Telelink Business Services Group AD

Consolidated Financial Statements
and
Consolidated Management Report

As of 31st December 2023

Supervisory Board (SB)

Wolfgang Ebberman – Chairman of the (from 30th November 2023);
Florian Huth – Vice-chairman of the SB (from 18th September 2023);
Hans van Houwelingen – independent member of the SB (from 28th August 2023);
Ivo Evgeniev Evgeniev – Member of SB (from 21st November 2023);
William Anthony Bowater Russell – independent member of the SB (from 28th August 2023);

Management Board (MB)

Ivan Zhitiyanov – Chair of MB and Executive Director;
Teodor Dobrev – member of MB;
Orlin Rusev – member of MB;
Nikoleta Stanailova - member of MB;
Desislava Torozova – member of the MB (elected in this capacity in substitution of Gojko Martinovic as per SB resolution from 15th December 2023).

Audit Committee

Jordanka Klenovska – mandate until 19th September 2026;
Anelia Angelova - Tumbeva - mandate until 19th September 2026;
Todor Stefanov – mandate until 19th September 2026;

Head office and registered Office

Vitosha region, v.z. Malinova Dolina,
Ushlinova St. 2, Garitage Park, building 1, floor 4 ,
Sofia 1766

Servicing banks

Unicredit Bulbank AD
KBC Bank Bulgaria AD

Legal consultants

Consult 2002 EOOD
42, Alabin St. fl. 2
Sofia

Auditors

Ernst & Young Audit OOD
Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., fl. 4
1124 Sofia

CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December

	Notes	*2023 BGN'000*	*2022 BGN'000*
Revenue	8	185,258	155,163
Cost of sales	11	(148,520)	(124,589)
Gross profit		36,738	30,574
Other operating income	12	455	226
General and administrative expenses	9, 11	(10,983)	(7,587)
Selling and marketing expenses	10, 11	(14,082)	(10,613)
Other operating expenses	12	(182)	(135)
Operating profit		11,946	12,465
Finance income	13	36	341
Finance costs	13	(1,082)	(423)
Profit before tax		10,900	12,383
Income tax expense	15	(1,456)	(1,451)
Profit for the year		**9,444**	**10,932**
Other comprehensive income			
Exchange differences on translation of foreign operations		12	10
Total comprehensive income for the year, net of tax		**9,456**	**10,942**
Total comprehensive income attributable to:			
Owners of the parent company		9,456	10,942
Non-controlling interests		-	-
		9,456	**10,942**
Earnings per share		**0.756**	**0.875**

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 29 April 2024 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev

Ivan Krasimirov Zhitiyanov
Executive Director IVAN KRASIMIROV ZHITIYANOV Digitally signed by IVAN KRASIMIROV ZHITIYANOV Date: 2024.05.09 16:11:28 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Financial Director YORDANKA LYUBCHOVA KLENOVSKA Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA Date: 2024.05.09 15:58:22 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 29 April 2024.
The accompanying notes from 1 to 38 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	*2023*	*2022*
ASSETS		*BGN'000*	*BGN'000*
Non-current assets			
Property, plant and equipment	18	11,059	7,474
Investment properties	19	454	448
Intangible assets	20	1,030	640
Prepayments	17	12,613	8,133
Non-current receivables		45	33
Deferred tax asset	15	1,569	816
		26,770	17,544
Current assets			
Inventories	21	12,069	5,296
Trade and other receivables	22	53,952	27,086
Contract assets	8, 22	15,642	2,879
Prepayments	17	13,252	9,920
Cash and cash equivalents	24	14,091	14,828
Income taxes receivable		438	568
		109,444	60,577
Assets classified as held for sale	16	269	269
		109,713	60,846
TOTAL ASSETS		**136,483**	**78,390**

Continued to page 4

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 29 April 2024 with Nikolay Garnev being the Registered Auditor in charge of the audit.

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Ivan Krasimirov Zhitiyanov
Executive Director IVAN KRASIMIROV ZHITIYANOV Digitally signed by IVAN KRASIMIROV ZHITIYANOV Date: 2024.05.09 16:11:58 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Financial Director YORDANKA LYUBCHOVA KLENOVSKA Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA Date: 2024.05.09 15:58:52 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 29 April 2024.
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

Continued from page 3

EQUITY AND LIABILITIES		*2023 BGN'000*	*2022 BGN'000*
Share capital	32	12,500	12,500
Legal reserves	32	1,352	1,352
Other reserves	32	(13,204)	(13,367)
Other components of equity	32	3	(35)
Retained earnings		17,454	6,929
Profit for the year		9,444	10,932
Equity		27,549	18,311
Foreign currency translation reserve	32	(536)	(548)
Total equity		27,013	17,763
Non-current liabilities			
Lease liabilities	27	2,821	436
Employee benefits	30	40	32
Government grants	25	803	821
Contract liabilities	8, 29	9,211	7,330
		12,875	8,619
Current liabilities			
Interest-bearing loans and borrowings	26	4,194	2,879
Lease liabilities	27	1,228	943
Trade and other payables	28	64,471	33,174
Government grants	25	585	455
Contract liabilities	8, 29	25,183	14,092
Income tax payable		934	465
		96,595	52,008
Total liabilities		109,470	60,627
TOTAL EQUITY AND LIABILITIES		**136,483**	**78,390**

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Ivan Krasimirov Zhitiyanov
Executive Director IVAN KRASIMIROV ZHITIYANOV Digitally signed by IVAN KRASIMIROV ZHITIYANOV Date: 2024.05.09 16:12:40 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Financial Director YORDANKA LYUBCHOVA KLENOVSKA Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA Date: 2024.05.09 15:59:22 +03'00'

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Share Capital *BGN'000*	Legal reserves *BGN'000*	Other reserves *BGN'000*	Other components of equity *BGN'000*	Retained earnings *BGN'000*	Foreign currency translation reserve *BGN'000*	Total equity *BGN'000*
Balance at 01 January 2022	**12,500**	**1,083**	**(13,467)**	**40**	**17,429**	**(558)**	**17,027**
Profit for the year	-	-	-	-	10,932	-	**10,932**
Other comprehensive income (note 32)	-	-	-	-	-	10	**10**
Total comprehensive income	**-**	**-**	**-**	**-**	**10,932**	**10**	**10,942**
Dividends distributed (note 33)	-	-	-	-	(10,125)	-	**(10,125)**
Transfers (note 32)	-		32	-	(106)	-	**(74)**
Buy-back of own shares (note 32)				(75)		-	**(75)**
Employee share-based compensation (note 32)	-	-	68	-	-	-	**68**
Balance at 31 December 2022	**12,500**	**1,352**	**(13,367)**	**(35)**	**17,861**	**(548)**	**17,763**
Balance at 01 January 2023	**12,500**	**1,352**	**(13,367)**	**(35)**	**17,861**	**(548)**	**17,763**
Profit for the year	-	-	-	-	9,444	-	**9,444**
Other comprehensive income (note 32)	-	-	-	-	-	12	**12**
Total comprehensive income	**-**	**-**	**-**	**-**	**9,444**	**12**	**9,456**
Transfers (note 32)	-		359	-	(407)	-	**(48)**
Buy-back of own shares (note)	-	-	-	38	-	-	**38**
Employee share-based compensation (note 32)	-	-	(196)	-	-	-	**(196)**
Balance at 31 December 2023	**12,500**	**1,352**	**(13,204)**	**3**	**26,898**	**(536)**	**27,013**

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 29 April 2024 with Nikolay Garnev being the Registered Auditor in charge of the audit.

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Executive Director IVAN KRASIMIROV ZHITIYANOV
Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2024.05.09 16:13:14 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Financial Director YORDANKA LYUBCHOVA KLENOVSKA
Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA
Date: 2024.05.09 15:59:54 +03'00'

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	Notes	*2023* *BGN'000*	*2022* *BGN'000*
Operating activities			
Profit before income tax from continuing operations		10,900	12,383
Adjustment to reconcile profit before tax to net cash flows			
Non-cash transfers:			
Net finance costs		769	398
Movements in retirement benefits obligations and government grants	25, 30	(278)	(144)
Share-based payments expense	37	114	68
Write down of inventories to net realisable value	21	63	-
Gain on disposal of property, plant and equipment	12	(1)	(3)
Depreciation & amortisation	18, 20	4,016	3,110
Working capital adjustments			
Increase in inventories		(6,773)	(199)
Increase in trade and other receivables, contract assets, prepayments		(47,443)	(4,606)
Increase in trade and other payables, contract liabilities		44,646	6,516
Bank charges paid	13	(252)	(257)
Income taxes paid		(1,610)	(2,009)
Net cash flows from from operating activities		**4,151**	**15,257**

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Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 29 April 2024 with Nikolay Garnev being the Registered Auditor in charge of the audit.

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Ivan Krasimirov Zhitiyanov
Executive Director IVAN KRASIMIROV ZHITIYANOV Digitally signed by IVAN KRASIMIROV ZHITIYANOV Date: 2024.05.09 16:13:55 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Financial Director YORDANKA LYUBCHOVA KLENOVSKA Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA Date: 2024.05.09 16:00:33 +03'00'

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

Continued from page 6

		2023 BGN'000	2022 BGN'000
Investing activities			
Purchase of property, plant and equipment	18	(3,340)	(3,695)
Purchase of intangible assets	20	(603)	(450)
Proceeds from sale of property, plant and equipment		10	4
Receipt of government grants	25	398	1,290
Interest received		36	36
Net cash flows used in investing activities		**(3,499)**	**(2,815)**
Financing activities			
Proceeds form borrowings	26	59,353	14,123
Repayment of borrowings	26	(58,050)	(12,969)
Payments on leases	27	(1,377)	(1,533)
Dividends paid	33	(297)	(9,724)
Tax withheld on dividend		-	(405)
Repurchase of shares	32	(223)	(75)
Interest paid		(315)	(71)
Interest paid on leases	27	(127)	(80)
Net cash flows used in financing activities		**(1,036)**	**(10,734)**
Net change in cash and cash equivalents		(384)	1,708
Net foreign exchange difference	13	(353)	305
Cash and cash equivalents at 1 January		14,828	12,815
Cash and cash equivalents at 31 December	24	**14,091**	**14,828**

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 29 April 2024 with Nikolay Garnev being the Registered Auditor in charge of the audit.

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Ivan Krasimirov Zhitiyanov
Executive Director IVAN KRASIMIROV ZHITIYANOV
Digitally signed by IVAN KRASIMIROV ZHITIYANOV Date: 2024.05.09 16:14:33 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Financial Director YORDANKA LYUBCHOVA KLENOVSKA
Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA Date: 2024.05.09 16:01:12 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 29 April 2024.
The accompanying notes from 1 to 38 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

1. Accounting policy - Corporate information

Incorporation

Telelink Business Services Group AD (the Company) was incorporated on 12 July 2019 as a sole-shareholder joint stock company with an owner Telelink Holdings BV (The Netherlands), registered with the Trade Register of the Registry Agency under UIC 205744019. Vitosha region, v.a. Malinova dolina, 6 Panorama Sofia Str., Business Center Richhill, Block B, 2nd floor, Sofia 1766.

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue by decision of the Management Board dated 29 April 2024.

Telelink Business Services Group EAD is a public company, registered with Financial Supervision Commission on 28 November 2019.
Company shares are traded on the Bulgarian Stock Exchange.

Shareholders

The share capital of the Company amounts to BGN 12,500 thousand formed of 12,500,000 shares with nominal value of 1.00 Bulgarian lev each.

In the period 2020-2021, there were three tranches of public offering of existing Company shares, pursuant to which three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock Exchange (BSE) a total of 2,625,000 shares (of which 875,000 in 2021), representing 21% of the Company's registered capital (of which 7% realized in 2021).

As of December 31, 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%.
The conducted offerings were limited strictly to existing shares and did not involve any capital increase, nor any proceeds to the Company and the Group.

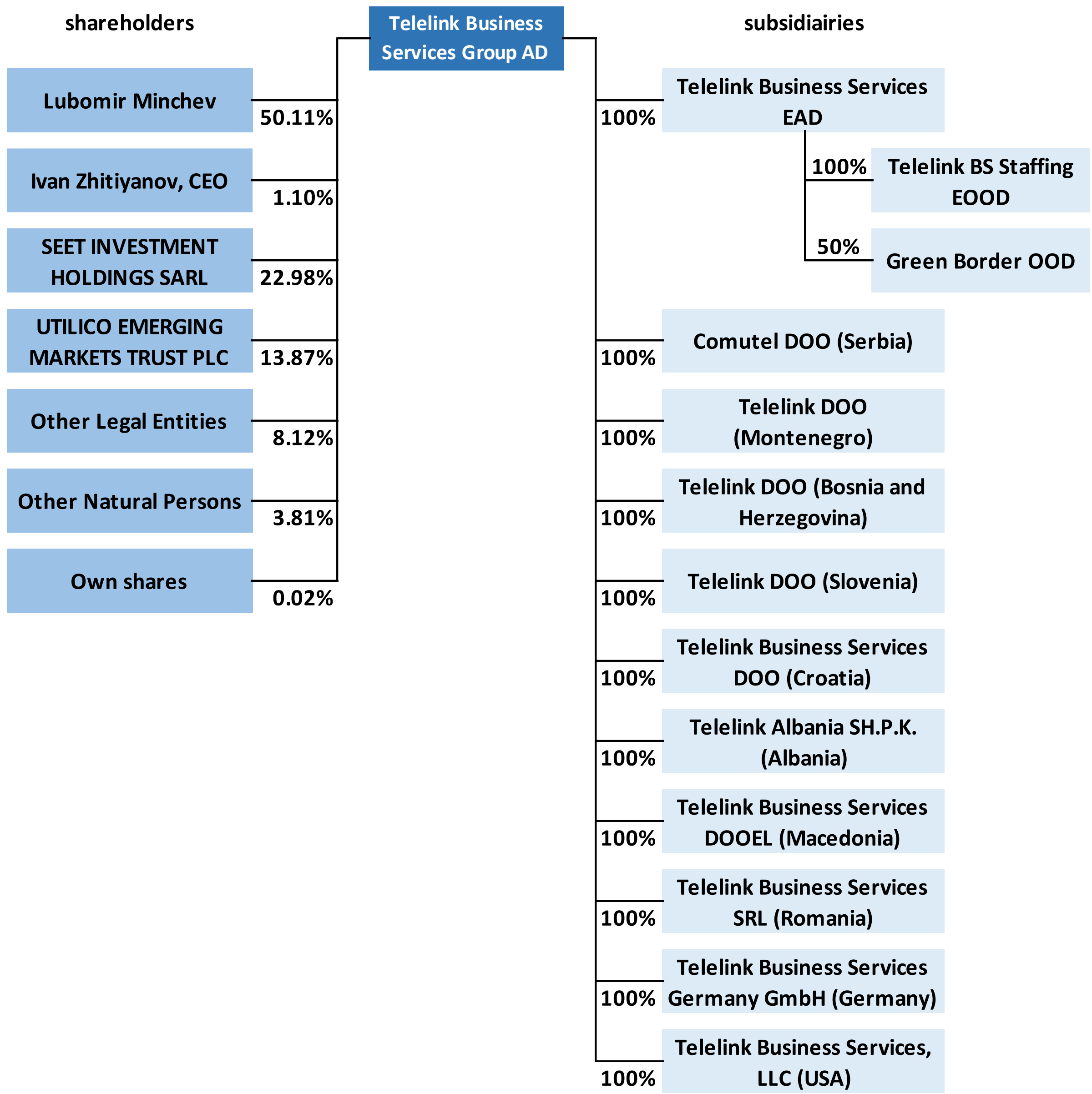
Pursuant to share buybacks for the purposes of employee incentive programs, as of December 31 2021, the Company held 356 own shares acquired in 2020. No further share buybacks were carried out in 2021. Pursuant to share buyback for the purpose of employee incentive programs, as of December 31 2022 the Company holds 6,030 own shares representing 0.05% of its registered capital, 5,674 shares of which acquired through second and third quarter of 2022 as per decision of the Board of Directors dated 25.05.2022 to buy back shares of up to 42,000.

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 a total of 27,452 shares (including 20,343 to employees in third quarter and 7,109 to current and former members of the MB in the fourth quarter) in accordance with a bonus plan from 2020, as of December 31 2023, the Company held 2,078 own shares representing 0.02% of its registered capital. (note 32)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

1. Accounting policy - Corporate information (continued)

Ownership structure and Group structure as at 31 December 2023 are presented below:



Business

Telelink Business Services Group specializes in providing services related to systems integration and maintenance of customers' information and communication systems in the three main market segments: mobile telecommunications service providers, fixed telecommunications service providers, and large and mid-sized public and private organizations within the area of the group's territorial presence and globally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

1. Accounting policy - Corporate information (continued)

The consolidated financial statements present financial information of Telelink Business Services Group AD and its subsidiaries - Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink Business Services DOO – Podgoritsa (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (North Macedonia), Telelink Albania SH.P.K. (Albania), Telelink Business Services DOO (Croatia), Telelink Business Services LLC (USA), Telelink Business Services SRL (Romania), Telelink Business Services Germania GmbH, all of them jointly the “Group”.

As of December 31, 2023 the Group has a two-tier management structure – Management and Supervisory Board. Operational management is carried out by its Management Board. The persons charged with general management are represented by the Supervisory Board of the Company. An Audit Committee elected by the General Meeting of the Shareholders functions in the Group.

Military conflict between Russia and Ukraine

Consequent to the military conflict between Russia and Ukraine, which escalated in February 2022, the year was marked by both increasing geopolitical tension and various economic repercussions, including restrictions or halt on the activities of many Ukrainian and Russian companies as a result of the military action and sanctions against Russia, accelerated inflation as a result of the growing prices of energy and key agricultural goods and increased instability on the stock and currency markets, having direct or indirect potential or actual impact on the activities of many companies and industries in the European Union and the USA as well.
The Issuer and its subsidiaries have no direct exposure to related parties, clients and/or suppliers from the countries involved in the conflict. Therefore, the Group is not deemed to be directly exposed to risks arising from the above events.

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

2. Accounting policy - Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for investment properties measured at fair value and defined benefit obligations measured at the present value of the obligations. The financial statements are presented in Bulgarian leva (BGN), which is the Group’s functional currency. All values are rounded off to the nearest thousand (BGN’ 000), except when otherwise stated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). The reporting framework “IFRS, adopted by EU” in its essence is the national accounting basis IAS, adopted by EU, settled in the Accountancy Act and defined in p.8 in its Additional Provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

3. Accounting policy - Basis of consolidation

The consolidated financial statements comprise the financial statements of Telelink Business Services Group AD and its subsidiaries as at 31 December 2023.

Subsidiaries are all entities over which the Group has control. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its return. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Non-controlling interests (NCI) are measured at the proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets and liabilities of the subsidiary, and non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained in a former subsidiary is recognised at fair value at the time the control is lost.

All intra-group balances and transactions, unrealised income and expenses, resulting from intra-group transactions, are eliminated. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

Telelink Business Services Group AD is a newly incorporated entity established in 2019. After its registration, an activity is separated from an existing entity, comprising companies which were under common control, but did not form a legal group as of 31 December 2018.

Business combinations between entities under common control are accounted for using predecessor value method. Under this method, the newly established company, Telelink Business Services Group AD, incorporates the assets and liabilities of the entities acquired in 2019 using the acquiree's values from the consolidated financial statements of the previous parent entity. The acquired entity's results are included in the consolidated financial statements retrospectively: the financial statements reflect full year's results of Telelink Business Services EAD, Comutel DOO (Serbia), Telelink Business Services DOO – Podgorica (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia) for 2018, even though the business combination occurred in 2019. In addition, the corresponding amounts for 2018 reflect the combined results of the new group structure, even though the transformation occurred in 2019. Intragroup balances and unrealized gains and losses on transactions within the Group are eliminated.

Telelink Business Services Group AD has prepared its first consolidated financial statements for the year ended 31 December 2019, which include comparative data from the financial statements of Telelink Bulgaria EAD for previous years.

The Group has not identified reporting segments and does not disclose segment information in accordance with IFRS 8 Operating Segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements have been prepared in Bulgarian leva, which is the Group's functional and reporting currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency at the rate of exchange ruling at the reporting date. Any differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the exchange rate as at the date of the initial transaction (acquisition).

Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Business combinations under common control

Business combinations between entities under common control are accounted for as if the acquisition had taken place at the beginning of the earliest comparative period presented or, if later, on the date on which joint control existed, and for the purpose, the comparative information is restated. Assets and liabilities are recognised at the carrying amounts previously reported in the consolidated financial statements of the shareholder exercising control over the Group ('predecessor value method'). The acquirees' results are included in the consolidated financial statements retrospectively, i.e. the comparative date for previous years reflect summarised results of the new structure of the Group, even though the transformation occurred in the current year. Intragroup balances and unrealized gains and losses on transactions withing the Group are eliminated.

