EUR 15,000,000, available for utilization until June 30 2031;
- Extension of the term for letter of credit until May 15 2025.

On June 30 2023, Annex №6 to the Suretyship Agreement from October 10 2019 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 was signed between TBS EAD in its capacity of Borrower and Unicredit Bulbank AD, under which agreement TBSG AD is a Guarantor, whereby the term was extended until May 31 2024 and the amount of the limit was raised to EUR 15,000,000.

On June 30 2023, with regard to the implementation of a Plan for the motivation of employees with shares of TBSG AD for 2020, the MB carried out a performance evaluation and determined the total number of shares in the Company's capital to be transferred to the employees entitled to participate therein. In accordance with the Plan, the maximum total number of shares was 42,400, whereas, based on the actual performance of the embedded criteria, participants in Plan were granted 20,343 shares.

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, 20,343 shares were transferred effectively to Group employees.

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.

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/.

On September 18 2023, the SB adopted a resolution to convene an extraordinary General Meeting of Shareholders to be held on November 21 2023. Information on the agenda and all materials are available on http://www.x3news.com/ and the Company's web page at: https://www.tbs.tech/general-meetings-of-shareholders/.

On September 30 2023, the MB resolved to distribute a dividend of BGN 2,933,745 out of the retained earnings of TBS EAD for 2022.

IV RISKS FACED BY THE COMPANY AND THE GROUP

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

IV.1 Systemic Risks

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

IV.1.1 Political risk

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

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

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

IV.1.2 Macroeconomic risk

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

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

IV.1.3 Currency risk

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

Presently, Bulgaria maintains a currency board system, based on a fixed Euro / Lev exchange rate. The Euro has also been adopted as a benchmark for managed floating, fixing base or local currency in 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.

IV.1.4 Interest risk

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

In the context of the anti-inflation measures 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.

IV.1.5 Credit risk

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

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

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

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

IV.1.7 Risks related to imperfections of the legal system

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

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

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

IV.2.1 Risks relative to the business strategy and growth

IV.2.1.1 Inappropriate business strategy

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

IV.2.1.2 Insufficient management capacity and increased growth management costs

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

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

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

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

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

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

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

IV.2.2 Risks relative to human resources and managerial staff

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

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

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

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

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

IV.2.3 Risks relative to the market environment and competition

IV.2.3.1 Slowdown or unfavourable trends in demand

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

IV.2.3.2 Regulatory changes unfavourable to market demand

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

IV.2.3.3 Intense competition

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

IV.2.3.4 Unfair competition

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

IV.2.4 Risks relative to public procurement

IV.2.4.1 Delayed tendering and implementation

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

Factors that can lead to a delay at the aforementioned key stages include current and future changes in managerial and expert staff in the context of local and/or central elections, the appointment of temporary authorities and other factors, which may result in the postponement of decisions and executive action.

Delays may also arise as a result of appeals filed by competitors against tendering procedures announced or the results thereof. Regardless of their merits, considering the applicable statutory hearing terms, appeals result in more or less significant delays in tenders and the award of contracts for their implementation.

IV.2.4.2 Competition for public procurement

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

IV.2.5 Concentration risks

IV.2.5.1 Adverse changes in key client relationships

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

IV.2.5.2 Adverse changes in relationships with key technological partners

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

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

IV.2.6.1 Time and cost of adpating to new technologies

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

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

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

IV.2.6.3 Delayed adoption of new technologies by the clients

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

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

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

IV.2.7 Risks relative to long-term contracts

IV.2.7.1 Cost of commitments for regular service and support

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

IV.2.7.2 Early termination

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

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

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

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

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

IV.2.8 Financial risks

IV.2.8.1 Currency risk

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

IV.2.8.2 Interest rate risk

The Group is exposed to the risk of increase in market interest rates mainly with regard to the use of overdraft limits and revolving credit lines in Bulgaria, Serbia and Slovenia based on 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.

IV.2.8.3 Liquidity risk

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

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

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

IV.2.8.5 Credit risk

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

IV.2.8.6 Asset impairment risk

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

IV.2.9 Operational risks

IV.2.9.1 Deviations in processes and quality of service

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

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

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

IV.2.9.3 Assuring compliance with standards and norms

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

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

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

IV.2.10 Other risks

IV.2.10.1 Litigation risk

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

IV.2.10.2 Risks relative transactions with related parties

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

IV.2.10.3 Cyber attacks

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

IV.2.10.4 Force majeure

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

IV.3 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.