Joint arrangements

A participation in joint arrangements is determined within contractual relations, which entitle the parties to joint control over the agreement. Joint arrangements are either joint operations or joint ventures. The Group analyses its participation in joint arrangements by considering its rights and obligations, as well as the structure and legal form of each arrangement, and the contractual terms agreed to in the arrangement. In respect of its participation in a joint venture, the Group recognises the assets, liabilities, revenue from the sale of the products of the joint arrangement, expenses, including those incurred jointly and accounted for in the assets, liabilities, income and expenses associated with their participation in the joint arrangement in compliance with IFRSs applicable to the specific assets, liabilities, income and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Assets held for sale

The Group classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition and its sale is highly probable. For the sale to be highly probable, management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when events or circumstances beyond the Group's control may extend the period and if there is evidence that management is still committed to its plan to sell the asset.
Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of any accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the machinery and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the machinery and equipment as a replacement if the recognition criteria are satisfied. Any other repair and maintenance costs are recognised in the statement of profit or loss in the period in which they were incurred.Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Asset type	Useful life in years
Computers	2 years
Machinery and equipment	3,33 years
Motor vehicles	4 years
Managed services hardware	In accordance with the duration of the contract for the provision of such services- usually 4/7 years
Furniture and fixtures and fittings	6,67 years
Other assets	In accordance with the duration of the rent contract

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if the expectations differ from the previous accounting estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Investment property

Investment property is property held to earn rental income or for capital appreciation or both. Investment property is measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in profit or loss in the period in which they arise.

Investment property is derecognised on disposal of or when the investment property is permanently retired and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the statement of profit or loss and other comprehensive income in the period of retirement or disposal.

Transfers from or to investment properties are made only in case of change of their use. For a transfer from investment property carried at fair value to owner-occupied property or inventory, the deemed cost for subsequent accounting under IAS 16 or IAS 2 is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group applies IAS 16 up to the date of change in use.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognised initially where there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Group. Subsequently, they are recognized in profits and losses on a systemic basis over the asset’s useful life.
Government grants that compensate the Group for expenses incurred are recognized in profits and losses on a systemic basis in the periods, in which the expenses were incurred.

Intangible assets

Non-current intangible assets acquired separately are measured initially at cost. The cost comprises the purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on bringing the asset to its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Intangible assets (continued)

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Internally generated intangible assets, excluding development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into a research phase and a development phase.

If the Group cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the Group treats the expenditure on that project as if it were incurred in the research phase only. Development costs are recognised for assets if the Group has control and expects future economic benefits from it.

The useful life of the intangible assets is assessed to be finite.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset type	Useful life in years
Software	2 years
Managed services software	In accordance with the duration of the contract years- usually 4/7 years
Other assets	Within the contract period

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is classified by function in the statement of profit or loss and other comprehensive income, depending on the use of the intangible asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Intangible assets (continued)

Any gain or loss arising on derecognition of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of profit or loss and other comprehensive income for the year in which the asset is derecognised.

Inventories

Inventories include materials, goods for trading, and work in progress. Inventories are measured at the lower of cost or net realisable value. The cost of inventories reflects their purchase price plus any other costs necessary to bring them to their present location and condition and is determined using the weighted average method. Net realisable value for goods for trading and finished products is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Work in progress includes cost of direct materials and labour but excluding borrowing costs.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.
Impairment losses on continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For all non-financial assets excluding goodwill, the Group assesses whether there are indications that the impairment loss on an asset other than goodwill recognized in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after recognition of the last impairment loss. If that is the case the carrying amount of the asset is increased to its recoverable amount. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount, after deduction of amortization, that would have been determined had no impairment loss been recognized for asset in previous periods. The reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
4. Accounting policy - Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and short term deposits comprise cash in bank accounts and on hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Significant accounting policies (continued)

Financial assets (continued)

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using effective interest rate method and are impaired. Gains and losses are recognized in profit or loss statement when the asset is derecognised, modified or impaired.

Financial assets at amortised cost of the Group include trade receivables and loans to third parties.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Financial assets (continued)

Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>*Deferred tax assets*</u>

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable taxable profit will be available against and the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and extent of future taxable profits, along with future tax planning strategies. Additional information on deferred taxes is disclosed in Note 15.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and financial derivatives. As of the end of the reporting period there are no balances formed from derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 26„Interest-bearing loans and borrowings”.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group. Short-term employee benefits are measured at the undiscounted amount of the expected cost of the benefit.

State social security plan

All employees of the Group are members of the Bulgarian Social Security Plan. In the normal course of business, the Group makes payments to the National Social Security Fund and National Health Insurance Fund based on employee's remuneration, at rates determined by the Bulgarian Social Security Code. The share of the Group in the social security contributions is treated as payments made under a defined contribution plan and is recognized as expense at the time when incurred. Under the State Social Security Plan, all related risks are assumed by the employees. The Group bears no other obligation.

Retirement benefits

The Group operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Company for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. The cost of providing benefits under the retirement benefit plan is determined by the Group using the actuarial projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Interest expense is calculated by applying the discount rate to the retirement benefit liability. The changes in the defined benefit obligation are recognised by the Group in profit or loss for the period and are presented as follows:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Emplyee benefit expense";
- Net interest expense or income within "Finance costs".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of contracts with customers (continued)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 5.

Sale of goods/ equipment

Revenue from sale of goods and equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.
In certain cases, the Group receives long-term advances from clients. The Group determines that payments terms are structured mainly for reasons other than the provision of funding and concludes that there is no significant funding component.

Warranty obligations

The Group provides also an extended warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment. The legal warranty is not accounted by the Group as it is borne by the producer of the equipment.

Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment. Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable.

Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The Group recognises revenue from installation services over time by considering the stage of completion of installation services. Usually, these services are carried out shortly after the delivery of the equipment. The sales revenue of the equipment is recognized at a point in time, upon the delivery of the equipment.

Provision of services related to licensing and software, developed by third parties

The Group provides services related to the transfer of software licenses under contracts with customers, which is fulfilled by downloading and activating a license key. An integral part of the contracts is the provision of consultancy services to the customers regarding the choice of an optimal package of software products and offering them assistance with the implementation of the licensing system.

As for the customer contracts that involve a combination of consultancy services and licensing, developed by third party, revenue is recognized at the time of delivery of the software product.

Provision of managed services

These services include long-term customer contracts (typically between five and seven years) to support and manage the customer's IT infrastructure, which includes ongoing proactive surveillance, remote management, and on-site support. Under the majority of the contracts, the Group provides network and/or voice communications equipment for use as part of its contractual obligation. Revenue under managed service contracts is recognized over the term of the contract on a monthly basis.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Interest

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

A liability to make cash or non-cash distributions to the equity owners of the parent company is recognised when the distribution is authorised (ie authorised by the shareholders) and is no longer at the discretion of the Company. A corresponding amount is debited directly to equity.

Lease

The determination of whether an arrangement is, or contains, a lease is made at inception date. And namely, whether the arrangement conveys a right to use the asset for a certain period of time.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. leases with a lease contract term of less than 12 months) and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
4. Accounting policy - Summary of significant accounting policies (continued)

Lease (continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3,33 years
- Motor vehicles and other equipment 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses borrowing interest rate based on interest rate statistics because the interest rate implicit in the lease is not at any time readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Lease (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition expedient to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income for the year.
Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

4. Accounting policy - Summary of significant accounting policies (continued)

Share capital and reserves

Telelink Business Services Group is a shareholding company and is obliged to register with the Trade register certain level of share capital that will act as a collateral to the creditors. Shareholders meet obligations of the Company up to their own shareholding and can claim refund of their shareholding only during liquidation or insolvency proceedings. The share capital is presented as the nominal value of the issued and paid shares.

According to the Commercial act regulations the Group is obliged to set aside Legal reserves.

Shares bought back are presented in the statement of financial position at cost and are deducted from the Group equity. The net effect of the shares bought back and their transfer to employees within the share-based payments plans in the Group is presented directly in the Other components of equity.

Share-based payments

Employees and members of the Managing board of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Equity instruments transferred are measured by their fair value at grant date. The fair value of the share-based payment considerations under conditions, that have not vested, is measured to reflect the conditions and to exclude any differences between expected and actual results. The cost of equity-settled transactions is recognised, together with the corresponding increase in the equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The agreements for share-based payments in the Group explicitly define the reimbursement of the amounts from the subsidiary companies to Telelink Business Services Group AD for the shares provided to employees of the subsidiary companies. More details are provided in Note 37.

5. Accounting policy - Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of the contingent liabilities at the date of the statement of financial position, as well as on the income and expenses reported for the period. However, uncertainty about these assumptions and estimates could result in outcome that requires a material adjustment to the carrying amount of the asset or liability in subsequent reporting periods.

Judgements

In the process of applying the adopted accounting policies, the Group's management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

5. Accounting policy - Significant accounting judgements, estimated and assumptions (continued)

Judgements (continued)

Joint arrangements

The Group assesses its participation in each consortium, where joint control is present as joint arrangements. Management analysed the rights and obligations by considering the structure and legal form of each arrangement, the contractual terms agreed to by the parties to the arrangement and all other relevant facts and circumstances, in order to determine the type of Joint Arrangement it is involved in – Joint Operations or Joint Venture. The analysis performed by management has determined that the participation in all the consortiums meets the criteria of recognition as Joint Operations.

Revenue from contracts with customers

The reporting of revenue from contracts with customers requires significant judgments to be made by the Group's management to determine the individual performance obligations under contracts with customers, which significantly affect the amount of revenue recognized in the reporting period.

Key judgements include an analysis of the economic nature and commercial context of contracts with customers to identify individual performance obligations, as well as an assessment of their progress at the end of the reporting period, including estimates and assumptions about the volume of services, activities and inventories that are required for satisfaction of the performance obligations; the expected total contract costs; the remaining costs of completing the contract; the total revenue from the contract, as well as the risks under the contracts, including technical, regulatory and legal risks.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of equipment and installation services

The Group provides installation services that are bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group has determined that both the equipment and installation services are capable of being distinct. The Group has also determined that the promises to transfer the equipment and to provide installation services are distinct within the context of more contracts.

The equipment and installation are not inputs to a consolidated item in the contract. The Group is not providing significant integration services because the presence of the equipment and installation services together in the contract does not result in any additional or consolidated functionality. In addition, the equipment and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the equipment even if the customer declined installation services and the customer itself, would be able to ensure installation services in relation to products offered by other distributors.

Consequently, the Group allocates a portion of the transaction price to the equipment and the installation services based on relative stand-alone selling prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

5. Accounting policy - Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

- Principal versus agent considerations

The Group enters into contracts with its customers for the sale of equipment/goods and licenses/software produced by produced by various suppliers. The Group has determined that it controls the goods before they are transferred to customers, and it has the ability to direct the use of the equipment or obtain benefits from the equipment. The following factors indicate that the Group controls the goods before they are being transferred to customers. Therefore, the Group has determined that it acts as a principal in these contracts.

- The Group is primarily responsible for fulfilling the promise to provide the specified equipment.
- The Group bears the inventory risk before or after the specified equipment has been transferred to the customer as it purchases equipment and holds it in a warehouse.
- The Group has discretion in establishing the price for the specified equipment.

In addition, the Group has concluded that it transfers control over its services at a point in time, upon completed tests of functioning equipment and acceptance by the customer.

- Determining the timing of satisfaction of services

Judgment is required to determine the degree of satisfaction of the performance obligation.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment, and intangible assets

Financial reporting of plant and equipment, and intangible assets involves estimates as to their expected useful lives and residual values, based on management assessments. Further details about the useful lives of property, plant and equipment, and intangible assets are provided in Note 4 „Summary of significant accounting policies”.

Revaluation of Investment property

The Group measures its investment property at fair value with any changes in the fair value being recognised in profit or loss. The Group engages an independent valuer to determine the fair value at the reporting period-end or at the date of change in use. The key assumptions used to determine the fair value of investment property and sensitivity analyses are provided in Note 19„Investment property “.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

5. Accounting policy - Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Write down of inventories

In general, inventories are written down to net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

Income tax

Current income tax liabilities are for the current and prior periods and are measured at the amounts expected to be paid to the taxation authorities, using the tax rates that have been enacted by the balance sheet date. Provision for income taxes reported in the respective income tax returns includes an estimate of the potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years. Accordingly, the final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements.

Fair value measurement

The Group measures non-financial assets, such as, investment property at fair value at each reporting date. The fair values of financial instruments and investment properties are disclosed in note 34"Fair value measurement".

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

5. Accounting policy - Significant accounting policies, estimates and assumptions (continued)

Estimates and assumptions (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A air value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group’s management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.
At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

5. Accounting policy - Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Legal guarantees

The Group does not report legal guarantee obligations for goods sold as they are borne by the equipment manufacturer.

External temporary differences in consolidated financial statement

The Group does not recognise deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, as the Group considers there is no probability that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Significant financing component

In some cases the Group receives long-term advances from customers. The Group accrues one time advance amount for the services, since other payment terms would affect the nature of the risks, borne by the Group for rendering the services, and may turn the provision of the service unprofitable. Following the analysis, the Group determines there is no significant financing component.

6. Accounting policy - Changes in accounting policies and disclosures

The standards/amendments that are effective and have been endorsed by the European Union

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The adoption of these amendments had no impact on the financial statements of the Group.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The adoption of these amendments had no impact on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

6. Accounting policy - Changes in accounting policies and disclosures (continued)

The standards/amendments that are effective and have been endorsed by the European Union (continued)

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The adoption of these amendments had no impact on the financial statements of the Group.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The adoption of these amendments had no impact on the financial statements of the Group.

- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The adoption of these amendments had no impact on the financial statements of the Group.

7. Accounting policy - Standards issued but not yet effective and not early adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The standards/amendments that are not yet effective, but they have been endorsed by the European Union

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The Group will analyze and assess the impact of the new amendments on its financial position or performance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

7. Accounting policy - Standards issued but not yet effective and not early adopted (continued)

The standards/amendments that are not yet effective and they have not yet been endorsed by the European

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.
- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)** The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

8. Revenues from contracts with customers

Set out below, is the disaggregation of the revenue from contracts with customers:

Revenue from contracts with customers	***2023 BGN' 000***	***2022 BGN' 000***
Geographical markets		
Bulgaria	118,027	94,210
Other European countries	64,683	58,817
Counties outside Europe	2,548	2,136
	185,258	**155,163**
Timing of revenue recognition		
At a point	137,792	111,670
Over time	47,466	43,493
	185,258	**155,163**

The geographical information on revenue from the sale of products and provision of services is based on the customer's location.

Contract balances

	2023 BGN'000	***2022 BGN'000***
Trade receivables (note 22)	51,076	24,667
Contract assets (note 22)	15,642	2,879
Contract liabilities (note 29)	34,394	21,422

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

Contract assets are initially recognised for obligations fulfilled, which have not yet been invoiced to the customer, as well as payments withheld by the customer as warranties. When the payment becomes due, the amounts recognised as contract assets are reclassified to trade receivables.
Contract liabilities include advances from customers. They are recognized as revenue when the performance obligation is satisfied.

Performance obligations

Sale of equipment /goods
The performance obligation is satisfied upon delivery of the equipment / goods and payment is generally due within 30 to 90 days from delivery.

Extended maintenance
Contracts which provide for an extended warranty for new equipment or equipment owned by the customer. Maintenance is accounted for as a separate performance obligation and part of the transaction price is allocated to it. The performance obligation with regard to the extended warranty is satisfied over the maintenance period (one, three, five years) based on based on the expired period of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

8. Revenue from contracts with customers (continued)

Installation services
The performance obligation is satisfied over time and payment is generally due upon completion of installation and its acceptance by the customer.

Managed services
Long-term contracts for a period of three to seven years for managing the customers' IT infrastructure where the performance obligation is satisfied over time.

Services related to licensing and software, developed by third parties
As for the customer contracts that involve a combination of consultancy services and licensing of third-party software, revenue is recognized at a point in time of delivery of the software product.

Revenue recognised over the current year from amounts included in contract liabilities at 1 January 2023 amounts to BGN 14,092 thousand (at 1 January 2022: BGN 11,172 thousand).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2023 *BGN'000*	*2022* *BGN'000*
Within one year	24,672	14,092
More than one year	9,722	7,330
	34,394	**21,422**

9. General and administrative expenses

	2023 *BGN'000*	*2022* *BGN'000*
Employee benefit expenses	(7,222)	(4,986)
Depreciation & amortisation	(378)	(349)
Consulting services	(1,719)	(775)
Office rent and utilities	(416)	(455)
Representative expenses	(544)	(251)
Other	(704)	(771)
	(10,983)	**(7,587)**

Accrued during the year services rendered by registered auditors are as follows:

- Fee for obligatory audit on the separate and consolidated financial statements to the amount of BGN 174 thousand (2022: BGN 161 thousand)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

10. Sales and marketing expenses

	2023	*2022*
	BGN'000	*BGN'000*
Employee benefit expenses	(8,340)	(6,954)
Depreciation & amortisation	(418)	(593)
Consulting and agency services	(4,051)	(1,176)
Marketing and advertisement	(535)	(1,146)
Other	(738)	(744)
	(14,082)	**(10,613)**

11. Expenses by nature

Expenses by nature, included in the cost of sales, administrative expenses and sales and marketing expenses are as follows:

	2023	*2022*
	BGN'000	*BGN'000*
Changes in inventories of work in progress	2,501	(214)
Capitalised development costs and contract costs	507	269
Raw materials and consumables	(782)	(732)
Hired services	(81,828)	(68,891)
Employee benefit expenses (note 14)	(25,827)	(19,043)
Depreciation and amortisation (note 18, 20)	(4,016)	(3,110)
Other, including Cost of goods sold	(64,140)	(51,068)
	(173,585)	**(142,789)**

12. Other operating income/ (expenses)

	2023	*2022*
Other operating income	*BGN'000*	*BGN'000*
Gain on disposal of property, plant and equipment	1	3
Written off payables	6	-
Government grants (note 25)	286	157
Rental income	28	27
Other	134	39
	455	**226**

	2023	*2022*
Other operating expenses	*BGN'000*	*BGN'000*
Penalties	(47)	(8)
Other	(135)	(127)
	(182)	**(135)**

13. Finance income and finance costs

Finance costs	*2023* *BGN'000*	*2022* *BGN'000*
Interest on financing	(477)	(166)
Net foreign exchange loss	(353)	-
Bank charges paid	(252)	(257)
	(1,082)	**(423)**

Finance income	*2023* *BGN'000*	*2022* *BGN'000*
Interest income - loans granted	36	36
Net foreign exchange gain	-	305
	36	**341**

14. Employee benefit expenses

	2023 *BGN'000*	*2022* *BGN'000*
Salaries	(23,133)	(16,587)
Social security contributions	(2,538)	(2,376)
Expenses related to defined benefit plans	(47)	(11)
Share-based payments	(109)	(69)
	(25,827)	**(19,043)**

Additional information related to the share-based payments is presented in note 37.

The average full-time staff number and its breakdown by function are presented below:

	2023 *Number*	*2022* *Number*
Management	13	12
Operations	201	174
Sales	51	51
Administration	65	51
	330	**288**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

15. Income tax

The major components of income tax expenses are as follows:

	2023 *BGN'000*	*2022* *BGN'000*
Current income tax		
Current income tax charge	(2,209)	(1,602)
Deferred income tax		
Relating to origination and reversal of temporary differences	753	151
Income tax reported in the statement of profit and other comprehensive income	**(1,456)**	**(1,451)**

The reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the Group for the years 2023 and 2022 is as follows:

	2023 *BGN'000*	*2022* *BGN'000*
Accounting profit before income tax	10,900	12,383
Income tax rate	10%	10%
At income tax rate 10% (2022: 10%)	(1,090)	(1,238)
Tax effects of profits from subsidiaries taxed at different rate	61	20
Tax effect of non-deductible expenses	(119)	(190)
Effect from temporary difference become permanent	(4)	-
Tax effect in relation to double taxation treaty	-	74
Tax effect of losses and other temporary differences on which no deferred tax was calculated	(304)	(117)
	(1,456)	**(1,451)**
At the effective income tax rate of:	13%	12%
Income tax reported in the statement of profit and other comprehensive income	(1,456)	(1,451)
	(1,456)	**(1,451)**

Deferred taxes of the Group as at 31 December 2023 and 2022 relate to the following items:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

15. Income tax (continued)

	Statement of financial position		Statement of comprehensive income	
	2023	***2022***	***2023***	***2022***
Deferred income tax assets / (liabilities)	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Accrued expenses	762	158	604	(44)
Employee benefits	303	237	66	55
Property, plant and equipment/Intangible assets	(91)	(75)	(16)	85
Impairment losses on fanancial and contract assets	203	210	(7)	(120)
Share-based payments	37	64	(27)	7
Impairment losses on investment	59	18	41	-
Other	296	204	92	168
Deferred income tax asset	**1,569**	**816**		
Movement in deferred taxes			**753**	**151**

The reconciliation between the movement in deferred tax assets / liabilities for 2023 and 2022 is as follows:

	2023	***2022***
	BGN'000	***BGN'000***
Opening balance as of 1 January	816	665
Tax expense during the year recognised in profir or loss	753	151
Closing balance 31 December	**1,569**	**816**

The Group's tax liabilities are based on the tax returns submitted to the tax authorities and are determined finally after being verified by the national tax authorities or after the expiry of a five-year term following the year of submission, as the case may be.

Amendments to the Corporate Income Tax Act related to the global minimum corporate tax of 15%
At the end of 2023, amendments to the Corporate Income Tax Act (CITA) were approved, which introduced effectively, as of 1 January 2024, a global minimum corporate tax of 15% on multinational and large national groups of companies under the conditions set out in the CITA. These amendments were in the context of the so-called OECD Pillar Two Model Rules in line with the agreement reached at the global and European level launched by the OECD BEPS (Base Erosion and Profit Shifting) initiative to deal with tax challenges arising from the digital transformation of the economy. The amendments to the CITA relating to the levy of a global minimum tax of 15% effective 01 January 2024 do not apply to the Group as the annual revenues in the consolidated financial statements of the ultimate parent company of the group (including revenues of the excluded entities) in at least two out of the prior four tax periods do not exceed EUR 750 million.

16. Assets classified as held for sale

In previous period, Telelink Business Services EAD acquired apartments located in town of Aheloi against its trade receivables from a customer as a result of a public sale procedure. In 2021 and 2022 part of the apartments was sold.

The apartments have been classified as held for sale as management is committed to a plan for their sale. At the end of 2022 one of the apartments was sold and there is an ongoing commitment to sell the remaining three apartments. The apartments are sold in March 2024 and the sell price is close to their book value as of 31st December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

17. Prepayments

	2023	2022
	BGN'000	BGN'000
Balance on 1 January	**18,053**	**15,502**
Accrued during the year	34,148	17,510
Released to profit and loss	(26,336)	(14,959)
Balance on 31 December	**25,865**	**18,053**
Current	13,252	9,920
Non-current	12,613	8,133
	25,865	**18,053**

Prepayments comprise mainly prepaid extended maintenance in addition to the standard warranty provided by the suppliers of the equipment.

18. Property, plant and equipment

	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Other	Total
Book value	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as of 1 January 2023	5,650	1,695	1,971	26	657	5,651	375	16,025
Additions	4,093	173	363	-	406	1,397	1,001	7,433
Disposals	(249)	(2)	(85)	-	-	-	-	(336)
Change in use	-	(10)	10	-	-	-	-	-
Exchange adjustment	3	-	-	-	-	-	-	3
Balance as of 31 December 2023	9,497	1,856	2,259	26	1,063	7,048	1,376	23,125
Accumulated depreciation:								
Balance as of 1 January 2023	(3,658)	(1,404)	(1,631)	(26)	(457)	(1,375)	-	(8,551)
Depreciation for the year	(1,858)	(224)	(326)	-	(97)	(1,097)	(201)	(3,803)
Disposals	210	2	76	-	-	-	-	288
Impairment charge for the year	-	6	(6)	-	-	-	-	-
Balance as of 31 December 2023	(5,306)	(1,620)	(1,887)	(26)	(554)	(2,472)	(201)	(12,066)
Net book value as of 1 January 2023	**1,992**	**291**	**340**	**-**	**200**	**4,276**	**375**	**7,474**
Net book value as of 31 December 2023	**4,191**	**236**	**372**	**-**	**509**	**4,576**	**1,175**	**11,059**

	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Other	Total
Book value	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as of 1 January 2022	8,192	1,644	1,665	26	621	2,843	-	14,991
Additions	626	61	322	-	38	2,899	375	4,321
Disposals	(3,168)	(10)	(16)	-	(2)	-	-	(3,196)
Transferred from inventory	-	-	-	-	-	14	-	14
Transferred to inventory	-	-	-	-	-	(105)	-	(105)
Balance as of 31 December 2022	5,650	1,695	1,971	26	657	5,651	375	16,025
Accumulated depreciation:								
Balance as of 1 January 2022	(4,523)	(1,126)	(1,375)	(23)	(393)	(862)	-	(8,302)
Depreciation for the year	(1,645)	(289)	(270)	(3)	(66)	(545)	-	(2,818)
Disposals	2,510	11	14	-	2	-	-	2,537
Transferred to inventory	-	-	-	-	-	32	-	32
Balance as of 31 December 2022	(3,658)	(1,404)	(1,631)	(26)	(457)	(1,375)	-	(8,551)
Net book value as of 1 January 2022	**3,669**	**518**	**290**	**3**	**228**	**1,981**	**-**	**6,689**
Net book value as of 31 December 2022	**1,992**	**291**	**340**	**-**	**200**	**4,276**	**375**	**7,474**

Group Other includes improvements of a leased asset (office). Acquired assets for the amount of BGN 375 thousand have been reclassified in this group for 2022 from Intangible assets, group Other.

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18. Property, plant and equipment (continued)

The Group has performed impairment testing on the property, plant and equipment as at the end of 2023. There are no indicators that the balance value exceed the carrying value of the assets. Therefore no impairment loss was recognised in the financial statements. Managed services assets represent machinery and equipment, computers and inventory used under contracts for managed services.

Geographical information

as at 31 December 2023	**Bulgaria**	**Other European countries**	**Counties outside Europe**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	5,867	3,715	1,477	11,059
Investment properties	-	454	-	454
Intangible assets	1,002	28	-	1,030
Prepayments	6,820	5,129	664	12,613
	13,689	**9,326**	**2,141**	**25,156**

as at 31 December 2022	**Bulgaria**	**Other European countries**	**Counties outside Europe**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	2,187	3,916	1,371	7,474
Investment properties	-	448	-	448
Intangible assets	634	6	-	640
Prepayments	2,056	5,956	121	8,133
	4,877	**10,326**	**1,492**	**16,695**

19. Investment property

	2023	***2022***
	BGN'000	***BGN'000***
Opening balance at 1 January	448	409
Net result from a fair value remeasurement	6	39
Closing balance at 31 December	**454**	**448**

	2023	***2022***
	BGN'000	***BGN'000***
Rental income derived from investment properties	28	28
Net profit arising from investment properties carried at fair value	**28**	**28**

Description of valuation techniques and key assumptions used in determining the fair value of the investment property.

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19. Investment property (continued)

	Valuation technique (DCF method)
Significant unobservable inputs	Range
-Estimated rental value per sqm per month	EUR 8,50 – 7,10
-Rent growth p.a.	1%
-Discount rate	9%

20. Intangible assets

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2023	3,640	288	335	4,263
Additions	27	453	123	603
Balance as of 31 December 2023	3,667	741	458	4,866
Accumulated amortization:				
Balance as of 1 January 2023	(3,424)	-	(199)	(3,623)
Amortisation for the year	(134)	-	(79)	(213)
Balance as of 31 December 2023	(3,558)	-	(278)	(3,836)
Net book value as of 1 January 2023	**216**	**288**	**136**	**640**
Net book value as of 31 December 2023	**109**	**741**	**180**	**1,030**

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2022	3,393	139	281	3,813
Additions	129	267	54	450
Transfers	118	(118)	-	-
Balance as of 31 December 2022	3,640	288	335	4,263
Accumulated amortization:				
Balance as of 1 January 2022	(3,189)	-	(142)	(3,331)
Amortisation for the year	(235)	-	(57)	(292)
Balance as of 31 December 2022	(3,424)	-	(199)	(3,623)
Net book value as of 1 January 2022	**204**	**139**	**139**	**482**
Net book value as of 31 December 2022	**216**	**288**	**136**	**640**

In 2022, assets acquired during the year for BGN 375 thousand have been reclassified in Property, machinery and equipment, group Other. The assets represent the improvement of a new office leased by Telelink Business Services EAD.

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20. Intangible assets (continued)

The Group invests considerable resources in the development of new products - software solutions in areas, such as, next generation communications, information and cyber security, integrated security, Internet of Things. The Other intangible assets category mainly includes capitalized costs for rebranding.

The Group carried out an annual impairment testing as at the end of 2023. There were no indicators that the carrying amount of the intangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognized in the financial statements.

21. Inventories

	2023	*2022*
	BGN'000	*BGN'000*
Materials	534	358
Goods	6,501	2,134
Dispatched goods	173	447
Work in progress	4,861	2,357
	12,069	**5,296**

Write-down allowance for inventories

	2023	*2022*
	BGN'000	*BGN'000*
At 1 January	62	62
Charge for the year	63	-
At 31 December	**125**	**62**

22. Trade and other receivables and contract assets

Trade and other receivables

	2023	*2022*
	BGN'000	*BGN'000*
Trade receivables from related parties, gross (note 31)	9,793	4,366
Trade receivables from third parties, gross	41,602	20,694
Loss allowance	(319)	(393)
Trade receivables	**51,076**	**24,667**
Other receivables	2,876	2,419
Trade and other receivables	**53,952**	**27,086**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
The Group has established registered pledge over current and future trade receivables under individual contracts of Telelink Business Services EAD in order to secure the funds utilised under an overdraft facility and additional pledges of current and future receivables of Telelink Business Services EAD under the projects financed by the revolving credit facility. The funds utilized by Telelink Business Services EAD under the contract amounted to BGN 2,687 thousand as at 31 December 2023 (as at 31 December 2022: zero BGN).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
22. Trade and other receivables and contract assets (continued)

Under the conditions of the loan agreement signed between Comutel DOO and Raiffeisen AD Beograd, the respective loan funds are utilized against a pledge of at least equal amounts of the receivables from a key account. As at 31 December 2023, the funds utilized amounted to zero BGN (as at 31 December 2022: BGN 1,819 thousand).
Other receivables includes mainly paid advances to suppliers and court receivables.

Contract assets

As at 31 December 2023, the Group had contract assets amounted BGN 15,642 thousand (31 December 2022: BGN 2,879 thousand). The Group does not expect credit losses on contract assets.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2023	*2022*
	BGN'000	*BGN'000*
Loss allowance at 01 January	**393**	**452**
Amounts written off	(74)	(59)
Loss allowance at 31 December	**319**	**393**

The ageing analysis of trade receivables and contract assets as at 31 December 2023 and 31 December 2022 is presented in the following table:

		Days past due					
31 December 2023	**Current**	**< 30 days**	**31-60 days**	**61 - 90 days**	**91 - 180 days**	**> 181 days**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Receivables from related parties, gross	9,582	41	32	29	39	70	**9,793**
Receivables from third-party customers, gross	31,368	6,003	1,733	439	965	1,094	**41,602**
Contract assets, gross	15,642	-	-	-	-	-	**15,642**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(319)	**(319)**
Total trade receivables and contract assets	**56,592**	**6,044**	**1,765**	**468**	**1,004**	**845**	**66,718**

		Days past due					
31 December 2022	**Current**	**< 30 days**	**31-60 days**	**61 - 90 days**	**91 - 180 days**	**> 181 days**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Receivables from related parties, gross	4,273	50	9	16	15	3	**4,366**
Receivables from third-party customers, gross	17,229	1,282	980	209	263	731	**20,694**
Contract assets, gross	2,694	-	-	185	-	-	**2,879**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(393)	**(393)**
Total trade receivables and contract assets	**24,196**	**1,332**	**989**	**410**	**278**	**341**	**27,546**

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23. Loans granted

		2023	*2022*
Current	**Maturity**	***BGN'000***	***BGN'000***
Third parties	2017/2020	1,401	1,401
Loss allowance		(1,401)	(1,401)
		-	-

As at 31 December 2023, the Group have not granted loans, besides the USD loans that are fully impaired as at 31 December 2017.

24. Cash and cash equivalents

	2023 *BGN'000*	*2022* *BGN'000*
Cash and cash equivalents in hand	4	3
Cash and cash equivalents in current accounts	13,930	14,379
Cash and cash equivalents in accounts subject of special conditions	1	298
Short-term deposits	156	148
	14,091	**14,828**

Cash in bank accounts bear floating interest rates based on the daily interest rates on bank deposits. Short-term deposits are made for various periods between one week and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits as at 31 December 2023 and 31 December 2022 equals their carrying amount. Amounts in accounts with special conditions have been transferred and not withdrawn as of December 31 of the respective year dividends from certain shareholders.

25. Government grants

In 2019, Telelink Business Services EAD, being part of a Consortium, in which more than 30 partners from various European countries participate, received the first tranche from financing under the Operational Program ECHO European network of Cybersecurity centres and competence Hub for innovation and Operations. The funds of BGN 464 thousand under the Program was provided and utilized to cover personnel costs. In 2020 the Group received second tranche of funds under the Program at the amount of BGN 383 thousand and last tranche of funds at the amount of BGN 97 thousand in 2022.

In 2022, Telelink Business Services EAD also received funding under the following European programs: European Commission - SynGReDiT EDIH Stara Zagora 2022 – tranche in the amount of BGN 61 thousand; European Commission AI CISO Horizon Europe 2022 – DYNAMO – tranche in the amount of BGN 428 thousand; ACTING - European Commission EDF 2022/2026 – an amount of BGN 704 thousand. In all three programs, Telelink Business Services EAD participates jointly in consortia with European and Bulgarian companies, and the funds are intended for the costs of personnel employed in the implementation of the programs for two to four years.

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25. Government grants (continued)

In 2023, Telelink Business Services EAD received funding under the following European program - Veles Excellence hub 2023 - tranche in the amount of BGN 398 thousand
The amount of government grants recognized in the financial statements corresponds to the useful life of the acquired items of property, plant and equipment, and intangible assets, and the hired services used:

	2023	*2022*
	BGN'000	*BGN'000*
Balance on 1 January	1,276	143
Received during the year	398	1,290
Released to profit and loss (note 12)	(286)	(157)
Balance on 31 December	**1,388**	**1,276**
Current	585	455
Non-current	803	821
	1,388	**1,276**

26. Interest-bearing loans and borrowings

		2023	*2022*
Current	**Interest rate %**	*BGN'000*	*BGN'000*
Overdraft	1M EURIBOR + 1.5%	1,507	1,060
Revolving credit facilities	1M LIBOR + 2.1%	-	1,819
Revolving credit facilities	2.35% +ADI	2,687	-
		4,194	**2,879**

On February 15 2022, an overdraft agreement was signed between Telelink Business Services Group AD and Raiffeisenbank (Bulgaria) EAD with a total limit of 2,000,000 euro, available for utilization in the form of any or a combination of:

- Overdraft credit with a repayment deadline of February 26 2026;
- Contingent bank credit securing the issuance of guarantees with an availability period until January 28 2026.

All limits are available for utilization in leva, euro or US dollars at respective interest rates of reference interest rate (RIR) +1.5%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% (regardless of the utilization currency).
Provided security under the agreement included:

- pledge of receivables from accounts with the bank;
- pledge of current and future receivables from commercial agreements between Telelink Business Services Group AD and its subsidiaries;
- suretyship by Telelink Business Services EAD.

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26. Interest-bearing loans and borrowings (continued)

On April 05 2023, Annex №1 was signed to the Overdraft agreement between the between Telelink Business Services Group AD (TBSG AD) and Raiffeisenbank (Bulgaria) EAD (now United Bulgarian Bank AD from February 15 2022, whereby the credit limit utilization and repayment deadlines were extended until February 27 2027 for the utilization of overdraft, until January 28 2027 for utilization pursuant to bank guarantees and until February 28 2027 for the repayment of utilized credit funds as a whole.
Provided security under the agreement continued to include a pledge of receivables from accounts with the bank, a pledge of current and future receivables from commercial agreements between Telelink Business Services Group AD and its subsidiaries and a suretyship by Telelink Business Services EAD.
Interest expenses under the agreement for the period amounted to BGN 12 thousand. As of December 31, 2023, the Telelink Business Services Group AD had no outstanding principal or interest payables under the agreement.

As of December 31.2023, the Agreement for undertaking credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between Telelink Business Services EAD (TBS EAD) and Unicredit Bulbank AD remained in force.
Material changes made to the agreement and the suretyship and pledge agreements signed as security thereto during the reporting period included:

- Annex №8 from January 13 2023, whereby the interest rate for drawdowns in BGN was changed from BIR + 1.357% to the lending bank's average deposit index (ADI) + 1.65%;
- Annex №9 from May 31 2023, whereby the maximum utilization term was extended until June 30 2023;
- Annex №10 from June 30 2023 г., whereby the maximum utilization term was extended until May 31 2024, the overall credit limit was changed from EUR 13,000,000 to EUR 15,000,000, including a change in the overdraft credit limit from EUR 3,000,000 to EUR 4,000,000, a change in the revolving credit limit from EUR 4,000,000 to EUR 5,000,000 евро and a change in the contingent credit limit securing the issuance of bank guarantees from EUR 13,000,000 to EUR 15,000,000 but not more than difference between the overall credit limit and outstanding principal obligations under the overdraft and revolving credit limits, and the interest rate for drawdowns in BGN was changed from ADI + 1.65% to ADI + 2.35%;
- Annex №6 from June 30 2023 to the Suretyship agreement from October 10 2019 between UniCredit Bulbank AD and TBSG AD for extending the validity until May 31 2024 and harmonizing the secured overall credit limit under the Agreement for undertaking credit commitments under an overdraft credit line from EUR 13,000,000 to EUR 15,000,000;
- Annex №12 November 30 2023, whereby the overall credit limit was changed from EUR 15,000,000 to EUR 18,000,000, including a change in the contingent credit limit securing the issuance of bank guarantees from EUR 15,000,000 to EUR 18,000,000 but not more than difference between the overall credit limit and outstanding principal obligations under the overdraft and revolving credit limits;
- Annex №7 November 30 2023 to the Suretyship agreement from October 10 2019 between UniCredit Bulbank AD and TBSG AD and Annex №1 from November 30 2023 to the Share pledge agreement between UniCredit Bulbank AD and TBSG AD for harmonizing the thereby secured overall credit limit under the Agreement for undertaking credit commitments under an overdraft credit line from EUR 15,000,000 to EUR 18,000,000.

26. Interest-bearing loans and borrowings (continued)

As of December 31, 2023, all limits are available for utilization in BGN, EUR or USD at respectively applicable interest rates of ADI + 2.35%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% for utilization in EUR and USD.
Security provided under the agreement includes continued to include a pledge over receivables from accounts with the bank, a pledge of existing and future receivables from individualized contracts of TBS EAD securing utilized overdraft funds and additional pledges of current and future receivables of TBS EAD from projects financed with revolving credit, a pledge over 100% of the shares in the capital of TBS EAD and related receivables and suretyship by TBSG AD, including a commitment to maintain its participation in the capital of TBS EAD.
Interest expenses from the agreement for the period amounted to BGN 99 thousand. As of December 31 2023, the company's outstanding principal and interest payables under the agreement amounted to BGN 2,687 thousand.

On December 14 2023, Revolving bank credit agreement №23F-10092889-95625 was signed between TBS EAD and United Bulgarian Bank AD with a credit limit of EUR 4,000,000 and utilization and repayment deadlines respectively until November 29 2025 and November 30 2025.
The limit is available for utilization in BGN and EUR at respectively applicable interest rates of the lending bank's short-term interest rate (SIR) + 1.7%, but no less than 1.7%, and 1m. EURIBOR + 1.5%, but no less than 1.5%.
TBS EAD's obligations under the agreement are secured with a first ranking specific pledge over all of the company's current and future receivables approved for financing under the agreement, including but not limited to the receivables arising from a contract between TBS EAD and the Prosecutor's office the Republic of Bulgaria for the implementation of public procurement order № 50/08.06.2023, item № 2, pertaining to the Delivery and Installation of software bundles and hardware devices for the definition of a backbone network, network equipment for database access, internet traffic and edge layer firewalls, local network email, electronic identity and information access management and control system", as well as with a financial collateral pledge and agreement under the Law on Financial Collateral Agreements over the receivables from all of TBS EAD's accounts with the bank.
As of December 31 2023, TBS EAD had not utilized any funds and did not have any outstanding principal or interest obligations under the agreement.

On January 16 2023, Comutel signed an annex for the annual renewal of the Credit facility agreement with Raiffeisen Banka AD Beograd (Serbia) №265-0000001624611-36 from February 21 2016 until January 27 2024.
The limit for the effective drawdown of funds under the agreement in the form of revolving credit for working capital financing, which is available for utilization on the basis of separate requests up to the amount of respectively pledged client receivables, was maintained at the amount of USD 4,200 thousand.
The applicable interest rates were changed from 1m. LIBOR + 2.1% to 3m. SOFR + 2.6% for utilization in USD and from 1m. BELIBOR + 1.5% to 1m. BELIBOR + 2.8% for utilization in Serbian dinars.
Security provided under the agreement continued to include pledges over individual receivables from a specified key account of the company presented at each separate drawdown, as well as a suretyship by TBS EAD.
Interest expenses from the agreement for the reporting period were equivalent to BGN 160 thousand. As of December 31 2023, the company and no outstanding principal or interest payables under the agreement.

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26. Interest-bearing loans and borrowings (continued)

On January 20 2023, an annex was signed to Frame loan agreement №5074/2022 between Unicredit Slovenia and Telelink Slovenia from March 22 2022 with a limit of up to EUR 1,500,000 available for utilization in the form of revolving credit and/or bank guarantees, whereby the tenor was extended until January 18 2024 and the annual interest rate was changed from 1m. EURIBOR + 1.5% to 3m. EURIBOR + 1.6%.
A corporate guarantee provided by TBSG AD was maintained as security to Telelink Slovenia's obligations under the agreement.
Interest expenses from the agreement for the period were equivalent to BGN 79 thousand. As of December 31 2023, the company's outstanding principal and interest payables under the agreement amounted to EUR 771 thousand (BGN 1,507 thousand).

On March 01 2023, a Frame overdraft agreement was signed between TBS Croatia and Zagrebska banka d.d. with a tenor until February 29 2024, a maximum amount of EUR 245,500 and an annual interest rate of 3m. EURIBOR + 0.39%, secured with a corporate guarantee from TBSG AD.
On December 18 2023, Frame overdraft agreement №1102903942 was signed between TBS Croatia and Zagrebačka banka d.d. with a tenor until July 31 2024, a maximum amount of EUR 600,000 and an annual interest rate of 3m. EURIBOR + 1.5%.%, secured with a corporate guarantee from TBSG AD.
As of December 31 2023, TBS Croatia had not utilized any funds and did not have any expenses or outstanding principal and interest payables under the agreement.