V PRESENTED INFORMATION ON THE GROUP'S ACTIVITIES WITH AN IMPACT ON FINANCIAL RESULTS AS OF SEPTEMBER 30 2023

Financials (BGN thousand)	(period end)		change
	30.09.2023	*30.09.2022*	
Net sales revenue	**110,840**	**107,240**	**3%**
Operating Expenses	-102,815	-98,332	5%
Other Operating Income/(Expenses) (net)	173	71	102
Operating Profit	**8,198**	**8,979**	**-9%**
Financial Income/(Expenses) (net)	-722	64	-786
Income Tax Expense	-1,125	-1,329	-15%
Net Profit	**6,351**	**7,714**	**-18%**
Depreciation & Amortization Expenses	-2,972	-2,310	29%
Interest Income/(Expenses) (net)	-309	-79	291%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**10,757**	**11,432**	**-6%**
	30.09.2023	*31.12.2022*	
Total Assets	**101,046**	**78,390**	**29%**
Non-current Assets	24,577	17,544	40%
Current Assets	76,469	60,846	26%
Equity	**23,809**	**17,763**	**34%**
incl. Retained Earnings and Profit for the Year	24,212	17,861	36%
Total Liabilities	**77,237**	**60,627**	**27%**
Non-current Liabilities	15,181	8,619	76%
Current Liabilities	62,056	52,008	19%
Cash & Cash Equivalents	**6,477**	**14,828**	**-56%**
Total Financial Debt*	**12,072**	**3,093**	**290%**
Net Financial Debt**	**5,595**	**-11,735**	**17,330**
	30.09.2023	*30.09.2022*	
Net Cash Flow from Operating Activities	**-12,816**	**4,962**	**-17,778**
Net Cash Flow from Investment Activities	**-2,723**	**-2,679**	**-44**
Net Cash Flow from Financing Activities	**7,188**	**-238**	**7,426**

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

Ratios	(period end)		change
	30.09.2023	*30.09.2022*	
Operating Margin	7.4%	8.4%	-1.0%
Net Margin	5.7%	7.2%	-1.5%
EBITDA Margin	9.7%	10.7%	-1.0%
	30.09.2023	*31.12.2022*	
Current Ratio	1.23	1.17	0.06
Equity / Total Assets	24%	23%	1%
Financial Debt / Total Assets	12%	4%	8%
	30.09.2023	*30.09.2022*	
Average Return on Assets (ROA)	7.1%	-	-
Average Return on Equity (ROE)	30.6%	-	-

V.1 Revenue, costs and profitability

V.1.1 Revenues

Reaching BGN 110,840 thousand, consolidated net sales revenue for the ended nine-month period registered a slight increase by 3% over the same period of 2022.

Maintaining their leading part in the formation of Group revenues with a growing share of 70% (comparing to 63% for the first nine months of 2022), sales realized by TBS EAD also registered significant growth by 15%[1]. While stemming mostly from projects in the Bulgarian public sector, this positive development also included growing sales to local and international corporate clients outside the telecom realm, which compensated the decrease in revenues from traditional accounts in the telecom sector.

Strongly positive development was also observed in the revenues of TBS Croatia, which increased more than 4 times against the same period of 2022 with the implementation of first large deliveries in all main sectors, after the launch and gradual deployment of its activities in the course of the previous two years. As a result, the company reached a share of 6% of consolidated sales (comparing to just 2% in the first nine months of 2022).

In spite of their still limited contribution to consolidated sales (2%, similar to their 1% share for the first nine months of 2022), combined sales from the South-Western Balkans region also exhibited a positive change, scoring significant relative growth of 87%[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.

Against the background of the above positive trends, the leading factor limiting the Group's growth in the reporting period were 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 nine months of 2022. In spite of the positive development in TBS Croatia, the above factors led to a total decrease in sales from region Mid-Western Balkans (including TBS Croatia) by 22%[1] and a decreasing combined share of the latter in consolidated sales (27%, comparing to 36% for the same period of 2022).

During the reporting period, the Group also realized first small sales in TBS Romania and TBS Germany. Together with the also small, yet growing revenues in TBS USA and the expanding activities of TBS Croatia, the new regional subsidiaries started in the period 2021-2023 exhibited 338% of growth above the first nine months of 2022, reaching an overall share of 7% of consolidated revenues.

V.1.1.1 Revenues by main categories of products and services

Favored by big new projects in the Bulgarian public sector and growing revenues from international clients at TBS EAD, Enterprise Connectivity revenues registered nearly double growth of 95%, reaching BGN 35,424 thousand, and stood out as the most positive factor behind the development of consolidated sales during the period. Accordingly, this technology group accounted for a growing share of 32% in the product structure of revenues for the ended nine-month period (comparing to 17% for the same period of 2022).

Against the low revenues for the first nine months of 2022, sales of Computers and Perpherals (BGN 7,773 thousand) registered more than fivefold growth owing to the substantial deliveries realized in the current period in Bulgaria and Croatia, spanning all main sectors. In spite of its significantly increased share of 7%

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

(comparing to just 1% for the same period of 2022), this line of business continued to play a rather complementary part in the formation of consolidated sales.

A strongly positive development was also observed in Modern Workplace sales (line of business (BGN 15,331 thousand), which increased by 44% mainly owing of the implementation of significant new public projects in Croatia and North Macedonia, as well as to extended deliveries to an existing client from the Bulgarian public sector. With a growing share of 14% (comparing to 10% for the same period of 2022), this technology group ranked among the main sources of consolidated revenues for the ended non-month period.

Substantially less sizable but also positive growth was also observed in Public Cloud sales (BGN 1,325 thousand), which continued to stem mostly from the Group's activities in Bulgaria. Maintaining a share of 1%, this technology group remained of limited importance to the formation of consolidated sales.

Product Group	Net Sales Revenue (BGN thousand)				
	30.9.2023	30.9.2022	change	share 30.9.23	share 30.9.22
Service Provider Solutions	18,169	28,164	-35%	16%	26%
Enterprise Connectivity	35,424	18,144	95%	32%	17%
Private Cloud	18,960	21,212	-11%	17%	20%
Public Cloud	1,325	1,016	30%	1%	1%
Modern Workplace	15,331	10,619	44%	14%	10%
Computers and Peripherals	7,773	1,462	5.3x	7%	1%
Application Services	2,633	11,626	-77%	2%	11%
Hyperautomation	143	466	-69%	0%	0%
Information Security	10,197	11,104	-8%	9%	10%
IoT	461	862	-46%	0%	1%
Other	423	2,566	-84%	0%	2%
Total	**110,840**	**107,240**	**3%**	**100%**	**100%**

In the context of the general decrease in sales to the telecom sector referred to in section V.1.1 above, revenue from Service Provider Solutions (BGN 18,169 thousand) decreased by 35%, descending to the third place in the product structure of sales for the ended nine-month period with a share of 16%, as opposed to their leading share of 26% for the same period of 2022.

As they also accounted for a significant part of the sales of data center technologies in the first nine months of 2022, decreasing sales to telecom operators during the reporting period also affected negatively the Private Cloud technology group. Notwithstanding the partial compensation of the latter impact with their growing sales within public projects realized in the current period in Bulgaria and North Macedonia, revenue from this line of business (BGN 18,960 thousand) decreased by 11% and, maintaining its second place in the structure of consolidated sales with a decreasing share of 17% (comparing to 20% for the same period of 2022).

While also registering a moderate 8% decrease against the first nine months of 2022, when the Group also realized more substantial complementary sales in Serbia and North Macedonia, revenue from Information Security solutions (BGN 10,197 thousand) continued to include a relatively broad palette of large, medium and small projects in the Bulgarian public and corporate sectors and complementary revenues from telecom operators, and maintained a consistent share of 9% of consolidated revenues (comparing to 10% in the first nine months of 2022).

In spite of generating substantial revenues from the Bulgarian public sector in the third quarter, Application Services still registered a significant 77% drop in sales for the ended nine-month period (BGN 2,633 thousand) against the same period of 2022, when TBS EAD realized a much larger public project in this domain, and had a much more limited contribution to consolidated sales (2%, as compared to 11% for the first nine months of 2022).

Registering more or less significant drops, the recently introduced and still developing Hyperautomation and IoT technology groups and revenues from other products and services had relatively insignificant individual shares of less than 0.5% of consolidated sales for the ended nine-month period.