During the reporting period, TBS Macedonia maintained its Frame limit agreement with Pro Credit Banka AD Skopje from July 20 2021 with an overall limit of EUR 500,000 available for utilization as overdraft, revolving credit, bank guarantees and/or other credit instruments, annual interest rate of 5% and a maximum term until July 15 2031.
On December 11 2023, Annex №1 to the agreement was signed, adding as security to the agreement a bank guarantee issued by UniCredit Bulbank AD and provided by TBSG AD for the amount of EUR 300,000, valid until May 31 2025.
As of December 31 2023 and during the year as a whole, TBS Macedonia did not utilize any funds and did not have any interest expenses or outstanding principal and interest obligations under the agreement.

Reconciliation of the movement of liabilities to cash flows from financing activity:

	2023	*2022*
	BGN'000	*BGN'000*
Interest-bearing loans and borrowings at 01 January	**2,879**	**1,725**
Proceeds from borrowings	59,353	14,123
Repayments of borrowings	(58,050)	(12,969)
Interest expense	327	71
Interest paid	(315)	(71)
Interest-bearing loans and borrowings at 31 December	**4,194**	**2,879**

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27. Leases

The Group has leases for offices, vehicles, and managed services assets used in the business. Leases for managed services assets have lease terms between 3 and 4 years, vehicles - 4 years, and rented offices 2 - 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.
There are no lease contracts that include extension and termination options and variable lease payments.

The Group also has certain leases of premises or equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.
Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January 2023	714	474	804	1,992
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*44*	*804*	*848*
Additions	3,392	701	-	4,093
Depreciation	(1,087)	(319)	(452)	(1,858)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(18)*	*(419)*	*(437)*
Exchange differences	2	1	-	3
Balance at 31 Dec 2023	**3,021**	**818**	**352**	**4,191**

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January 2022	1,901	503	1,265	3,669
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*63*	*1,265*	*1,328*
Additions	379	247	-	626
Disposals	(659)	-	-	(659)
Depreciation	(907)	(276)	(461)	(1,644)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(19)*	*(461)*	*(480)*
Balance at 31 Dec 2022	**714**	**474**	**804**	**1,992**

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31 DECEMBER 2023
27. Leases (continued)

Expenses for short-term lease (included in cost of sales) are BGN 29 thousand in 2023 (2022: BGN 29 thousand).

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023	*2022*
	BGN '000	***BGN '000***
Balance at the beginning of the period	**1,379**	**2,933**
Exercised termination option	(46)	(369)
Additions	4,093	348
Accretion of interest	127	80
Payments	(1,504)	(1,613)
Balance at 31 December	**4,049**	**1,379**
Current	1,228	943
Non-current	2,821	436

The Group had total cash outflows for leases of BGN 1,533 thousand in 2022, including BGN 29 thousand related to short-term leases (2022: BGN 1,642 thousand, including BGN 29 thousand related to short-term leases).

Set out below are the lease related amounts recognised in profit and loss:

	2023	*2022*
	BGN '000	***BGN '000***
Depreciation expense of rights-of-use assets	(1,858)	(1,644)
incl. under Lease contracts with transfer of ownership by the end of the lease term	*(437)*	*(480)*
Interest expenses on lease liabilities	(127)	(80)
incl. under Lease contracts with transfer of ownership by the end of the lease term	*(3)*	*(2)*
Expenses relating to short-term leases	(29)	(29)
Profit (loss) from contract modification	-	(4)
Total amount recognised in profit or loss	**(2,014)**	**(1,757)**

28. Trade and other payables

	2023	*2022*
	BGN'000	*BGN'000*
Trade payables to related parties (note 31)	48	37
Trade payables to third parties	47,068	24,042
Accrued expenses	7,756	1,827
Trade payables	**54,872**	**25,906**
Tax and other statutory liabilities	5,328	3,732
Dividend and other payables to related parties (note 33)	-	297
Personnel payables and other	4,271	3,239
Trade and other payables	**64,471**	**33,174**

Trade payables are non-interest bearing and are normally settled on 30-60-day terms. Tax liabilities are non-interest bearing and are settled within the statutory deadlines.

Other payables are non-interest bearing and have an average term of 30 days. Other liabilities are mainly formed by short-term payables to personnel and accrued unused paid leave.

As at 31 December 2022 dividends payables and other payables to related parties represent BGN 297 thousand unclaimed dividends distributed by shareholders.

29. Contract liabilities

	2023	*2022*
	BGN'000	*BGN'000*
Contract liabilities to related parties	745	174
Advances received	5,996	1,508
Deferred income	27,653	19,740
Total contract liabilities	**34,394**	**21,422**
Current	24,672	14,092
Non-current	9,722	7,330
	34,394	**21,422**

Advances received from clients and Deferred income represent customer billed amounts in advance of performance are classified within Contract liabilities. Advances received represent short-term upfront amount received by customers for services or goods. Deferred income comprises of short and long term advances received for extended customer support.

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30. Retirement benefit liability

	2023 *BGN'000*	*2022* *BGN'000*
Balance on 1 January	32	19
Accrued for the year	8	13
Balance on 31 December	**40**	**32**

Major assumptions used for accounting purposes:

Major assumptions	*2023*	*2022*
Discount Rate	0.40%	0.40%
Future Salary Increases	5.00%	5.00%
Personnel Retention Rate	80.14%	80.14%

There have been no reasonably possible changes in key assumptions that could have a significant impact on the retirement benefit liability as of year-end.

The average duration of the retirement benefit obligation is 27.79 years.

31. Related party disclosures

Group related party

Name	**Nature of relationship**	
Telelink Business Services EAD (Bulgaria)	Subsidiary of	Telelink Business Services Group AD – 100%
Comutel DOO (Serbia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOO – Podgorica (Montenegro)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Bosna and Herzegovina)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Slovenia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Albania SH.P.K. (Albania)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOOEL (Macedonia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOO (Croatia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services LLC (USA)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services SRL (Romania)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services GmbH (Germany)	Subsidiary of	Telelink Business Services Group AD – 100%

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31. Related party disclosures (continued)

Other related parties

Name	**Nature of relationship**
Telelink Bulgaria EAD (Bulgaria)	Under common control
Telelink Infra Services EAD (Bulgaria)	Under common control
Telelink UK Limited (United Kingdom)	Under common control
Telelink GmbH (Germany)	Under common control
Telelink MK DOOEL (North Macedonia)	Under common control
Telelink MK DOOEL branch Kosovo (Kosovo)	Under common control
Telelink Infra Services SHPK (Albania)	Under common control
Telelink City Group EAD (Bulgaria)	Under common control
Telelink City EOOD (Bulgaria)	Under common control
Telelink Services Romania SRL (Romania)	Under common control
Modeshift Inc, (USA)	Under common control
Modeshift Europe AD (Bulgaria)	Under common control
Field on Track LTD. (United Kingdom)	Under common control
Field on Track OOD (Bulgaria)	Under common control
EARLS Investment- und Verwaltungs GmbH	Under common control
Penergy Invest EOOD	Under common control
SIL Energy Invest EAD	Under common control
Iskar Lake House OOD	Under common control
ALONHON INVESTMENTS HOLDING LIMITED (UAE)	Under common control
V_investments Bulgaria EOOD (Bulgaria)	Under common control
Telelink Investments EOOD (Bulgaria)	Under common control

Participation in joint arrangements in 2023 and 2022:

Name		**Nature of relationship**
Consorcium SysTel (Bulgaria)	Participation	TeleLink Business Services EAD - 50%
Consortium ATP Services (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Telesec (Bulgaria)	Participation	TeleLink Business Services EAD - 50%
Consortium Telelink Info (Bulgaria)	Participation	TeleLink Business Services EAD - 78%
Consortium Telelink Group (Bulgaria)	Participation	TeleLink Business Services EAD - 50%
Consortium TelechnoLink (Bulgaria)	Participation	TeleLink Business Services EAD - 59,10%
Consortium Bulgarski porechiya (Bulgaria)	Participation	TeleLink Business Services EAD - 15%
Consortium TeleSystems (Bulgaria)	Participation	TeleLink Business Services EAD - 63,50%
Consortium Digital Backpack (Bulgaria)	Participation	Telelink Business Services EAD- 50%
Consortium Te Le Es (Bulgaria)	Participation	Telelink Business Services EAD- 50%
Consortium Sigurni Granici Telesec (Bulgaria)	Participation	TeleLink Business Services EAD -50%

Set out below is the total amount of the transactions concluded with related parties throughout the respective financial year, as well as the outstanding balances as at the end of each financial year:

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31 DECEMBER 2023
31. Related party disclosure (continued)

Trade	**Sales to related parties**		**Purchases from related parties**	
	2023	***2022***	***2023***	***2022***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	2,625	5,751	1,751	1,424
	2,625	**5,751**	**1,751**	**1,424**

Interest	**Charged to related parties**		**Charged by related parties**	
	2023	***2022***	***2023***	***2022***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	-	24	-	-
	-	**24**	**-**	**-**

Trade	**Receivables from related parties**		**Payables to related parties**	
	2023	***2022***	***2023***	***2022***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	6,939	4,351	48	37
	6,939	**4,351**	**48**	**37**

Amounts due by related parties are included in trade and other receivables (Note 22). Amounts due to related parties are included in trade and other payables (Note 28).

As of December 31 2022, other payables to related parties at the amount of BGN 297 thousand represent unclaimed dividend.

Terms of transactions with related parties

Sales to and purchases from related parties are performed at contractual prices. Receivables and liabilities from and to related parties cannot be set-off. Outstanding year-end balances are unsecured, interest-free (except for loans) and settled in cash. No guarantees have been provided or received for the receivables from or liabilities to related parties. The Group has not impaired receivables from related parties as at 31 December 2023 (2022: nil). Impairment review is performed each financial year based on an analysis of the financial position of the related party and the market in which it operates.

Joint arrangements

The interests of Telelink Business Services EAD in joint arrangements are regulated by consortium agreements. Telelink Business Services EAD and the other parties agree, based on mutual cooperation, to combine their efforts in the form of consortium to implement certain projects where no party holds control. The partners participate with assets, liabilities, income and expenses corresponding to their share in the consortium. The consortiums generate no profit or loss.

Set out below are the interests of Telelink Business Services EAD – income, expenses, assets and liabilities in the consortiums and these interests by their nature may be defined as transactions of the Group with third parties:

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31. Related party disclosure (continued)

Income Statement	**Sales to joint operations**		**Purchases from joint operations**	
	2023	***2022***	***2023***	***2022***
Name	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Consortium ATP Services (Bulgaria)	189	211	-	-
Consortium Telelink Smart City Systems (Bulgaria)	-	163	-	-
Consortium TeleSec(Bulgaria)	258	261	-	-
Consortium Telelink Group (Bulgaria)	1	1	-	-
Consortium TelechnoLink (Bulgaria)	951	7	-	-
Consorcium SysTel (Bulgaria)	2,254	8,111	-	-
Consortium TeleSystems (Bulgaria)	1	13	-	-
Consortium Digital Backpack (Bulgaria)	305	10,251	-	1
Consortium Bulgarski porechiya (Bulgaria)	166	-	-	-
Consortium Telelink Info (Bulgaria)	346	-	-	-
Consortium Te Le Es (Bulgaria)	29	35	-	-
Consortium Sigurni Granici Telesec (Bulgaria)	8,348	-	-	-
	12,846	**19,053**	**-**	**1**

Statement of Financial Position	**Trade receivables from joint operations**		**Trade payables to joint operations**	
	2023	***2022***	***2023***	***2022***
Name	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Consortium ATP Services (Bulgaria)	17	15	-	-
Consorcium SysTel (Bulgaria)	12	-	-	-
Consortium Telelink Info (Bulgaria)	1	-	-	-
Consortium Sigurni Granici Telesec (Bulgaria)	2,824	-	-	-
	2,854	**15**	**-**	**-**

Statement of Financial Position	**Contract assets**		**Contract liabilities**	
	2023	***2022***	***2023***	***2022***
Name	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Consortium ATP Services (Bulgaria)	16	15	-	-
Consortium TeleSec(Bulgaria)	15	15	-	-
Consortium TelechnoLink (Bulgaria)	951	-	-	-
Consortium Digital Backpack (Bulgaria)	-	-	-	174
	982	**30**	**-**	**174**

Remuneration of key management personnel

	2023	***2022***
	BGN'000	***BGN'000***
Short-term employee benefits	3,245	1,912
Share-based payments	41	44
	3,286	**1,956**

32. Share capital and reserves

Registered capital	***2023 Shares***	***2022 Shares***
Ordinary shares of BGN 1 each	12,500,000	12,500,000
	12,500,000	12,500,000
	Shares	***Shares***
Ordinary shares issued, fully paid-in	12,500,000	12,500,000

All ordinary shares are fully paid in.

Telelink Business Services Group AD was established in July 2019 with a share capital of BGN 50 thousand. The share capital available as of 31 December 2020 amounting to BGN 12,500 thousand was formed as a result of the Reorganization of Telelink Bulgaria EAD, whereby Telelink Bulgaria EAD allocated the net assets attributable to the separated Business Services activity amounting to BGN 12,667 thousand and the latter amount was allocated to the formation of additional share capital amounting to BGN 12,450 thousand and general reserves amounting to BGN 217 thousand.

Legal reserves

Legal reserves are formed from retained earnings in accordance with the statutory requirements and can be used to offset future losses. Pursuant to article 246 of the Commercial Act, legal reserves should be set aside until they reach one tenth or more of the company's registered capital. The sources of funding these reserves may be at least one tenth of the net profit, share premiums upon share issuing, and other sources provided for by the statutes of the Company or by resolution of the General Meeting of Shareholders.

Legal reserves are formed from the retained earnings of Telelink Business Services Group AD (2022: BGN 1,250 thousand and 2021: BGN 981 thousand), Telelink Business Services EAD (2022 and 2021: BGN 100 thousand) and Telelink Business Services North Macedonia (2022: BGN 2 thousand).

The Group's legal reserves as at 31 December 2023 and 31 December 2022 were BGN 1,352 thousand (2021: BGN 1,083 thousand).

Other reserves

Other reserves were formed after applying the predecessor method upon the acquisition of the companies under common control and represent the difference between the investment in acquirees and the share capital of these entities.

The Group's other reserves formed following the acquisition as at 31 December 2022 were BGN (14,124) thousand. As at 31 December 2023 the amount were BGN (13,717) thousand – the decrease in the amount of BGN 407 thousand is effect of impairment of the investment in Telelink Montenegro. The remaining part of Other reserves is formed from obligations under Share-based payments incentive plans for the amount of BGN 474 thousand as at 31 December 2023 (2022: BGN 670 thousand). In 2023 shares at the amount of BGN 310 thousand were transferred to employees of the Group under the long-term share-based payment incentive Programme for management and key personnel from 2020 and expense at the amount of BGN 114

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32. Share capital and reserves (continued)

thousand for the 2021 Programmes was accrued. As a result, the amount of Other reserves decreases by BGN 196 thousand. In Other reserves were presented BGN 48 thousand formed by the difference in the share price on grant and vest date for the shares transferred to employees of subsidiaries if the Group.

As at 31 December 2023 an amount of BGN 87 thousand (2022: BGN 87 thousand) in Other reserves is formed of valuation of investment property in the subsidiary Comutel DOO.

In 2023 the Group transferred shares to employees of the Group and the subsidiaries under the long-term share-based payment incentive Programme for management and key personnel and Programme for Management Board from 2020.

Other components of equity

	Number of shares	*Other components of equity*
		BGN '000
At the beginning of the reporting period	**(6,030)**	**(35)**
Shares bought back on market	(23,500)	(223)
Share -based payments	27,452	263
Buy-back transaction costs		(2)
At the end of the reporting period	**(2,078)**	**3**

As at 31 December 2022 the Group held 6,030 own shares. In total, 23,500 own shares were bought back in 2023 for the purposes of employee incentive plans - Programme for management and key personnel and Programme for Management Board from 2020. In fulfillment of the latter, in 2023 the Group transferred 27,452 shares to the employees of the Group and to the members of the Company's Management Board.

Translation reserves

Translation reserves are formed from the restatement of the subsidiaries' operating results and financial performance in the Group's presentation currency.

The translation reserves as at 31 December 2023 were BGN (536) thousand (2022: BGN (548) thousand).

33. Dividends distributed

Set out below are the dividends distributed by the Group companies to the parent company in 2023 and 2022:

Name	*2023 BGN'000*	*2022 BGN'000*
Comutel DOO (Serbia)	137	1,408
Telelink Business Services DOOEL (North Macedonia)	-	196
Telelink DOO (Slovenia)	59	1,369
Telelink Business Services EAD (Bulgaria)	5,867	10,366
	6,063	**13,339**

At 31 December 2023 the amount of the unpaid dividends from Telelink Business Services AD is BGN 934 thousand. At 31 December 2022 all dividends are fully paid.

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33. Dividends distributed (continued)

The General meeting of the shareholders by resolution from 21 September 2022 approved the distribution of dividends amounting to BGN 10,125 thousand in 2022. In 2023, the General Meeting of Shareholders of Telelink Business Services Group AD decided that the profit for 2022, after deducting the six-month interim dividends already distributed in 2022, to be transferred to retained earnings.

	2023	*2022*
	BGN'000	*BGN'000*
At the beginning of the period	297	301
Final dividend for the year (2021: BGN 0.19 per share)		2,430
Interim dividend for the year (2022: BGN 0.62 per share)		7,695
Paid out	(297)	(9,724)
Tax withheld		(405)
At the end of the period	**-**	**297**
Dividend per share 2021	0.000	0.195
Dividend per share 2022	0.000	0.616
Dividend per share	-	0.811

34. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. If carrying amounts approximate fair values of financial assets and liabilities not measured at fair value, no information on the fair values is shown.

Year ended at 31 December 2023	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2023	454	-	-	454
Total assets measured at fair value		**454**	**-**	**-**	**454**

Year ended at 31 December 2022	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2022	448	-	-	448
Total assets measured at fair value		**448**	**-**	**-**	**448**

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31 DECEMBER 2023

35. Commitments and contingencies

Litigations and claims: There are no significant litigation or claims against the Group.

Guarantees: Bank guarantees under contracts with clients and participation in tenders, issued by the Group servicing banks at 31 December 2023, amounted to BGN 28,071 thousand (at 31 December 2022: BGN 11,649 thousand).

Capital commitments: The Group had no capital commitments as at 31 December 2023 and 2022.
The Group does not consider that there are material risks as a result of the dynamic fiscal and regulatory environment in the countries in which it has registered entities that would require adjustments to the financial statements for the year ending 31 December 2023.

Commitments to the benefit of related parties

As of December 31 2023 and during the reporting period as a whole, the Telelink Business Services Group AD maintained its commitments of a guarantor, respectively pledgor under the following contracts signed as security to the obligations of Telelink Business Services EAD (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 described in section XII.8.2.1.1 of this Report and the annexes thereto until their final repayment:

- a suretyship agreement with Unicredit Bulbank AD, including a commitment to maintain the Telelink Business Services Group AD's participation in the capital of TBS EAD;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD and related receivables.

As of December 31 2023, the Telelink Business Services Group AD also maintained the following commitments undertaken thereby with regard to corporate and bank guarantees issued in previous periods and extended and/or issued during the reported period:

- a corporate guarantee in favor of Citi Bank and Cisco Systems International B.V. (the Netherlands) securing the capacity of 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, issued on July 01 2020;
- a corporate guarantee 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., issued on February 15 2022;
- a corporate guarantee securing the obligations of Telelink Slovenia (UIN 6596240000) under Framework loan agreement № 5074/2022 with Unicredit Banka Slovenia d.d. for the amount of EUR 1,500,000, issued on March 16 2022;
- a corporate guarantee securing the obligations of Telelink Business Services 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 (EUR 200 thousand), issued on June 28 2022;
- a corporate guarantee securing the obligations of Telelink Business Services Croatia (UIN 081341811) under Frame overdraft agreement from March 01 2023 with Zagrebacka Banka d.d. up to the amount of EUR 245,500, issued on March 01 2023;

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35. Commitments and contingencies (continued)

- a corporate guarantee securing the obligations of Telelink Business Services Croatia (UIN 081341811) under Frame agreement for issuing bank guarantees № 0200126236 from June 27 2022 with Zagrebacka Banka d.d. and the annexes for the amount of EUR 900,000, issued on April 07 2023;
- 3 bank guarantees, each for the amount of RON 6,000, securing a bid bond by Telelink Business Services Romania (UIN J40/19800/2021) with regard to its participation in three lots of a tender by UM 02499 BUCUREȘTI (Ministry of Defense), issued on August 30 2023;
- a bank guarantee for the amount of RON 7,000 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, issued on October 05 2023;
- a counter-guarantee for the amount of EUR 664,163.28 securing the good performance of TBS EAD (UIN 130545438) under a contract with NCI Agency – NATO with regard to a contract for the delivery of equipment and services valid until November 15 2025, issued on October 24 2023;
- a bank guarantee for the amount of RON 74,510.71, securing the good performance of Telelink Business Services Romania (UIN J40/19800/2021) under a contract with BUCHAREST MUNICIPALITY, issued on October 30 2023;
- a corporate guarantee in favor of MB Distribution S.R.L. (Romania), securing the capacity of Telelink Business Services Romania (UIN J40/19800/2021) to make high-value equipment purchases on deferred payment terms up to the amount of USD 20,488, issued on November 15 2023;
- a bank guarantee for the amount of EUR 5,100 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 National Administration of Penitentiaries – Romania, valid until April 17 2024, issued on November 16 2023;
- a counter-guarantee for the amount of EUR 26,000 securing a performance guarantee issued by Raiffeisen banka a.d. Beograd with regard to a delivery contract between Comutel (UIN 07554133) and REPUBLIC FUND FOR PENSION AND DISABILITY INSURANCE – Serbia valid until February 28 2025, issued on November 16 2023;
- a corporate guarantee in favor of INGRAM MICRO DISTRIBUTION S.R.L (Romania), securing the capacity of TBS Romania (UIN J40/19800/2021) to make high-value equipment purchases on deferred payment terms up to the amount of USD 152,000, issued on November 17 2023;
- a corporate guarantee in favor of Comtrade (Serbia) securing the capacity of Comutel (UIN 07554133) to make high-value equipment purchases on deferred payment terms up to the amount of USD 3,000,000 valid until December 31 2024, issued on November 20 2023;
- a bank guarantee for the amount of EUR 300,000 securing the obligations of Telelink Business Services Macedonia (UIN 7385986) with regard to a Frame limit agreement with Pro Credit Banka AD Skopje valid until May 31 2025, issued on November 25 2023;
- a corporate guarantee in favor of INGRAM MICRO d.o.o. Zagreb, securing the capacity of Telelink Business Services Croatia (UIN 081341811) to make high-value equipment purchases on deferred payment terms up to the amount of USD 1,000,000 valid until April 30 2024, issued on December 04 2023;
- a corporate guarantee, securing the obligations of Telelink Business Services Croatia (UIN 081341811) under a Frame overdraft agreement from December 18 2023 with Zagrebacka Banka d.d. up to the amount of EUR 600,000, issued on December 18 2023.