V.1.1.2 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	30.9.2023	30.9.2022	change	share 30.9.2023	share 30.9.2022
Bulgaria	71,741	62,468	15%	65%	58%
Serbia	12,935	20,138	-36%	12%	19%
Croatia	8,099	3,099	161%	7%	3%
Slovenia	4,384	6,433	-32%	4%	6%
Bosnia and Herzegovina	2,818	4,537	-38%	3%	4%
North Macedonia	2,424	1,219	99%	2%	1%
Germany	2,056	1,038	98%	2%	1%
United States of America	1,427	1,354	5%	1%	1%
Albania	399	279	43%	0%	0%
Romania	213	221	-4%	0%	0%
Montenegro	173	65	165%	0%	0%
Other	4,171	6,387	-35%	4%	6%
Bulgaria	71,741	62,468	15%	65%	58%
Mid-Western Balkans	28,409	34,273	-17%	26%	32%
South-Western Balkans	2,904	1,520	91%	3%	1%
Other Balkan Markets	1,341	4,489	-70%	1%	4%
Central & Western Europe	4,898	3,052	60%	4%	3%
Other Markets	1,547	1,438	8%	1%	1%
Total	**110,840**	**107,240**	**3%**	**100%**	**100%**

** By receiving country.*

In accordance with the development of revenues at TBS EAD described in V.1.1 above, the Group registered a substantial 15% increase in revenues realized on the territory of Bulgaria (BGN 71,741 thousand), as well as of sales to international clients from Central and Western Europe (BGN 4,898 thousand), which grew by 60% against the first nine months of 2022. In terms of relative contribution to consolidated revenues, the Bulgarian market continued to lead the territorial mix with a growing share of 65% (comparing to 58% in the first nine months of 2022), while deliveries to Central and Western Europe attained a combined share of more than 4% (comparing to less than 3% in the first nine months of 2022).

Adding sales to clients on Other markets (growing 8% up to BGN 1,547 thousand or over 1% of consolidated revenues and derived mostly from the USA), total deliveries outside the Balkan region reached a share of 6% (comparing to 4% for the first nine months 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 17% to BGN 28,409 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 V.1.1 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 1,341 thousand) by 70% against the first none months of 2022. In terms of their relative contribution to consolidated revenues, the two territorial segments registered decreasing respective shares of 26% and only 1%, comparing to 32% and 4% in the first nine months of 2022.

Reflecting the developments observed in North Macedonia and Albania referred to in section V.1.1 combined sales to region South-Western Balkans (BGN 2,904 thousand) grew by 91%, accounting for a still limited but growing share of 3% of consolidated revenues (as compared to 1% in the first nine months of 2022).

V.1.2 Expenses and profitability

In parallel with growth in revenues, consolidated operating expenses (BGN 102,815 thousand) increased by 5% against the first nine months of 2022. The main factors behind registered growth were the cost of external services and remuneration and social security expenses reflecting the growing sales of services and the ongoing expansion of personnel and administrative and marketing activities related to the strategic goals and initiatives for business development and growth, including among others the due diligence and negotiations for the acquisition of other companies on the Balkans, the development of TBS Croatia and TBS Romania and the formation of teams in Germany and the USA started in the third quarter of the year. Compensating in part the above increases, balancing cost factors during the period included the decrease in the balance sheet value of assets sold, reflecting the higher average profitability of the resale of goods in the context of lower turnovers in the Mid-Western Balkans region and growth in typically more profitable sales in Bulgaria, and the multiple increase in the cost-reducing adjustment for growth in production stocks and work in progress, corresponding to the significant increase in inventories reported in section V.2.1.

Notwithstanding the positive effect of the increase in net other operating income (BGN 173 thousand) by BGN 102 thousand as a result of the income from government grants realized in the current period under development programs of the EU, the faster growth in operating expenses as compared to revenues led to a decrease in consolidated operating profit by 9% or BGN 781 thousand against the same period of 2022 to BGN 8,198 thousand, with a corresponding decrease in the operating margin from 8.4% to 7.4%.

Accounting for the opposite effects of growing depreciation and amortization (increased by BGN 662 thousand to BGN 2,972 thousand) and the net foreign exchange loss realized during the period (BGN 239 thousand, representing a negative change by BGN 555 thousand against the net gain for the first nine months of 2022), consolidated EBITDA registered a smaller but nonetheless substantial decrease by BGN 675 thousand or 6% against the first nine months of 2022, reaching to BGN 10,757 thousand, with a consequent decrease in the corresponding margin from 10.7% to 9.7%.