TBS EAD continues to be a guarantor securing the obligations of Telelink Business Services Group AD and Comutel under the credit agreements described in note 26. Interest-bearing loans and borrowings.

36. Financial risk management objectives and policies

The Group's principal financial liabilities comprise interest-bearing loans and borrowings, and trade payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, loans granted, and cash and short-term deposits that derive directly from its operations.

In 2023 and 2022, the Group neither owned nor traded in derivative financial instruments.

The Group is exposed primarily to interest rate risk, liquidity risk, currency risk, and credit risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's revolving credit lines for current financing of working capital and to a lesser extent, to finance lease contracts bearing floating (variable) interest rates.

The Group's policy is to manage its interest expenses by employing financial instruments bearing fixed and floating interest rates and assuming the risk relating to revolving credit lines due to the inherently variable nature of exposures thereto; moreover, the Group keeps track of changes in periodically updated floating and variable indices with a view to possibly fixing or hedging interest rates on financial leases.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2023	***2022***
	BGN' 000	***BGN' 000***
Fixed rate instruments		
Financial assets	14,087	14,825
Cash and cash Equivalents	14,087	14,825
	14,087	**14,825**

	2023	***2022***
	BGN' 000	***BGN' 000***
Variable rate instruments		
Financial liabilities	(4,214)	(3,093)
Interest-bearing loans and borrowings (principal)	(4,194)	(2,879)
Finance leases	(20)	(214)
	(4,214)	**(3,093)**

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31 DECEMBER 2023
36. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

A change of 100 basis points in interest rates at the date of the financial statements would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit or loss	
Effect in thousands of BGN	**1.00% increase**	**-1.00% decrease**
31 December 2023		
Variable rate instruments	(42)	18
Cash flow sensitivity (net)	**(42)**	**18**
31 December 2022		
Variable rate instruments	(31)	31
Cash flow sensitivity (net)	**(31)**	**31**

Due to the negotiation of minimal interest rates equal to either interest margin or total interest rate at the date of signature of the contract for certain instruments, the effects of an increase and decrease by the same change in interest rate are asymmetrical.

Currency risk

The Group trades in different markets and in local currencies that are different from its functional currency, as well as in third-party currencies, including mostly purchases in US dollars. Consequently, it faces transaction and translation exchange rate risks. The Group's exposure to changes in exchange rates of local currencies is substantially limited owing to the fixed EUR/BGN and EUR / BAM exchange rate maintained under the currency board systems operating in Bulgaria and Bosnia and Herzegovina, as well as by the adoption of the Euro as a National currency of Montenegro. Therefore, the total sales and profits generated in jurisdictions using or pegged to the Euro or BGN have the largest share in the consolidated results. The Group is exposed to translation currency risk in Serbia, Croatia, Albania, North Macedonia, and Romania relative to the floating exchange rates of the local currencies.

A significant part of revenue and cost of sales, including locally sourced goods and services, employee benefits and other fixed costs, are denominated in the local currencies of the operational subsidiaries.

Third-party currency risk relative to other trading is limited by existing contractual arrangements for the exchange rate indexation of receivables in Serbia, Albania, North Macedonia, Croatia, and Romania.

Outstanding risks from foreign currency trading are mitigated by Group companies by matching the timing and currencies of its trade receivables and payables, to the extent possible, as well as by occasional forward purchases of US Dollars for the payment of uncovered payables.

The tables below demonstrate the sensitivity to a possible change on the exchange rates of the following currencies:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

36. Financial risk management objectives and policies (continued)

Currency risk (continued)

	USD	*MKD*	*RSD*	*ALL*	*RON*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Trade and other payables	(22,895)	(3,534)	(4,686)	(442)	(43)
Contract liabilities	(5)	-	(7,963)	-	-
Trade and other receivables	13,304	2,958	970	1,028	395
	(9,596)	**(576)**	**(11,680)**	**585**	**353**

	Effect on profit before tax	
	+5%	**-5%**
	BGN' 000	BGN' 000
Change in USD rate	(480)	480
Change in MKD rate	(29)	29
Change in RSD rate	(584)	584
Change in ALL rate	29	(29)
Change in RON rate	18	(18)
	(1,046)	**1,046**

Credit risk

The Group trades generally with recognised, creditworthy third parties, such as, leading telecoms, public institutions and multinational companies, and long-lasting partners with proven credit history. The receivable balances and maturities are monitored on an ongoing basis. Therefore, the Group's credit risk exposure is very limited.

The credit risk that arises from other financial assets of the Group, such as cash and other financial assets, is related to the Group's credit exposure to default risks on the part of its counterparties.

The maximum credit exposure of the Group related to the recognised financial assets equals their carrying amount as stated in the balance sheet as of 31 December 2023 and as of 31 December 2022.

Liquidity risk

Liquidity risk is managed through the planning of cash flows and ensuring sufficient cash, as also by agreeing credit limits and financial support with renown local banks and strategically engaged partners.

The following table summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual discounted payments.

31 December 2023	**On demand**	**< 3 months**	**3-12 months**	**1 - 5 years**	**> 5 years**	**Total**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	-	4,194	-	-	4,194
Lease liabilities	-	283	931	2,835	-	4,049
Trade payables	2,272	41,705	10,366	529	-	54,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
36. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

31 December 2022	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	-	2,879	-	-	2,879
Lease liabilities	2	324	596	457	-	1,379
Trade payables	209	24,713	974	10	-	25,906

Capital management

The main objective of capital management of the Group is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	2023	*2022*
	BGN'000	*BGN'000*
Interest bearing loans and borrowings	4,194	2,879
Lease liabilities	4,049	1,379
Trade and other payables	64,471	33,174
Contract liabilities	34,394	21,422
Less cash and short term deposits	(14,091)	(14,828)
Net debt	93,017	44,026
Equity	27,549	18,311
Less other reserves	13,204	13,367
Adjusted Equity	40,753	31,678
Capital and net debt	**133,770**	**75,704**
Gearing ratio	70%	58%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

37. Share-based payments

In 2020 the Group established long-term share-based payment incentive Programme for management and key personnel (the Programme). Under the Programme eligible employee is any employee who works at managerial position or is a key employee, nominated by resolution of the Managing Board, who has at least 365 days length of service at the Group. The supplementary remuneration under the Programme is conditional on the Group's performance for a period of three years 2020-2022 and personal performance of each employee with regard to financial and non-financial results. The final number of shares to be transferred is measured by reference to the Group`s performance for a period of three years. In 2023 under the Programme 20,343 were transferred to employees of the subsidiary in the Group.

In 2020 the Group establishes share-based payment incentive Scheme for members of the Managing board (the Scheme). Granting conditions and final number of shares to be transferred are subject to the continuing employment of the members of the Managing board and the Group`s performance for the three-year period 2020-2022. In 2023 under the Scheme 7,109 were transferred to members of the Management Bord. As at 31 December 2023 1,516 shares remain to be transferred in 2024 to one of the members of the MB.

According to the Programme and the Scheme shares will be transferred to employees in the year following the three-year period 2020-2022. The Group has estimated the fair value of the services received by reference to the fair value of the shares granted, but not yet vested, using the closing price of the Bulgarian Stock Exchange at 31 December 2020 adjusted with the present value of future dividend. The expense accrued according to the Programme and the Scheme for the period 2020 – 2022 are respectively BGN 282 thousand for the Programme and BGN 116 thousand for the Scheme. The share's vesting price is estimated as the closing price of Bulgarian Stock Exchange on the date of transfer and the amount calculated is BGN 310 thousand.

In 2021 the Group establishes new identical share-based payment incentive Programme for management and key personnel and Scheme for members of the Managing board related to continuing employment and Group performance for new three-year period 2021-2023. Shares are transferred to the participants in the year following the three-year period 2021-2023. The Group has estimated the fair value of the services received by reference to the fair value of the shares granted, but not yet vested, using the closing price of the Bulgarian Stock Exchange at 24 September 2021 adjusted with the present value of future dividend. The expense accrued according to the Programme and the Scheme related to the new three-year period 2021-23 in 2023 is BGN 114 thousand (2022: BGN 101 thousand).

The Group accounts for all plans as equity-settled share-based payments.

38. Events after the reporting period

On January 10 2024, the SB of Telelink Business Services Group AD approved the MB's proposal to act towards the voluntary liquidation Telelink Business Services Montenegro.

On January 18 2024, an annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. Telelink Slovenia with a limit of EUR 1,500,000, whereby the tenor was extended until April 19 2024 and the annual interest rate was changed to 1.6% + 3 m. EURIBOR. The corporate guarantee provided by TBSG AD to secure Telelink Slovenia's obligations under the agreement remained in force.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

38. Events after the reporting period (continued)

On January 25 2024, a Cash loan agreement was signed between Telelink Business Services Group AD (lender) and Comutel (borrower) with a limit of EUR 500,000, subject to revolving utilization and repayment, with a tenor of December 31 2024 and an annual interest rate of 5.00%.

On February 08 2024, the MB adopted a resolution proposing for approval by the SB the purchase of 100% of the shares in limited liability company Sedam IT, d.o.o., Croatia, the signing of a bank credit agreement for the purpose of financing the above deal and the establishment of securities as collateral to the latter agreement. The proposal was approved by the SB on February 09 2024.

On February 13 2024 г. an annex was signed to Frame agreement for issuing bank guarantees № 0200126236 between Zagrebačka banka d.d. and Telelink Business Services Croatia with a limit of EUR 900,000, whereby the agreement’s term was extended until February 28 2025. A corporate bank guarantee by Telelink Business Services Group AD for the amount of HRK 1,500,000 (EUR 200 thousand) securing Telelink Business Services Croatia’s obligations under the agreement remained in force.

On February 13 2024, Telelink Business Services Group AD signed a Share Purchase Agreement for the acquisition of 100% of the company shares of limited liability company SEDAM IT d.o.o., registered under the law of Republic of Croatia with the registered seat in Zagreb, Koledovčina 2, OIB: 95661305069 – a provider of IT, communication and software solutions and services with a long-standing presence on the Croatian IT market. The counterparty (seller) in the purchase and sale of company shares is an unrelated/non-interested third party. As of the date of signing the Agreement, the acquisition of the company's shares was subject to the realization of pre-agreed conditions precedents, which had to be fulfilled within an agreed period of time. The agreed enterprise value of the company is EUR 9,000,000. The final price for the acquisition of the shares of the company will be paid to the seller in stages including an initial and subsequent payments to be determined on the basis of the agreed enterprise value and depending on the financial indebtedness, cash, revenues for the last 12 months and net working capital of the company at the date of transfer of company shares, as well as on its audited financial results for 2024 and 2025.

On February 17 2024, a resolution was adopted to replace Helge Brummer with Teodor Dobrev as authorized representative of Telelink Business Services USA.

In accordance with the resolution of the SB from November 30 2023 and the Schedule for providing remuneration based on Company chares to the members of the MB from 2020, 1,516 shares in the capital of Telelink Business Services Group AD were transferred to Gojko Martinovic on February 22 2024.

On February 28 2024, an annex was signed to the overdraft agreement between Telelink Business Services Group AD and Raiffeisenbank (Bulgaria) EAD (now UBB AD), whereby terms were extended as follows:

- Overdraft credit with a repayment deadline until February 28 2028;
- Contingent bank credit securing the issuance of guarantees available for utilization until January 28 2028.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

38. Events after the reporting period (continued)

On March 14 2024, Telelink Business Services Group AD announced that, pursuant to the SB resolution from February 10 2024, it took concrete action towards the liquidation of Telelink Business Services Montenegro, i.e. the adoption of a resolution to liquidate and filing of applicable documents for the registration of the liquidation in the Central Register of economic entities of the Republic of Montenegro.

On March 18 2024, the MB approved a proposal by the Board of Directors of Telelink Business Services EAD to distribute a dividend out of the company's profit for 2022 in the amount of BGN 2,933,745, equivalent to EUR 1,500,000, towards its single shareholder, Telelink Business Services Group AD.

On March 19 2024, Investment bank loan agreement № 00044/730/19.03.2024 was signed between Telelink Business Services Group AD as borrower, Telelink Business Services EAD as co-debtor and UniCredit Bulbank AD with the purpose of financing the acquisition of 100% of the company shares in the capital of SEDAM IT d.o.o., Croatia, with a total limit of EUR 7,000,000 but not more than 70% of the consideration paid, subject to utilization in three tranches in accordance with the conditions of determination and payment of the consideration established in the Share Purchase Agreement, and repayment of each tranche in equal monthly or quarterly instalments, a regular interest rate of 3m. EURIBOR + 2.2% and a global repayment deadline of July 31 2030. Securities stipulated in the agreement include:

- Pledge over 50% of all receivables of the Company for dividends distributed by its subsidiaries, on the condition that the Company will be authorized to dispose without limitations with such receivables and the cash proceeds therefrom unless if and while there is a substantial breach or default declared by the Bank under the agreement;
- Pledge over all current and future receivables of the Company from Sedam IT d.o.o.;
- Pledge over 100% of the company shares in the capital of Sedam IT d.o.o. and respective dividend receivables;
- Pledge under the Law on financial collateral agreement (LFCA) over all receivables from accounts opened with the lending bank by the Company and Telelink Business Services EAD.

On March 25 2024, the SB released Nikoleta Stanailova as member of the MB and elected Iordanka Klenovska in place thereof.

On the session of the SB held on March 25 2024, a discussion took place with regard to the potential sale of 100% of the shares in the capital of Telelink Albania. As of the date of this Report, the MB is in the process of preparing a proposal to the SB, but neither the MB, nor the SB have adopted resolutions with regard to the aforementioned sale.

On March 29 2024, Telelink Business Services Group AD acquired 100% of the shares in the capital of SEDAM IT, d.o.o., Croatia against an provisional upfront payment to a special (escrow) accounts in the amount of EUR 5,098,186 established on the basis of interim financial statements SEDAM IT, d.o.o. as of February 29 2024 and provided guarantees securing subsequent consideration payments. The final amount of the upfront payment will be determined. As of the date of the acquisition, the final amount of the upfront payment was to be determines and paid out to the seller on the basis and after the provision of financials statements as of March 29 2024, which was yet to be fulfilled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

38. Events after the reporting period (continued)

On April 08 2024, the MB approved the signing of a deal between Telelink Business Services EAD as contractor and Consortium TELESEC" DZZD with partners Telelink Business Services EAD and "Sectron" OOD as contracting party for the performance of deliveries and provision of services as per a Public Procurement Contract between the Ministry of Internal Affairs of the Republic of Bulgaria and "Consortium TELESEC" DZZD with the subject of "Modernization and expansion of the video surveillance system of the SDVR" with a total value up to BGN 3,041,673 and an implementation term up to 18 months from the date of signing the Public Procurement Contract.

On April 10 2024, Telelink Business Services Group AD signed Annex № 1 to the Investment bank loan agreement № 00044/730 with UniCredit Bulbank AD from March 19 2024, establishing a schedule for the repayment of the amount of EUR 3,568,730 utilized on March 28 2024 with the purpose of financing the provisional upfront payment for the acquisition of 100% of the shares in the capital of SEDAM IT, d.o.o. in 65 equal monthly instalments from May 01 2024 to September 01 2029.

On April 10 2024, an Annex was signed to the Frame overdraft agreement №1102903942 from December 18 2023 between TBS Croatia and Zagrebačka banka d.d.. whereby the limit was extended from EUR 600,000 to EUR 1,200,000 and collaterals provided under the agreement, including a promissory note by TBS Croatia and a corporate guarantee by TBSG AD, were updated with regard to the increased amount. The new corporate guarantee was issued by TBSG AD on April 26 2024.

On April 26 2024, an annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. Telelink Slovenia with a limit of EUR 1,500,000, whereby the tenor was extended until April 18 2025. The corporate guarantee provided by TBSG AD to secure Telelink Slovenia’s obligations under the agreement remained in force.

Except as described above, the Group’s management declares that from the end of the reporting period to the date of approval of these financial statements no significant and / or materials events have occurred that have an impact on the results or affect the Group’s operations, the non-disclosure of which would have an effect on the true and fair presentation of the financial statements.

telelink business services

31.12.2023

Consolidated Annual Management Report

TELELINK BUSINESS SERVICES GROUP AD

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DEAR SHAREHOLDERS,

We, the members of the Management Board of Telelink Business Services 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 Article 45 of the Accountancy Act, Article 100n, Paragraph 5 of the POSA and Appendix No 2 to Article 11, par. 1 of Ordinance No. 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, 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.

Appended to this Report id the Company's Corporate management declaration prepared in compliance with the provisions of Article 100n, Paragraph 8 of the POSA and Article 40 of the Accountancy Act.

THIS ANNUAL REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ART. 44-47 OF THE ACCOUNTANCY ACT, ART. 100N, PAR. 5 OF THE PUBLIC OFFERING OF SECURITIES ACT ("POSA") AND APPENDIX NO 2 TO ART. 11, PAR. 1 OF ORDINANCE NO 2 FROM NOVEMBER 09 2021 REGARDING THE INITIAL AND SUBSEQUENT DISCLUSRE OF INFORMATION UPON THE PUBLIC OFFERING OF SECURITIES AND THE ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Business profile

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

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

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

- delivery, warranty and post-warranty support of equipment and software produced by third-party technology suppliers, and applications and services developed at the client’s request;
- system integration covering system design, configuration, installation, setup and commissioning of the supplied equipment, software or integrated ICT systems, combining functionally two or more product types;
- consultancy services comprising the analysis of the situation, requirements, transformation and future development of the client’s ICT systems, processes and infrastructures;
- managed services whereby the client transfers the management and responsibility for a certain ICT function or group of functions to the Group, and the latter undertakes to maintain them on a certain level.

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

As of December 31 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 December 31 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;

- Desislava Torozova – member of the MB (elected in this capacity in substitution of Gojko Martinovic as per SB resolution from December 15 2023).

As of December 31 2023, the Company's Supervisory Board (the SB) features five members, including:

- Wolfgang Ebberman – Chairman of the SB (elected in this capacity in substitution for Hans van Houwelingen as per SB resolution from November 30 2023 after being elected as an independent member in substitution of Boris Nemsic on an extraordinary GMS held on November 21 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);
- Hans van Houwelingen – independent member of the SB (reelected 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);
- Ivo Evgeniev – member of the SB (elected in this capacity in substitution for Lyubomir Minchev on an extraordinary GMS held on November 21 2023).

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 December 31 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 a total of 27,452 shares (including 20,343 to employees in third quarter and 7,109 to current and former members of the MB in the fourth quarter) in accordance with a bonus plan from 2020, as of December 31 2023, the Company held 2,078 own shares representing 0.02% of its registered capital.

I.4 Investment portfolio

As of December 31 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.

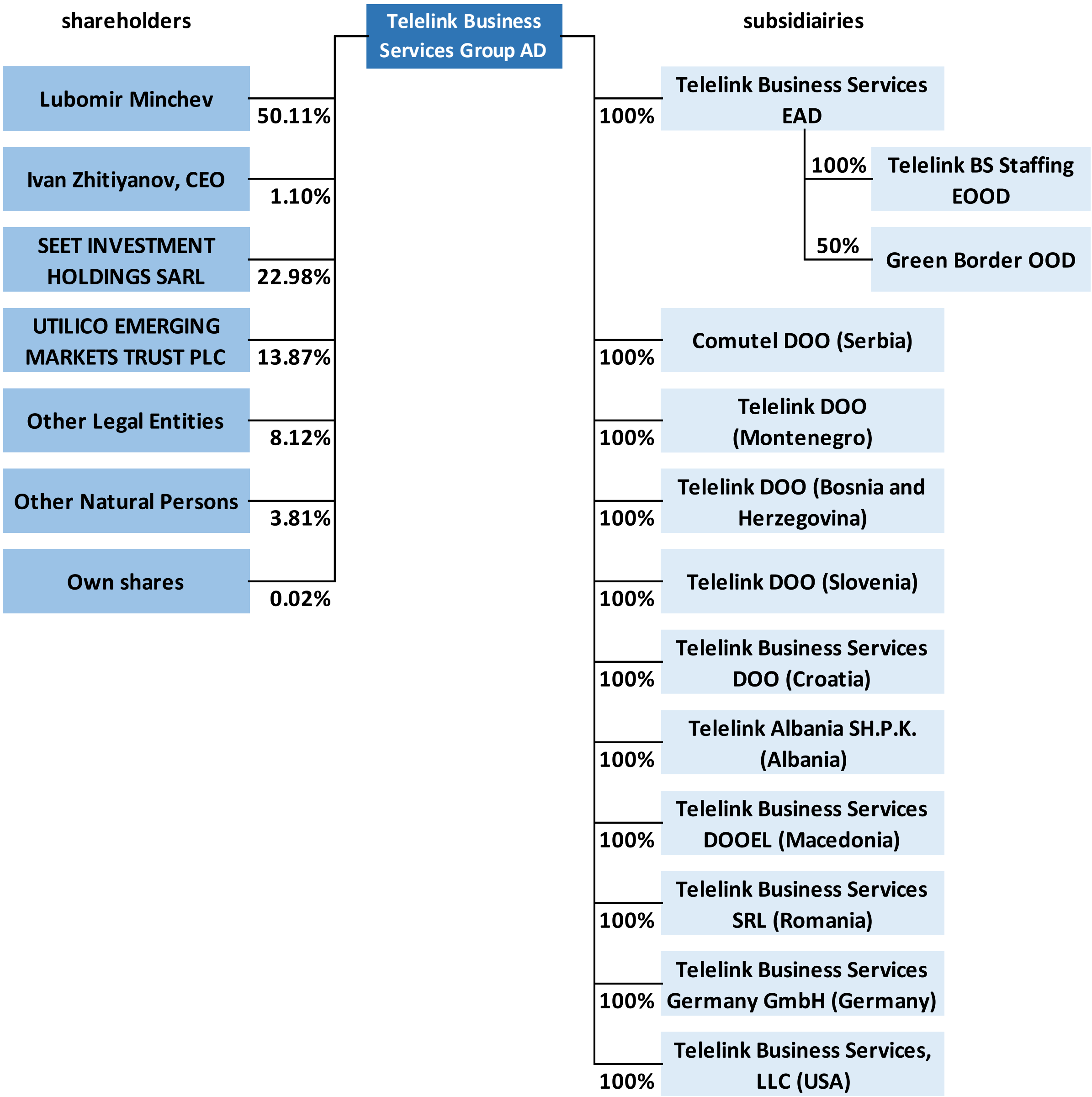
Subsidiary	Country of incorporation and management	Capital share held by TBS Group
(direct)		
Telelink Business Services EAD	Bulgaria	100%
Comutel DOO	Serbia	100%
Telelink Business Services Montenegro DOO	Montenegro	100%
Telelink DOO	Bosnia and Herzegovina	100%
Telelink DOO	Slovenia	100%
Telelink Business 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 December 31 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 December 31 2023, all direct subsidiaries had active commercial operations.

As of December 31 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 Summarized shareholding structure of the Company and the Group



I.6 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 REVIEW OF THE GROUP'S ACTIVITIES AND FINANCIAL POSITION

As of December 31 2023, the Group continued to conduct active commercial operations through all directly owned Company subsidiaries and had a positive net worth of BGN 27,013 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)	2023	2022	change
Net sales revenue	**185,258**	**155,163**	**19%**
Cost of Sales	-148,520	-124,589	19%
Gross Profit	**36,738**	**30,574**	**20%**
Sales and Marketing Expenses	-14,082	-10,613	33%
General and Administrative Expenses	-10,983	-7,587	45%
Other Operating Income/(Expenses) (net)	273	91	200%
Operating Profit	**11,946**	**12,465**	**-4%**
Financial Income/(Expenses) (net)	-1,046	-82	1176%
Income Tax Expense	-1,456	-1,451	0%
Net Profit	**9,444**	**10,932**	**-14%**
Depreciation & Amortization Expenses	-4,016	-3,110	29%
Interest Income/(Expenses) (net)	-441	-130	239%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**15,357**	**15,623**	**-2%**
Total Assets	**136,483**	**78,390**	**74%**
Non-current Assets	26,770	17,544	53%
Current Assets and Assets Held for Sale	109,713	60,846	80%
Equity	**27,013**	**17,763**	**52%**
incl. Retained Earnings and Profit for the Year	26,898	17,861	51%
Total Liabilities	**109,470**	**60,627**	**81%**
Non-current Liabilities	12,875	8,619	49%
Current Liabilities	96,595	52,008	86%
Cash & Cash Equivalents	**14,091**	**14,828**	**-5%**
Total Financial Debt*	**4,217**	**3,091**	**36%**
Net Financial Debt**	**-9,874**	**-11,737**	**1,863**
Net Cash Flow from Operating Activities	**4,151**	**15,257**	**-11,106**
Net Cash Flow from Investment Activities	**-3,499**	**-2,815**	**-684**
Net Cash Flow from Financing Activities	**-1,036**	**-10,734**	**9,698**
incl. Dividends Paid***	-297	-9,724	9,427
incl. Withholding Tax on Distributed Dividends	0	-405	405
Number of Employees as of Period End	**357**	**309**	**16%**

** Incl. loans and finance lease contracts*

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

**** Net, after withholding taxes; not incl. unreceived due to shareholder ommissions.*

Ratios	2023	2022	change
Gross Margin	19.8%	19.7%	0.1%
Operating Margin	6.4%	8.0%	-1.6%
Net Margin	5.1%	7.0%	-1.9%
EBITDA margin	8.3%	10.1%	-1.8%
Current Ratio*	1.14	1.17	-0.03
Equity / Total Assets	20%	23%	-3%
Financial Debt / Total Assets	3%	4%	-1%
Average Return on Assets (ROA)	8.8%	-	-
Average Return on Equity (ROE)	42.2%	-	-

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

II.2 Revenues

Growing 19% (30,095 thousand) year on year, consolidated net sales revenue for 2023 reached BGN 185,258 thousand.

The leading factor behind the registered increase were sales realized by TBS EAD, which grew by 24% (BGN 24,529 thousand)[1] as a result of renewed growth in revenues from the Bulgarian public sector and notwithstanding moderate decreases in sales to telecom operators and other corporate accounts. Maintaining its leading role in the formation of Group revenues, the company also registered a growing share of 68%, as compared to 65% in 2022.

Strongly positive revenue growth was also achieved in TBS Croatia, which increased more than 8 times by BGN 15,575 thousand[1] as compared to 2022 with the implementation of first large deliveries in all main sectors, after the launch and gradual deployment of its activities since 2021. As a result, the company reached a share of 10% of consolidated sales, comparing to just 1% in 2022.

In spite of their much more limited contribution to consolidated sales (4%, similar to their 3% share in 2022), combined sales from the South-Western Balkans region also exhibited a positive change, scoring significant relative growth of 85%[1] as a result of rebounding revenues from public projects in North Macedonia, comparing to their acute stagnation in 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 32% (BGN 15,423 thousand)[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 2022. In spite of the positive development in TBS Croatia, the above factors reduced the development of sales from region Mid-Western Balkans to a minimal growth of 0.3%[1] and a decreasing combined share in consolidated sales (27%, comparing to 32% in 2022).

During the reporting period, the Group also recorded its first 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 821%[1] of growth above 2022, reaching an overall share of 11% of consolidated revenues.

II.3 Expenses and profitability

II.3.1 Gross profit

Maintaining a nearly identical consolidated margin of 19.8% (as compared to 19.7% in 2022), consolidated gross profit registered 20% (BGN 6,164 thousand) of annual growth, which was largely proportional growth in revenues, reaching BGN 36,738 thousand.

Besides the markets which registered growing revenues as compared to 2022, the above growth was also favored by the improvement in the relative profitability of combined sales

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

from Comutel, TBS Montenegro, Telelink Bosnia and Telelink Slovenia, which exhibited a much smaller decrease in gross profit as compared to revenues owing to the substantially higher added value of realized deliveries as compared to 2022.

II.3.2 Sales and marketing expenses

Reaching BGN 14,082 thousand, consolidated sales and marketing expenses registered a significant annual increase by 33% (BGN 3,469 thousand) and a growing ratio of 7.6% of consolidated revenues for the period (as compared to 6.8% in 2022).

Besides continued high inflation in 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 expansion of local sales and marketing teams and activities in Croatia, Romania, Germany and the USA with regard to the adopted goals of positioning and expansion on these markets.

II.3.3 General and administrative expenses

Showing a similarly sizable annual increase by BGN 3,396 thousand (45%), consolidated general and administrative expenses reached BGN 10,983 thousand and also implied a growing ratio of 5.9% of consolidated revenues for the period (as compared to 4.9% in 2022).

Similarly to sales and marketing expenses, the observed increase also related to both inflationary factors 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 Western Balkans and Romania.

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

Notwithstanding the positive effect of the increase in net other operating income (BGN 273 thousand) by BGN 182 thousand recorded mainly 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 4% or BGN 851 thousand against 2022 to BGN 11,946 thousand, with a corresponding decrease in the operating margin from 8.0% to 6.4%.

Accounting for the opposite effects of growing depreciation and amortization (increased by BGN 906 thousand to BGN 4,016 thousand) and the net foreign exchange loss realized during the period (BGN 353 thousand, representing a negative change by BGN 658 thousand against the net gain for 2022), consolidated EBITDA registered a relatively smaller decrease by BGN -266 thousand or 2% against 2022 to BGN 15,357 thousand, with a consequent decrease in the corresponding margin from 10.1% to 8.3%.

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 311 thousand to BGN 441 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 1,046 thousand recorded in the current period registered a substantial negative change of BGN 964 thousand against 2022.

II.3.6 Net profit

Accounting for the parallel decrease in operating profit and increase in net financial expenses and a total corporate income tax expense close to those accounted in 2022, consolidated net profit decreased by BGN 1,488 thousand or 14% to BGN 9,444 thousand, with a corresponding decrease in the net profit margin from 7.0% to 5.1%.

II.4 Assets, liabilities and equity

II.4.1 Assets

Reaching a total of BGN 136,483 thousand, consolidated assets reported as of December 31 2023 grew by BGN 58,093 thousand or 74% 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 48,867 thousand or 80% up to BGN 109,713 thousand reflected mostly the more than double growth in the sum of trade and other receivables and contract assets driven by increases in most Group subsidiaries with the leading contribution of TBS EAD and TBS Croatia, where the Group recorded particularly strong sales in the month of December. A more than double increase was also observed in inventories along the lines of goods and work in progress accumulated mostly in connection with continuing project implementations and forthcoming deliveries In Bulgaria. Not least, factors behind growth in current assets also included continued growth in short-term prepaid expenses in relation to the resale of equipment and software support services, observed also mostly in TBS EAD.

In spite of the significant growth in net working capital registered as a result of the above increases, the incurring of substantial capital expenditures and the relatively limited increase in financial debt over the year, the operating profit before depreciation and amortization realized in its course allowed for the coverage of the above cash outflows with a relatively minor BGN 737 thousand decrease in cash and cash equivalents, which ended 2023 with a significant balance of BGN 14,091 thousand.

For its part, the registered increase in non-current assets by BGN 9,226 thousand or 53% up to BGN 26,770 thousand included both continued growth in long-term prepaid expenses in relation to the resale of equipment and software support services spanning over 1 year at TBS EAD and significant growth in tangible and non-tangible assets in Bulgaria registered mostly 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 48,843 thousand or 81% against December 31 2022, ending the period at BGN 109,470 thousand as a result of significant growth in both current and non-current liabilities.

While reflecting growth in almost all relevant balance sheet items, the BGN 44,076 thousand or 85% increase in current liabilities to BGN 96,084 thousand stemmed mostly from the nearly double growth in trade and other payables (observed mostly in Bulgaria, Croatia, Macedonia and Slovenia) and the increase in contract liabilities (deferred income and advances received) (mostly in TBS EAD). Due to the partial compensation of credit funds utilized to finance net working capital growth in Bulgaria and Slovenia with their full repayment in Serbia, consolidated loan (credit line) obligations exhibited relatively limited growth by BGN 1,315 thousand, reaching BGN 4,194 thousand. Besides these, the Group continued to account decreasing short-term obligations from finance lease contracts (BGN 17 thousand), as well as growing current liabilities from rental and operating lease contracts (including the new lease contracts signed by TBS EAD) booked as per IFRS 16 (BGN 1,211 thousand), which do not represent financial debt.

In line with non-current assets, the registered increase in non-current liabilities by BGN 4,767 thousand or 55% up to BGN 13,386 thousand originated mostly from growing long-term deferred income from equipment and software support services spanning over 1 year (included in contract liabilities) and the recognition as per IFRS 16 of new long-term lease liabilities mostly 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 2,815 thousand, which do not represent financial debt, as opposed to residual obligations from finance lease agreements, which decreased to just BGN 6 thousand.

II.4.2.1 Financial debt

Summing the above loan obligations (BGN 4,194 thousand) and finance lease liabilities (totaling BGN 23 thousand), consolidated financial debt as of December 31 2023 amounted to BGN 4,217 thousand, showing a nearly fourfold increase by 36% or BGN 1,126 thousand and decreasing ratios of 3% of total assets and 4% of total liabilities (as compared to 4% and 5% at the end of 2022).

Accounting for the substantially higher balance sheet value (BGN 14,091 thousand) and moderate decrease (by BGN 737 thousand) in cash and cash equivalents, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) amounted to a decreasing but nonetheless substantially negative value (surplus of cash and cash equivalents over financial debt) of BGN (-) 9,874 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 growing surplus of current assets and assets held for sale over current liabilities in the amount of BGN 13,629 thousand (as compared to BGN 8,838 thousand at the end of 2022).

Taking into account the faster relative growth in current liabilities and decreasing cash and cash equivalents in the context of growing current assets, the Group registered a slight fallback in current liquidity from 1.17 to 1.14 and a substantial decrease in immediate (cash) liquidity from 0.29 at the end of 2022 to 0.15 as of December 31 2023. On the other hand, as current assets grew mostly along the lines of trade and other receivables and contract assets, the quick ratio was maintained at 0.87, showing a minimal increase over the value of 0.86 measured at the end of 2022.

II.4.4 Equity

In the absence of dividend distributions out of the Group, consolidated equity registered a significant increase by BGN 9,250 thousand or 52% from the end of 2022 reflecting mostly current profit for 2023, reaching BGN 27,013 thousand.

Together with retained earnings as of December 31 2022 and after the transfer of BGN 407 thousand corresponding to the impairment of the Company's investment in TBS Montenegro to consolidated reserves, accumulated earnings from the current and previous periods making part of the Group's equity as of December 31 2023 reached BGN 26,898 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 legal reserves of BGN 1,352 thousand.

In spite of the substantial expenditure of BGN 224 thousand on the buyback of 23,500 own shares during the period with regard to the fulfillment of obligations from programs for the stimulation of employees and the MB, the other capital reserves and components of equity increased by BGN 213 thousand as a result of the transfer of BGN 407 thousand corresponding to the impairment of the Company's investment in TBS Montenegro from retained earnings, reaching a total value of (-) 13,737 thousand. Besides the above factors, the latter amount 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.

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

II.5 Cash flows

II.5.1 Cash flow from operating activities

Reflecting the faster growth in trade and other receivables, contract assets, inventories and prepayments as compared to trade and other payables and contract liabilities, the Group registered a substantial increase net working capital, as a result of which it recorded a significantly lower net operating cash flow from operating activities of BGN 4,151 thousand, as compared to the corresponding value of BGN 15,257 thousand for 2022 when it benefited from a net positive effect of movements in working capital.

II.5.2 Cash flow from investing activities

In spite of lower investments in equipment provided to clients under managed service agreements as compared to 2022, consolidated payments on the acquisition and formation of tangible and intangible non-current assets increased substantially due to the sizeable expenditures on fit-out works, improvements and furniture of a new office for TBS EAD and higher expenditures on developments in the field of IoT. At the same time, the Group also recorded substantially lower proceeds from EU program grants. As a result, the negative net cash flow from investing activities of BGN (-) 3,499 thousand accounted in 2023 also exhibited a negative change as compared to the corresponding value of BGN (-) 2,815 thousand for 2022.

II.5.3 Cash flow from financing activities

Financing the predominant part of growth in net working capital and capital expenditures with own funds, the Group registered moderate net proceeds from the utilization of credit lines, outbalanced substantially by the other payments included in the cash flow from financing activities. In the absence of new distributions out of the Company, dividend-related cash flows were limited to the payout of dividends from previous periods to one particular shareholder in the amount of BGN 223 thousand, as compared to the BGN 10,129 thousand paid in dividends and withholding taxes in 2022. Given the above, in spite of higher expenditures on interest and share buybacks for the purposes of employee stimulation programs, the Group recorded a far lesser negative net cash flow from financing activities of BGN (-) 1,036 thousand as compared to the corresponding value of (-) 10,734 thousand for 2022.

II.5.4 Net cash flow

As a result of the above changes and foreign currency effects, the Group recorded a moderately overall decrease in cash and cash equivalents of BGN (-) 737 thousand as compared to the corresponding increase by BGN 2,013 thousand in 2022, while maintaining a nonetheless sizeable balance of own funds exceeding by far its financial debt.

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 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.

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.

In spite of slowing down in 2023, inflation remains substantial and most European economies remained exposed to the risks of growth slowdown or recession of the economies in the context of implemented anti-inflationary measures, 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, and a course of accession to the Eurozone. 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-inflationary measures applied by the leading global economies and the EU, 2023 was marked by a general trend of significant increases in all main local and international interest indexes. In spite of the deceleration of their growth in the fourth quarter, the attained high levels thereof and the possibility of further raises in case of a new wave of accelerated inflation continue to portend increased levels 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.2.1.5 Risks stemming from potential acquisitions

While aimed at accelerating the development and growth of the Group on existing and new markets and/or complementing its marketing and operational capacity with valuable technological specializations, client and vendor partnerships and human resources and notwithstanding the Company's endeavor to negotiate such transactions in accordance with best practices, basing their valuation with the realistic potential I risk profile of acquired companies and their past, present and future financial results, retaining key personnel and including in the respective agreements protective mechanisms, undertakings and warranties by the the seller to the maximum achievable extent, the acquisition of shares in other companies bears risks, which could delay or limit the achievement of desired financial and business results and/or have a negative impact on the Company. Among these, the integration of acquired companies in the operational structure of the Group may be delayed or prove to be incomplete, the established control mechanisms – insufficient, the planned preservation and/or expansion of the personnel, client base and sales as a whole may not realize in the expected timeline, size, scope and range of revenues, costs and profitability, planned synergies – realized only in part or not achieved, and the established pricing mechanisms and warranties of the seller – insufficient to compensate such and other delays, underperformance or negative effects. As a result of the above and other factors, the actual return on investment may deviate substantially from the expectations and goals of the management, proving lower or even negative over time.

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 based on floating interest indexes, including but not limited to EURIBOR, USD LIBOR / SOFR, reference and short-term interest rates (RIR, SIR) and average deposit indexes (ADI) of lending banks based on the variable yields on retail / household and/or non-financial enterprise deposits in Bulgaria, as well as of finance leases based on ADI and EURIBOR. Due to the dynamic nature of overdraft and credit line exposures, 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. As of the date of this Report, this risk exhibits a mixed development, with market interest rates reflecting substantially the tendencies described in section III.1.4, while the interest rates of lending banks applicable to drawdowns in BGN remain in the 0.0-0.1% range.

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, such increases are often inevitable within a certain period of time, in case of migration between incumbent and creditors, or as a whole, in case they reflect prevailing trends on the credit market. As of the date of this Report, this risk also exhibits a mixed development, with interest margins on some contracts and limits increasing substantially, while others remain unchanged or minimally different from previous periods.

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 the world remains exposed to 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 decelerating but still significant inflation as a result of the growing prices of energy and key agricultural goods, affecting 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 the complex nature of its direct and indirect 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 INFORMATION ON ENVIRONMENTAL ISSUES

Overall, the Group's core operations are not related to activities with significant direct impact on the envireonment.

Physical activities carried out in relation to system integration, delivery and maintenance are limited to the transportation, installation and setup, replacement or repair of on-site ICT equipment and materials, and do not include construction activities on the deployment or reorganization of infrastructures, premises and complex facilities. By their nature and scope, the transport, installation and repairment activities performed do not entail significant environmental risks.

To the extent legal norms apply to the recycling and disposal of retired ICT equipment and materials, the respective liabilities and risks for the Group arise only to the extent such equipment is owned by Group companies or they have made contractual commitments for the performance of respective operations on behalf of and at the expense of the client.

In the case of services limited to the delivery, system integration on a project basis and support, the property, risks and obligations associated with the operation, disposal and recycling of the delivered equipment are transferred to the client at the time of fulfilment of the delivery or integration activities under the project.

In the case of providing Managed Services including the provision of Equipment as a Service, the equipment remains the property of the Group. To this extent, the Group companies providing such services undertake contractual and legal obligations for the safe operation, removal and disposal or recycling of respective ICT equipment and materials.

Insofar as the nature and scope of the use of ICT equipment does not entail significant environmental risks, the probability of occurrence of environmental problems that may affect the use of ICT equipment owned by the Group for the provision of services or for internal purposes is insignificant.

V INFORMATION ON EMPLOYEE-RELATED MATTERS

V.1 Trends in the number and evolution of personnel

As of December 31 2023, total staff hired under employment and management contracts in Group companies reached 357, growing by 48 people or 16% as compared to the end of 2022.