Reflecting both the above-mentioned negative change in the net result from foreign currency operations and an increase in net interest expenses by BGN 230 thousand to BGN 309 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 722 thousand recorded in the current period represented a substantial negative change of BGN 786 thousand against the net financial income recorded in the first nine months of 2022.

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 substantial drop of BGN 1,363 thousand or 18% against the first nine months of 2022, contracting to BGN 6,351 thousand, with a corresponding decrease in the net profit margin from 7.2% to 5.7%.

V.2 Assets, liabilities and equity

V.2.1 Assets

Reaching a total of BGN 101,046 thousand, consolidated assets reported as of September 30 2023 grew by BGN 22,656 thousand or 29% 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 15,623 thousand or 26% up to BGN 76,469 thousand included more than triple growth in inventories along the lines of goods and work in progress and a more than 50% increase in receivables clients and suppliers observed mostly in TBS EAD in relation to large forthcoming deliveries and projects in the process of implementation and significant deliveries made in August and September under another big projects in Bulgaria. Consequent to these increases, The Group registered substantial growth in net working capital, the funding of which (including both credit lines and significant own funds) led to a decrease in cash and cash equivalents by BGN 8,351, to a period-end balance of BGN 6,477 thousand.

For its part, the registered increase in non-current assets by BGN 7,033 thousand or 40% up to BGN 24,578 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.

V.2.2 Liabilities

In parallel with assets, consolidated liabilities registered a similar increase by BGN 16,610 thousand or 23% from December 31 2022, ending the period at BGN 77,237 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 6,562 thousand or 76% up to BGN 15,181 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 liabilities recognized with regard to operating leases and rentals reached BGN 3,307 thousand (which do not represent financial debt, as opposed to residual obligations from finance lease agreements, which decreased to just BGN 9 thousand).

In spite of the substantial increases in payables to suppliers and clients and advances received at TBS EAD, their growth remained substantially inferior as compared to inventories and receivables. In this context, the observed significant increase in current liabilities by BGN 10,048 thousand or 19% up to BGN 62,065 thousand stemmed predominantly from growing loan obligations reflecting funds utilized to finance net working capital growth in Bulgaria, accounting for which consolidated credit line obligations (including also Serbia and Slovenia) reached BGN 12,042 thousand. Besides the latter, the Group continued to account decreasing short-term obligations from finance lease contracts (BGN 21 thousand), as well as current liabilities from rental and operating lease contracts booked as per IFRS 16 (BGN 667 thousand), which do not represent financial debt.

V.2.2.1 Financial Debt

Summing the above loan obligations (BGN 12,042 thousand) and finance lease liabilities (totaling BGN 30 thousand), consolidated financial debt as of September 30 2023 amounted to BGN 12,072 thousand, showing a nearly fourfold increase by 290% or BGN 8,979 thousand from previous year end and reaching ratios of 12%

of total assets and 16% of total liabilities, substantially higher than those reported as of December 31 2022 (4% and 5%).

Accounting for the lower balance sheet value (BGN 6,477 thousand) and significant decrease in cash and cash equivalents by BGN 8,351 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 17,330 thousand, reaching BGN 5,595 thousand.

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

V.2.3 Equity

In the absence of dividend distributions out of the Group, consolidated equity registered a significant increase by BGN 6,046 thousand or 34% from the end of 2022 reflecting mostly current profit for the ended nine months period, reaching BGN 23,809 thousand.

As of period end, the Company maintained unchanged its 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 its subsidiaries continuing to amount to a total of consolidated general reserves of BGN 1,352 thousand.

Showing a total reduction of BGN 305 thousand mainly as a result of the buyback of 23,500 own shares at the cost of BGN 224 thousand during the period with regard to the fulfillment of obligations from programs for the stimulation of employees and the MB, the rest of the Group's capital reserves reached a total value of (-) 14,255 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, specialized currency translation reserves and other effects from share-based 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 September 30 2023 reached BGN 24,212 thousand.

Accounting for the higher growth rate of equity as compared to total assets, the Group registered a moderate increase in its balance sheet capitalization (the ratio of equity to total assets) to 24% (comparing to 23% as of the end of 2022).