The main factor behind registered growth was the overall increase in personnel in Bulgaria, stemming from the expansion of the operating and administrative capacity at TBS EAD with a view to the assurance of resources for the current and planned growth of the Group. Other contributing factors included the expansion of the team based in TBS Croatia, as well as the formation of a local team in TBS Germany with regard to the Group's positioning and expansion goals for these markets.

With a share of 85% showing a minimal increase over the corresponding value of 84% as of the end of 2022, the majority of the Group's total staff continued to consist of personnel employed on the territory of Bulgaria, which maintained its predominant share in realized services and continued to concentrate the main functions relative to the Group's business development as a whole.

V.2 Organizational policy and human resources management

Recognizing the need to assure resources and premises for the efficient implementation of its strategic development plans, the Group has continued the deployment of a matrix organizational structure with the goal of integrating the available human resources of Group companies into a seamless international service delivery organization. The implemented structure is based on establishing interactions among all functional levels, including technical staff, project management, marketing and sales, relationships with suppliers, human resources, finance and general administration, with each of the Group's product lines.

Inherently, the operations of Group companies involve a relatively limited scope of field activities presenting substantial risks to the health and safety of employees. Notwithstanding, Group Companies apply a consistent policy of occupational health and safety, including the assurance of appropriate working conditions and the training of employees according to the profile of their work.

The management of TBS Group acknowledges the foremost importance of human capital as a key factor of the Group's competitive advantage and capacity to materialize market opportunities, both in terms of innovation and quality of the offered solutions and services and as regards the administrative and managerial assurance of its development strategy. In consideration of the above factors, the Group intends to maintain its general policy of human capital development based on systematic qualification improvement and update, the promotion of career development and the motivation, retention and loyalty of key personnel.

VI SIGNIFICANT EVENTS AFTER THE DATE OF COMPILATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

On January 10 2024, the SB of TBSG AD approved the MB's proposal to act towards the voluntary liquidation TBS Montenegro.

On January 18 2024, an annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. Telelink Slovenia with a limit of EUR 1,500,000, whereby the tenor was extended until April 19 2024 and the annual interest rate was changed to 1.6% + 3 m. EURIBOR. The corporate guarantee provided by TBSG AD to secure Telelink Slovenia's obligations under the agreement remained in force.

On January 25 2024, a Cash loan agreement was signed between TBSG (lender) and Comutel (borrower) with a limit of EUR 500,000, subject to revolving utilization and repayment, with a tenor of December 31 2024 and an annual interest rate of 5.00%.

On February 08 2024, the MB adopted a resolution proposing for approval by the SB the purchase of 100% of the shares in limited liability company Sedam IT, d.o.o., Croatia, the signing of a bank credit agreement for the purpose of financing the above deal and the establishment of securities as collateral to the latter agreement. The proposal was approved by the SB on February 09 2024.

On February 13 2024 r. an annex was signed to Frame agreement for issuing bank guarantees № 0200126236 between Zagrebačka banka d.d. and TBS Croatia with a limit of EUR 900,000, whereby the agreement's term was extended until February 28 2025. A corporate bank guarantee by TBSG AD for the amount of HRK 1,500,000 (EUR 200 thousand) securing TBS Croatia's obligations under the agreement remained in force.

On February 13 2024, TBSG AD signed a Share Purchase Agreement for the acquisition of 100% of the company shares of limited liability company SEDAM IT d.o.o., registered under the law of Republic of Croatia with the registered seat in Zagreb, Koledovčina 2, OIB: 95661305069 – a provider of IT, communication and software solutions and services with a long-standing presence on the Croatian IT market. The counterparty (seller) in the purchase and sale of company shares is an unrelated/non-interested third party. As of the date of signing the Agreement, the acquisition of the company's shares was subject to the realization of pre-agreed conditions precedents, which had to be fulfilled within an agreed period of time. The agreed enterprise value of the company is EUR 9,000,000. The final price for the acquisition of the shares of the company will be paid to the seller in stages including an initial and subsequent payments to be determined on the basis of the agreed enterprise value and depending on the financial indebtedness, cash, revenues for the last 12 months and net working capital of the company at the date of transfer of company shares, as well as on its audited financial results for 2024 and 2025.

On February 17 2024, a resolution was adopted to replace Helge Brummer with Teodor Dobrev as authorized representative of TBS USA.

In accordance with the resolution of the SB from November 30 2023 and the Schedule for providing remuneration based on Company chares to the members of the MB from 2020, 1,516 shares in the capital of TBSG AD were transferred to Gojko Martinovic on February 22 2024.

On February 28 2024, an annex was signed to the overdraft agreement between the Company and Raiffeisenbank (Bulgaria) EAD (now UBB AD), whereby terms were extended as follows:

- Overdraft credit with a repayment deadline until February 28 2028;
- Contingent bank credit securing the issuance of guarantees available for utilization until January 28 2028.

On March 14 2024, TBSG AD announced that, pursuant to the SB resolution from Febreuary 10 2024, it took concrete action towards the liquidation of TBS Montenegro, i.e. the adoption of a resolution to liquidate and filing of applicable documents for the registration of the liquidation in the Central Register of economic entities of the Republic of Montenegro. The actual entry of the subsidiary's deletion from the register was announced by the Company on April 24 2024.

On March 18 2024, the MB approved a proposal by the Board of Directors of TBS EAD to distribute a dividend in the amount of BGN 2,933,745, equivalent to EUR 1,500,000, out of the company's profit for 2022 towards its single shareholder, TBSG AD.

On March 19 2024, Investment bank loan agreement № 00044/730/19.03.2024 was signed between TBSG AD as borrower, TBS EAD as co-debtor and UniCredit Bulbank AD with the purpose of financing the acquisition of 100% of the company shares in the capital of SEDAM IT d.o.o., Croatia, with a total limit of EUR 7,000,000 but not more than 70% of the consideration paid, subject to utilization in three tranches in accordance with the conditions of determination and payment of the consideration established in the Share Purchase Agreement, and repayment of each tranche in equal monthly or quarterly instalments, a regular interest rate of 3m. EURIBOR + 2.2% and a global repayment deadline of July 31 2030. Securities stipulated in the agreement include:

- Pledge over 50% of all receivables of the Company for dividends distributed by its subsidiaries, on the condition that the Company will be authorized to dispose without limitations with such receivables and the cash proceeds therefrom unless if and while there is a substantial breach or default declared by the Bank under the agreement;
- Pledge over all current and future receivables of the Company from Sedam IT d.o.o.;
- Pledge over 100% of the company shares in the capital of Sdeam IT d.o.o. and respective dividend recevables;
- Pledge under the Law on financial collateral agreement (LFCA) over all receivables from accounts opened with the lending bank by the Company and TBS EAD.

On March 25 2024, the SB released Nikoleta Stanailova as member of the MB and elected Iordanka Klenovska in place thereof.

On the session of the SB held on March 25 2024, a discussion took place with regard to the potential sale of 100% of the shares in the capital of Telelink Albania. As of the date of this Report, the MB is in the process of preparing a proposal to the SB, but neither the MB, nor the SB have adopted resolutions with regard to the aforementioned sale.

On March 29 2024, TBSG AD acquired 100% of the shares in the capital of SEDAM IT, d.o.o., Croatia against an provisional upfront payment to a special (escrow) accounts in the amount of EUR 5,098,186 established on the basis of interim financial statements SEDAM IT, d.o.o. as of February 29 2024 and provided guarantees securing subsequent consideration payments. The final amount of the upfront payment will be determined. As of the date of the acquisition, the final amount of the upfront payment was to be determines and paid out to the seller on the basis and after the provision of financials statements as of March 29 2024, which was yet to be fulfilled.

On April 08 2024, the MB approved the signing of a deal between TBS EAD as contractor and Consortium TELESEC" DZZD with partners TBS EAD and "Sectron" OOD as contracting party for the performance of deliveries and provision of services as per a Public Procurement Contract between the Ministry of Internal Affairs of the Republic of Bulgaria and "Consortium TELESEC" DZZD with the subject of "Modernization and expansion of the video surveillance system of the SDVR" with a total value up to BGN 3,041,673 and an implementation term up to 18 months from the date of signing the Public Procurement Contract.

On April 10 2024, TBSG AD signed Annex № 1 to the Investment bank loan agreement № 00044/730 with UniCredit Bulbank AD from March 19 2024, establishing a schedule for the repayment of the amount of EUR 3,568,730 utilized on March 28 2024 with the purpose of financing the provisional upfront payment for the acquisition of 100% of the shares in the capital of SEDAM IT, d.o.o. in 65 equal monthly instalments from May 01 2024 to September 01 2029.

On April 10 2024, an Annex was signed to the Frame overdraft agreement №1102903942 from December 18 2023 between TBS Croatia and Zagrebačka banka d.d.. whereby the limit was extended from EUR 600,000 to EUR 1,200,000 and collaterals provided under the agreement, including a promissory note by TBS Croatia and a corporate guarantee by TBSG AD, were updated with regard to the increased amount. The new corporate guarantee was issued by TBSG AD on April 26 2024.

On April 26 2024, an annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. Telelink Slovenia with a limit of EUR 1,500,000, whereby the tenor was extended until April 18 2025. The corporate guarantee provided by TBSG AD to secure Telelink Slovenia’s obligations under the agreement remained in force.

VII RESEARCH AND DEVELOPMENT ACTIVITIES

During the year, TBS EAD continued to allocate internal resources and external services towards developments in the field of Internet of Things (IoT). Overall, expenditures on the formation of intangible non-current assets from development activities for the year amounted to BGN 453 thousand, increasing substantially over the corresponding amount of BGN 267 thousand allocated to developments in the same domain in 2022, but remained rather limited in proportion to the Group’s overall balance sheet and capital expenditures.

Except for the above, there were no other Group companies conducting research and development activities in the period in 2022-2023.

VIII POTENTIAL FUTURE DEVELOPMENT OF THE GROUP

VIII.1 General development strategy of the Group

Based on the proven track record and competitive advantages of the Group, the management intends to maintain its general product orientation towards complex integration projects and long-term services of high added value in the ICT domain, while continuing to differentiate itself from pure distributors and business models based substantially or predominantly on the development and marketing of proprietary end products (equipment and software).

In line with identified market trends, competitive strengths and opportunities, the Group's development strategy is focused on the following main lines of business optimization and growth:

- optimization of the activities oriented towards clients in the Balkan telecom sector through the retention of minimal personnel and the focusing of sales on products and services with higher added value as compared to the their historical profile, in line with the measures implemented since the end of 2023;
- continued growth in revenues from the public sector based on the already achieved strong positioning in Bulgaria, Macedonia and Croatia (including the acquisition of Sedam IT d.o.o.), the opportunities arising from the recovery, resiliency and development funds and cohesion funds of the EU in Bulgaria and Croatia and the imminent rollout of the accession process in Macedonia;
- accelerated growth in the corporate sector in line with the expected evolution of digital maturity and demand in Bulgaria, Macedonia and Croatia, the adopted positioning goals for Germany, UK and the USA I the product-oriented growth strategies referred below;
- expansion in Digital Transformation (Application Services and Hyperautomation) I Information Security solutions as key elements of the expected demand and growth in the corporate sector on the Balkans and factors for the sustainable increase in the average added value of the products and services offered by the Group (including by virtue of the extended resource potential in the field of Application Services attained with the addition of Sedam IT d.o.o.);
- expansion in managed services based on IT Infrastructure as a key factor to accelerated growth in Germany, UK and the USA the sustainable increase in the average added value of offered solutions;
- concentration of operating and administrative resources in Bulgaria and Croatia, their flexible allocation towards the servicing and management of subsidiaries, clients and projects on all territorial and cross-border markets of the Group and the focusing of local teams in other subsidiaries mostly on the functions of sales and marketing;
- merging TBS Croatia into Sedam IT d.o.o.;
- acquiring a company in Romania with a view to the acceleration of the Group's positioning and the materialization of mid-term growth opportunities on the Romanian market;
- looking into further opportunities for the acquisition of companies on existing and new markets with a view to expanding the capacity and accelerating the growth of the Group.

As of the date of this Report, TBSG AD has not signed any agreements or other documents containing undertakings for the purchase and/or determinations of terms and conditions for the acquisition of equity interests in other companies except Sedam It d.o.o.

VIII.2 Expected trends in financial results

Taking into account the above initiatives and goals, the main expected near- and mid-term trends in the Group's future business development and financial results upon successful implementation of its strategy in the scope of existing subsidiaries as of the end of 2023 and the newly acquired Sedam IT d.o.o. include:

- significant mid-term growth and increasing territorial and sector diversification of consolidated revenues with the leading contribution of Bulgaria and Croatia and the public sector as a whole in a three-year and Germany, UK and the USA and sales to enterprise clients as a whole – in a five-year perspective;
- maintaining the consolidated gross margin in 2024-2025 and its gradual improvement in 2026-2028 favored by growing sales in Germany UK and the USA and in the Digital Transformation and Information Security lines on the Balkans as a whole;
- moderate increase in operating profit and EBITDA at temporarily reduced relative profitability ratios on these levels in the context of continued growth in sales and marketing and general and administrative expenses for the assurance of future sales in 2024, followed by accelerated growth in operating profit and EBITDA at increasing margins owing to the faster growth in gross profit as compared to sales, marketing and general and administrative expenses in 2025-2028;
- substantial growth in net finance costs in relation to the financing utilized on the payments for the acquisition of Sedam IT d.o.o. under the Investment bank loan agreement with UniCredit Bulbank AD described in section VI and limited growth in net profit in 2024, followed by the stabilization if financial expenses and accelerated net profit growth in 2025-2028;
- significant growth in capital expenditures in relation to the planned investments in equipment provided as a service to existing clients under long-term managed service contracts in 2024, and payments on the acquisition of Sedam IT d.o.o. in 2024-2026, followed by the normalization of capital expenditures in 2027-2028, whereas planned sales of managed services to new clients in Germany, UK and the USA are not expected to involve the provision of equipment as a service;
- significant growth in financial debt in 2024 pursuant to the financing utilized on the payments for the acquisition of Sedam IT d.o.o. under the Investment bank loan agreement with UniCredit Bulbank AD described in section VI, followed by its gradual normalization with the transition towards the net repayment of principal under the same agreement in 2027-2028, with balance sheet capitalization and indebtedness ratios expected to be maintained in sustainable ranges throughout the whole period.

While, in accordance with the formulated development strategy, the Company continues to explore opportunities for the acquisition of equity interests in other companies besides Sedam IT d.o.o., which would have a similar impact on the Groups results and financial position in terms of revenues, earnings, capital expenditures and the amount and service costs of financial debt, as of the date of this Report the Company has not signed any agreements containing undertakings for the purchase and/or determinations of terms and conditions of such acquisitions and/or their financing.

VIII.3 Possible deviations and risks for the future development of the Group

The actual development of the Group may deviate in one or more aspects from the above expectations, goals, initiatives and effects of their implementation depending on various factors within or beyond the Group's control.

The risks related to the Group's strategy, the operations of its subsidiaries and the overall economic and political environment in which they operate are described in section III above.

IX INFORMATION REGARDING OWN SHARES REQUIRED UNDER ARTICLE 187e OF THE COMMERCE ACT

IX.1 Number and nominal value of own shares acquired and transferred during the reporting period, the part of capital they represent and price of acquisition or transfers made

In accordance with an MB resolution for the buyback of up to 42,000 shares from May 25 2022, adopted with a view to the forthcoming fulfilment of the Company's commitments under employee incentive plans, in 2023, the Company bought back a total of 23,500 shares with a nominal value of BGN 1 each at an average price of BGN 9.50 per share.

Share buybacks and transfers	31.12.2023	%*	31.12.2022	%*
Own shares bought back (number)	23,500	0.188%	5,674	0.045%
Average buyback price (BGN per share)	9.50	-	13.24	-
Total value of share buybacks (BGN)	223,250	-	75,114	-
Transferred shares (number)	27,452	0.220%	0	0.000%
Average price at the date of transfer (BGN per share)	9.57	-	0.00	-
Total value of transferred shares (BGN)	262,730	-	0	-
Own shares held as of period end (number)	**2,078**	**0.017%**	**6,030**	**0.048%**

** % of the registered capital*

Implementing a Plan for the long-term stimulation of employees with TBSG AD shares and Schedule for providing remuneration based on Company shares to members of the MB from 2020, in 2023, the Company transferred to employees and members of the MB a total of 27,452 shares with a nominal value of BNG 1 each, including 20,343 shares transferred to employees on July 28 2023 in accordance with an MB resolution from June 30 2023 and 7,109 shares transferred to current and former members of the MB on December 28 2023 in accordance with an SB resolution from November 30 2023. The average price of shares transferred during the year was BGN 9.57 per share.

None of the Group's subsidiaries acquired or transferred any own shares in 2023.

IX.2 Number of own shares held and the part of the capital they represent

As a a result of the above and previous buybacks and transfers of shares, as of December 31 2023, the Company held a total of 2,078 own shares with a nominal value of BGN 1 each, representing 0.017% of its registered capital.

As of the same date, no Group subsidiaries have acquired or held any own shares.

X ESTABLISHED BRANCHES OF THE COMPANY AND GROUP COMPANIES

As of December 31 2023 and the date of this Report, the Company has no registered branches in the country or abroad.

As of the same dates, TBS EAD has a registered branch in Romania which has not conducted active commercial operations.

Except for the above, there are no other Group subsidiaries with registered branches in their countries of incorporation or in other countries.

XI USE OF FINANCIAL INSTRUMENTS

XI.1 Financial risk management objectives and policies, including hedges

In their activities and with regard to their funding, the Company and Group subsidiaries are exposed to the currency and interest rate risks described in sections III.2.8.1 and III.2.8.2 of this Report.

XI.1.1 Currency risk management

Due to the formation of its revenues entirely from subsidiaries in its local currency (leva) or Euro, as well as of its costs predominantly in the same two currencies and under the regime of a currency board, based on a fixed exchange rate of the lev against the Euro, the Company is not directly exposed to substantial currency risk and does not entail such to the Group.

In the course of their business, Group subsidiairies primarily aim to minimize transaction-based currency risks from the purchase of equipment in US Dollars and its resale in local currency or Euro by negotiating mechanisms of currency indexation of sale prices and/or synchronization of the maturities and currencies of receivables and payables, to the possible extent. Significant exposures not covered in the above ways are hedged by forward purchases of US Dollars at the discretion of the Group's management and/or of the respective subsidiaries.

XI.1.2 Interest rate risk management

Considering the variable nature of exposures under overdraft limits and revolving working capital facilities, which have accounted for the predominant part of the Group's financing historically and as of the date of this report, their hedging with the financial instruments usually offered for that purpose, which are based mostly or entirely on predetermined maturities and amounts, can lead to significant deviations of the actual from the hedged expenses and principal amounts. Considering the above, the Company does not hedge such exposures with financial instruments and assumes the risk of fluctuations in the floating interest rate indexes referred to in section III.2.8.2, while managing it mostly through the monitoring of the market dynamics and the negotiation and/or renegotiation of the best possible interest terms with financing banks in case of significant adverse changes therein.

Considering the slowdown of inflation and economic growth in the EU observed in 2023, as of the date of this Report, the Company's management regards the interest risk from the exposures under the Investment bank loan agreement with UniCredit Bulbank AD, based on 3m. EURIBOR, as relatively limited and has not planned on the use of financial instruments for its hedging in the immediate term. Without prejudice to the above, it remains committed to tracking trends in the economy and the credit markets, standing by with regard to the potential hedging of exposures from loan tranches already utilized in their definitive amounts in the case of significant exacerbation of this risk, applying the same principal to potential further exposures of the Group under significant long-term financing agreements with predetermined repayment schedules.

XI.2 Exposure to price, credit and liquidity risks and cash flow risks

XI.2.1 Risk of changes in the prices of signed contracts

The majority of the Group's sales are realized under contracts and/or orders with one-off implementation within a limited time period, the prices of which are fixed upon contract signing and are not subject to change.

To the extent there are framework contracts or projects with phased implementation over a longer period of time, Group companies aim to embed therein appropriate mechanisms of price indexation in case of significant changes in market conditions, exchange rates and other factors. However, such mechanisms are not always feasible and in line with the established market practices or statutory rules of certain dealings, such as public procurement bids. In order to comply with such rules or stay on par with competitors, the Group may assume the price risk relative to such dealings, while making the best possible efforts to minimize or compensate for its impact with the negotiation of higher discounts from respective suppliers or by the terms of future dealings.

In their operations, Group companies are exposed to risks of long-term price fixation under some long-term contracts for maintenance and managed services described in section III.2.7 of this Report. The policy of limiting these risks is based on the embedding of higher reserves for long-term cost variation upon the negotiation of respective prices, as well as on clauses for the inflation-benchmarked indexation of prices after the initial term of the respective contracts.

XI.2.2 Risk of unfavourable changes in market prices

In their activities, Group subsidiaries are exposed to the risks relative to the market and competitive environment described in section III.2.3 of this Report, which may result in decreasing market prices of the products and services offered thereby.

The business profile and strategy of the Group are focused on limiting the consequences of these risks to the prices and gross profitability of the offered base products and services by their integration into complex solutions and services with high added value, the development of specific solutions with no direct market analogues and the policy of sustainable increase of the share of such solutions and services in the Group's revenues as a whole. Another substantial factor is the Group's strategic focus on the establishment of an optimal organization for the provision of services and maintaining the quality of service on the highest level.