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

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

As of September 30 2023, Group companies have made the following transactions with related parties outside the Group:

Operating Activities (BGN thousand)	Sales to related parties	Purchases from related parties
Other related parties (under common control)	465	1,704
Total	**465**	**1,704**
Operating Activities (BGN thousand)	**Receivables from related parties**	**Payables to related parties**
Other related parties (under common control)	3,872	1,098
Total	**3,872**	**1,098**

Joint operations

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

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

Operating Activities (BGN thousand)	Sales	Purchases
Participation in joint operations (consortia)	6,910	0
Operating Activities (BGN thousand)	**Receivables**	**Payables**
Participation in joint operations (consortia)	3,454	0

VII INFORMATION ABOUT SUBSTANTIAL RECEIVABLES AND PAYABLES FOR THE REPORTING PERIOD

In addition to the information on substantial receivables and payables listed in sections III and VI of this Notification, during the period of January 01 – September 30 2023, the Company also maintained certain commitments with regard to extended corporate and bank guarantees.

As of September 30 2023, such commitments in force included:

- 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;
- 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;
- 3 bank guarantees issued on August 30 2023, each for the amount of RON 6,000, securing a bid bond by TBS Romania (UIN J40/19800/2021) with regard to its participation in three lots of a tender by UM 02499 BUCUREȘTI (Ministry of Defense);
- a bank guarantee issued on October 05 2023 for the amount of RON 7,000, securing the good performance of TBS Romania (UIN J40/19800/2021) under a contract with BUCHAREST MUNICIPALITY;
- a bank guarantee issued on October 30 2023 for the amount of RON 7,000 румънски лея, securing a bid bond by Consortium TBS, including as partners TBS Romania (UIN J40/19800/2021) and TBS EAD (UIN 130545438), in a tender by DIRECTORATE OF INTERNAL PROTECTION - Romania;
- a counter-guarantee issued on October 24 2023 for the amount of EUR 664,163.28, securing the good performance of TBS EAD (UIN 130545438) under a contract with NCI Agency – NATO.

VIII IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On October 18 2023, the MB resolved upon the preliminary approval of a contract between TBS EAD and Consortium SYSTEL" DZZD with regard to the implementation of a contract with Executive Agency "E-government Infrastructure", subject matter: "Extended post-warranty service support of the State's Hybrid Private Cloud (SPHC) and secure internet node for public e-government services", Item №1: "Extended post-warranty support of the technical equipment in SHPC, according to which equipment deliveries will be made to the consortium, which exceed the threshold of 5% of the value of the subsidiary's assets as reflected on the latest audited balance sheet as of December 31 2022, taking into consideration the participation of an interested party in the transaction.

Effective from October 20 2023, Gojko Martinovic was replaced in his capacity of a registered representative of Comutel by Bobi Cvetkovski.

On October 25 2023, the Company issued a counter guarantee for the amount of EUR 664,163.28 securing the obligations of TBS EAD towards NCI AGENCY (NATO) with regard to a contract for the delivery of equipment and services, valid until November 15 2025.

Effective from November 09 2023, a change was entered in the representative powers of Telelink Slovenia, with the company being therefore represented either severally by Tomislav Kosanovic, or jointly by Gojko Martinovic and Tomislav Kosanovic.

Effective from November 14 2023, Sanda Kovacevic was replaced in her capacity of a registered representative of Telelink Bosnia by Bobi Cvetkovski.

Effective from November 16 2023, Igor Pekic was replaced in his capacity of a registered representative of Telelink Bosnia by Bobi Cvetkovski.

On November 20 2023, the Company issued a corporate guarantee for the amount of USD 3 million securing the obligations of Comutel towards Comtrade Distribution d.o.o. Beograd with regard to a contract for the delivery of equipment and software licenses, valid until December 31 2024.

On November 21 2023 the GMS resolved upon changing the composition of the Company's SB, whereby Lyubomir Minchev and Boris Nemsic were replaced by Ivo Evgeniev and Wolfgang Werner Friedrich Ebberman. Information on the adopted resolutions and materials are available on http://www.x3news.com/ and on the Company's web page, at: https://www.tbs.tech/general-meetings-of-shareholders/.

On November 25 2023, the Company issued a bank guarantee for the amount of EUR 300,000 securing the obligations of TBS Macedonia with regard to an agreement for overdraft and bank guarantees with ProCredit North Macedonia, valid until May 31 2025.

Sofia, November 29 2023

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2023.11.29 15:24:11 +02'00'