The awareness of the Group's clients of the above benefits as a part of the overall value of the solutions offered thereby as compared to competitive offers is a prerequisite for limiting price competition as a factor of the client's final choice and its potential adverse effects on the financial position and operating results.

Significant factors limiting the impact of decreases in the resale prices of equipment and software also include the strategic partnerships of Group companies with leading global manufacturers. By virtue of discount policies embedded therein and vendor support for the implementation of large projects, these partnerships are a prerequisite for obtaining most favourable pricing terms, which help to protect the Group's profitability in periods of intensified price competition on the market.

XI.2.3 Credit risk exposure and management

In their operations, Group subsidiaries are exposed to the credit risks described in section III.2.8.5 of this Report.

Group companies endeavor to trade with established and solvent counterparties. The balances and maturities of receivables are subject to continuous current monitoring, both reactively and preventively, with regard to the timely identification of any potential risk of non-payment or significant delay taking into account the client's evolution and situation.

While some major clients may account for substaantial shares in consolidated sales and receivables, these clients usually represent well established and solvent companies and institutions, including leading telecom operators, governmental and municipal organizations, leading multinational or public enterprises, and/or long-term partners with proven payment track record.

In case of exceptions from the above principles, Group companies apply the best possible preventive measures to secure their receivables from respective counterparties, including but not limited to promissory notes and/or other enforceable undertakings by those and/or other companies with proven track record and financial capacity.

As pointed out in section XII.2.2 of this Report, in 2023 and as of December 31 2023, the Group did not have a direct client accounting for more than 10% of consolidated annual revenues or trade receivables.

Considering the above, the Group's exposure to credit risk is evaluated as relatively low.

XI.2.4 Exposure and management of liquidity and cash flow risks

In their activities, Group subsidiaries are exposed to the liquidity and cash flow risks described in sections III.2.8.3 and III.2.8.4 of this Report.

Group companies manage liquidity risk and cash flow risks through the systematic monitoring of the quality and maturities of their receivables and payables and timely planning of incoming and outgoing cash flows.

With regard to covering cash deficits arising from the current variation of net working capital or the occurrence of unplanned capital expenditures, leading and other Group companies negotiate credit limits with renowned local banks providing sufficient liquidity reserves for specific and general purposes. In case of necessity, the uncovered (via external financing) needs of such and the similar needs of other Group companies are met through intra-Group funding in the form of cash loan agreements with single or multiple drawdown and the option for ad-hoc prepayment of withdrawn funds.

As of the date of this report, the Company's management considers the currently agreed external and intra-Group credit limits, described in section XII.8 and the Investment bank loan agreement with UniCredit Bulbank AD described in section VI sufficient to secure the current operating and investment activities of the Group, while maintaining its readiness to initiate negotiations for their increase and/or the signing of new bank credit agreements in case of additional increases in its funding needs going forward.

XII ADDITIONAL INFORMATION AS PER APPENDIX № 10 TO ORDINANCE № 2 OF THE FSC

XII.1 Revenues by main categories of products and services

Product Group	Net Sales Revenue (BGN thousand)				
	31.12.2023	31.12.2022	change	share 31.12.2023	share 31.12.2022
Service Provider Solutions	26,845	35,470	-24%	14%	23%
Enterprise Connectivity	58,030	33,200	75%	31%	21%
Private Cloud	38,087	35,342	8%	21%	23%
Public Cloud	1,889	1,485	27%	1%	1%
Modern Workplace	18,853	13,609	39%	10%	9%
Computers and Peripherals	14,839	2,587	474%	8%	2%
Application Services	4,794	11,748	-59%	3%	8%
Hyperautomation	149	472	-68%	0%	0%
Information Security	20,249	16,491	23%	11%	11%
IoT	526	1,085	-52%	0%	1%
Other	998	3,674	-73%	1%	2%
Total	**185,258**	**155,163**	**19%**	**100%**	**100%**

Favored by big new projects in the Bulgarian public sector and growing revenues from international clients at TBS EAD, as well as by renewed growth in Macedonia and expanding sales in Croatia and the USA, Enterprise Connectivity revenues registered 75% of year on year growth, reaching BGN 58,030 thousand, and stood out as the biggest positive factor behind the evolution of consolidated sales during the period. Accordingly, this technology group accounted for a growing share of 31% in the product structure of consolidated revenues (comparing to 21% for 2022).

Against the low revenues for 2022, sales of Computers and Perpherals (BGN 14,839 thousand) registered a nearly sixfold increase owing to the realized sizeable deliveries in Croatia and substantial projects in Bulgaria and Macedonia, spanning all main client sectors as a whole. In spite of this impressive relative growth and its significantly increased share of 8% (comparing to just 2% in 2022), strategically, 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 (BGN 18,853 thousand), which increased by 39% owing of the implementation of significant new public projects in Croatia and North Macedonia and complementary sales in TBS Germany. With a share of 10%, close to the ratio of 9% registered in 2022, this technology group continued to rank among the significant sources of consolidated revenues.

With the implementation of several big new projects in the Bulgarian public sector along with continuing sales to a wide range of small and medium clients and projects in Bulgaria in and beyond Bulgaria, the Group achieved 23% of growth in revenue from Information Security solutions (BGN 20,249 thousand), which continued to contribute a significant share of 11% of consolidated revenues.

In spite of the negative impact of decreasing sales to telecom operators, a substantial part of which comprised data center technologies in 2022, and the lack of big corporate projects comparable in size to those realized in 2022 in Bulgaria, the Group ended 2023 with a moderate 8% increase in revenues from Private Cloud solutions (BGN 38,087 thousand) owing to several big new projects in the Bulgarian public sector. As a result, this technology group remained the second most significant source of consolidated sales with a share of 21%, close to the ratio of 23% registered in 2022.

Substantially less sizable but also positive growth of 27% was also observed in Public Cloud sales (BGN 1,889 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.

In the context of the general decrease in sales to the telecom sector referred to in section II.2 above, revenue from Service Provider Solutions (BGN 26,845 thousand) decreased by 24%, descending to the third place in the product structure of consolidated sales with a substantially reduced share of 14% (as compared to 23% in 2022).

In spite of realizing substantial revenues from the Bulgarian public sector and complementary sales in TBS Croatia and TBS Germany in second half of the year, sales of Application Services for 2023 (BGN 4,794 thousand) exhibited a sharp decrease by 59% as compared to 2022, when TBS EAD realized a much larger project in this domain, and had a much more limited contribution to consolidated sales (3%, as compared to 8% for 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 1% of consolidated sales for 2023.

XII.2 Revenues by geographic market and significant counterparties

XII.2.1 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.12.2023	31.12.2022	change	share 31.12.2023	share 31.12.2022
Bulgaria	117,994	94,212	25%	64%	61%
Croatia	19,392	4,001	385%	10%	3%
Serbia	16,882	28,402	-41%	9%	18%
Slovenia	7,397	7,015	5%	4%	5%
North Macedonia	5,875	2,727	115%	3%	2%
Bosnia and Herzegovina	3,559	5,401	-34%	2%	3%
Germany	3,143	1,832	72%	2%	1%
United States of America	2,786	2,103	33%	2%	1%
Albania	817	904	-10%	0%	1%
Romania	553	264	109%	0%	0%
Montenegro	262	88	198%	0%	0%
Other	6,598	8,214	-20%	4%	5%
Bulgaria	117,994	94,212	25%	64%	61%
Mid-Western Balkans	47,492	44,907	6%	26%	29%
South-Western Balkans	7,505	4,012	87%	4%	3%
Other Balkan Markets	2,370	5,010	-53%	1%	3%
Central & Eastern Europe	6,939	4,812	44%	4%	3%
Other Markets	2,958	2,211	34%	2%	1%
Total	**185,258**	**155,163**	**19%**	**100%**	**100%**

** By registration of the client.*

In accordance with the development of revenues at TBS EAD referred to in II.2 above, the Group registered a significant 25% increase in revenues realized on the territory of Bulgaria (BGN 117,994 thousand), which continued to lead the territorial structure of consolidated revenues with a growing share of 64% (comparing to 61% in of 2022).

Outweighing the slowdown of revenues from Serbia, Slovenia and Bosnia and Herzegovina with a nearly fivefold increase in sales to Croatia, TBS Croatia helped to achieve moderate growth of 6% in combined revenues from region Mid-Western Balkans (BGN 47,492 thousand), which maintained a share of 26% in consolidated sales close to the corresponding ratio of 29% for 2022. In itself, the Croatian market ranked as the Group's second largest in 2023 with BGN 19,392 thousand of revenues and a share of 10%, comparing to just 3% for 2022.

Reflecting the positive turnaround of sales in North Macedonia referred to in section II.2, combined sales to region South-Western Balkans (BGN 7,505 thousand) grew by 87%, accounting for a growing, but still limited share of 4% of consolidated revenues (as compared to 3% in 2022).

While achieving moderate growth in revenues from the Mid-Western Balkans, Telelink Slovenia faced a sharp slowdown in deliveries to the Greek telecom sector, which led to an overall decrease in sales to Other Balkan Markets (BGN 2,370 thousand) by 53% to just 1% of consolidated revenues (as compared to 3% in 2022).

Putting together growing revenues from cross-border deliveries at TBS EAD and local sales launched by TBS Germany, revenues from markets in Central and Western Europe (BGN 6,939 thousand) increased by 44%, reaching 4% of consolidated sales (as compared to 3% in 2022).

Adding sales to clients on Other markets (gone 34% up to BGN 2,958 thousand or 2% of consolidated revenues with the predominant contribution of local and cross-border deliveries by TBS USA and TBS EAD to the USA), total Group deliveries outside the Balkan region reached a share of 5.3% of consolidated revenues (as compared to 4.5% in 2022).

XII.2.2 Significant clients

In 2023 and as of December 31 2023, there were no direct clients accounting for more than 10% of the consolidated annual revenues or the consolidated trade receivables of the Group.

XII.2.3 Significant suppliers

The key sources of externally supplied elements of the products and complex solutions (integrating products and services) offered by the Group include leading global manufacturers and local and regional distributors of ICT equipment and software.

The Group identifies the following counterparties from the above categories as significant suppliers with purchases (credit turnovers on trade payables accounts) exceeding 10% of the consolidated annual cost of sales for 2023:

- Cisco International Limited (United Kingdom)

The company is a leading global manufacturer and technology partner of the Group in the fields of Service Provider Solutions, Enterprise Connectivity, Managed Services, including Equipment as a service, etc. The ratio of respective purchases to the consolidated cost of sales for 2023 amounted to 12.15%.

- Also Bulgaria EOOD

The company is a distributor for Bulgaria and direct supplier to TBS EAD of equipment manufactured by Cisco Systems, DellEMC, etc. The ratio of respective purchases to the consolidated cost of sales for 2023 amounted to 11.40%.

As of December 31 2023, there was only one supplier with a share of more than 10% in the Group's consolidated trade payables, i.e. NDB EOOD, a distributor for Bulgaria and direct supplier to TBS EAD of equipment manufactured by IBM, VMWare, etc., with a share of 13.06%.

XII.3 Information on material transactions

In accordance with Ordinance № 2 of the FSC, the Company identified the following transactions accounting for 5% or more of its consolidated revenues and/or net profit for 2023:

- Contract between TBS EAD and Topic Invest EOOD for the delivery of hardware equipment, software products, hardware and software support from May 04 2023;

- Contract between TBS EAD and the Prosecutor's Office of the Republic of Bulgaria for the implementation of items № 1 and 2 of public procurement order as per procedure № 02538-2023-0007 with subject matter: "Delivery and installation of software bundles and hardware devices for the definition of a backbone network, network equipment for database access, internet traffic and edge layer firewalls, local network email, electronic identity and information access management and control system" from June 08 2023 (considered in substance as a single overall deal);
- Contract between TBS EAD and Consortium TELESEC DZZD with regard to the implementation of a contract with the Ministry of Interior with subject matter: "Implementation of a National intelligent security system by upgrading the Integrated automated security system" from March 06 2023;
- Contract between TBS EAD and A1 Bulgaria EAD for the delivery of hadware equipment and software products including software support by the vendor of the software products from May 26 2023;
- Contract between TBS EAD and Novatel EOOD for the delivery of hardware equipment, software products, hardware and software support and professional services related thereto from December 01 2023;
- Contract between TBS EAD and the Prosecutor's Office of the Republic of Bulgaria for the implementation of public procurement order as per procedure № 02538-2022-0058 with subject matter: „Delivery of hardware devices and software bundles for a platform for the protection from existing and newly identified cyber threats" from June 08 2023;
- Contract between TBS EAD and Lancom Bulgaria EOOD for the delivery of hardware equipment from September 18 2023.

XII.4 Transactions made between the Issuer and related parties during the reporting period, proposals for the signing of such transactions and dealings outside its ordinary course of business or deviating substantially from market terms, whereto the Issuer or a subsidiary thereof is party

As of December 31 2023, the Company maintained the agreements signed with its subsidiaries in 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 1,850 thousand;
- Agreement between the Company and Comutel, whereunder services provided for the reporting period amounted to BGN 0.2 thousand;
- Agreement between the Company and Telelink Slovenia, whereunder services provided for the reporting period amounted to BGN 0.2 thousand;
- Agreement between the Company and TBS Croatia, whereunder services provided for the reporting period amounted to BGN 10 thousand;
- Agreement between the Company and TBS Macedonia, whereunder services provided for the reporting period amounted to BGN 2 thousand;

- Agreement between the Company and Telelink Albania, whereunder services provided for the reporting period amounted to BGN 2 thousand;
- Agreement between the Company and TBS Romania, whereunder services provided for the reporting period amounted to BGN 14 thousand;
- Agreement between the Company and TBS Germany, whereunder services provided for the reporting period amounted to BGN 1 thousand;
- Agreement between the Company and TBS USA, whereunder services provided for the reporting period amounted to BGN 9 thousand;
- Agreements between the Company and and TBS Montenegro and Telelink Bosnia, whereunder there were no services were provided during the reporting period.

During the reporting period, the Company and TBS EAD also maintained their contract for the rental of equipped workplaces signed on November 01 2019 and valid until December 31 2023. The Company's corresponding expenses for 2023 amounted to BGN 129 thousand. On December 31 2023, the parties signed a new contract with the same subject matter, valid from January 01 2024 until January 16 2028.

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 December 29 2023, an annex was signed to the agreement, whereby the loan tenor was extended until December 31 2024. Interest income from the agreement for the period amounted to BGN 6 thousand. As of December 31 2023, the Company's outstanding receivables from the agreement amounted to BGN 72 thousand.

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. On December 29 2023, an annex was signed to the agreement, whereby the loan tenor was extended until December 31 2024 and the annual interest rate was changed to 5%, effective from January 01 2024. As of December 31 2023, the Company's outstanding receivables from the agreement amounted to BGN 492 thousand.

On August 24 2023, the Company (lender) and TBS Germany (UIN 299685098) (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. On December 29 2023, an annex was signed to the agreement, whereby the annual interest rate was changed to 5%, effective from January 01 2024. As of December 31 2023, the Company's outstanding receivables from the agreement amounted to BGN 567 thousand.

Interest income from the latter two agreements for the period amounted to a total of BGN 16 thousand.

On November 02 2023 and December 29 2023, annexes were signed to the Cash loan agreement between TBSG AD (lender) and TBS Croatia (borrower) from September 21 2021, whereby the limit subject to revolving utilization and repayment was raised from EUR 1,500,000 to EUR 2,000,000, the loan tenor was extended from December 31 2023 to December 31 2024 and the annual interest rate was changed from 4% to 5%, effective from

January 01 2024. Interest income from the agreement for the period amounted to BGN 75 thousand. As of December 31 2023, the Company's outstanding receivables from the agreement amounted to BGN 2,391 thousand.

On November 02 2023 and December 29 2023, annexes were signed to the Cash loan agreement between TBSG AD (lender) and TBS Romania (borrower) from February 21 2022 whereby the limit subject to revolving utilization and repayment was raised from EUR 500,000 to EUR 1,000,000, the loan tenor was extended from December 31 2023 to December 31 2024 and the annual interest rate was changed from 4% to 5%, effective from January 01 2024. Interest income from the agreement for the period amounted to BGN 34 thousand. As of December 31 2023, the Company's outstanding receivables from the agreement amounted to BGN 1,209 thousand.

On December 29 2023, a Cash loan agreement was signed between TBSG AD (lender) and Telelink Bosnia (borrower) with a maximum amount of EUR 500,000 subject to revolving utilization and repayment, a tenor until December 31 2024 and an annual interest rate of 5.00%. As of December 31 2023, the Company had not disbursed any funds and did not have any outstanding receivables and interest income from the agreement.

All of the above dealings were made between the Issuer and its subsidiaries and are of internal nature to the Group, therefore not participating in the formation of its consolidated income, expenses, assets and liabilities.

During and as of the end of the reporting period, the following general resolutions of the GMS authorizing the MB to make dealings connected to related parties remained in force:

- Resolution from April 11 2022 authorizing the MB for the period from April 11 2022 until December 31 2024 to sign agreements with subsidiaries for the provision of services relative to the corporate and business development of the respective subsidiaries, including but not limited to product positioning, consultancy on business planning, financial reporting, consultancy on legal matters, consulting and services relative to PR and marketing activities and business popularization;
- Resolution from April 11 2022 authorizing the MB to provide guarantees by the Company for the due fulfilment of obligations of its subsidiaries towards third parties with a validity up to December 31 2025 and a total amount up to BGN 10,000,000.

During the reporting period, the Company and its subsidiaries did not make dealings out of their ordinary course of business or such deviating substantially from market terms.

XII.5 Extraordinary events and indicators for the issuer with a significant impact on its activities

As of December 31 2023 and during the reporting period as a whole, there were no events or indicators of extraordinary nature to the Issuer and the Group affecting substantially the consolidated results from its activities.

XII.6 Off-balance sheet items

The contingent commitments undertaken by the Company and Group subsidiaries as of December 31 2023 are disclosed in sections XII.9.2 and XII.9.4 of this Report, as well as in section 35 of the notes to the consolidated annual financial statements.

XII.7 Equity interests and main investments in the country and abroad

XII.7.1 Shares in subsidiaries

As of December 31 2023, the Company reported total investments in directly owned subsidiaries in the amount of BGN 15,632 thousand, of which BGN 15,311 thousand (BGN 15,718 thousand before impairment) transferred by virtue of its reorganization from August 14 2019 as a part of the assets attributable to the separated activity of Business Services, BGN 126 thousand – reflecting the establishment of TBS Macedonia in September 2019, the increase of the participation in Telelink Albania and the establishment of TBS Croatia in 2020, the establishment of TBS USA and TBS Romania in 2021 and the establishment of TBS Germany in 2022, and BGN 195 thousand – recorded in 2023 as a result of the increase in the registered capital of TBS Germany by BGN 147 thousand (EUR 75 thousand) and a difference of BGN 48 thousand between the amounts of the Company's receivables for shares thereof transferred to TBS EAD, Comutel and Macedonia with regard to the implementation of the Long-term stimulation plan from 2020 vis-à-vis their employees as of the dates of their initial allocation and final transfer, accounted as an increase in the investments in these subsidiaries as per IFRS 2.

The shares held in the capital of subsidiaries are shown in percentage by subsidiary in section I.4 of this Report. The value of the recorded investments by subsidiary as of December 31 2023 is shown in section 12 of the notes to the Company's individual annual financial statements.

As of December 31 2023, the Company did not hold any equity investments in companies outside the Group.

The shares held by TBS EAD in Telelink BS Staffing EOOD and Green Border OOD, which have remained inactive during the period and as of the date of this Report, maintain a relatively insignificant balance sheet value. The reported investment in Telelink BS Staffing EOOD corresponds to its authorized capital of BGN 2, and, in view of the project-based nature of Green Border OOD, the participation of BGN 10 thousand therein is reported essentially as a short-term asset.

XII.7.2 Investments in intangible assets

As of December 31 2023 the Group reported consolidated intangible assets in the amount of BGN 1,015 thousand, reflecting mostly investments by TBS Group and TBS EAD.

The intangible assets reported by the Company included an externally developed branding concept transferred to the Company by means of the Reorganization from August 14 2019 as a part of the assets attributable to the separated activity of Business Services, subsequent developments of the latter and Group's new website in 2020 and 2022 and a new trademark developed as part of a rebranding in 2023. The initial cost of these investments amounted to BGN 221 thousand, and their balance sheet value as of December 31 2023 – to BGN 86 thousand.

The intangible assets reported by TBS EAD are related mainly to the purchase of software, development activities in the fields of Information Security and the Internet of Things and rebranding-related expenditures. The initial value of the company's capital expenditures for the acquisition or formation of the present intangible assets totaled BGN 4,677 thousand, and their balance sheet value as of December 31 2023 – to BGN 983 thousand.

XII.7.3 Real estate investments

As of December 31 2023, the Group reported as a part of its consolidated non-current assets investment properties in the amount of BGN 454 thousand, corresponding to an independent external appraisal as of the same date of an office area owned by Comutel and leased out to third parties outside the Group.

As of December 31 2023, TBS EAD remained in possession of apartments acquired in previous periods as collateral to trade receivables. In accordance with the management's intentions for their realization, these properties are classified as assets held for sale and are not being considered as investments of the Group.

XII.7.4 Investments in financial instruments and other companies

As of December 31 2023, Group companies did not hold any investments in financial instruments, nor in equity securities of companies outside the Company's economic group.

XII.8 Loan agreements signed by the Issuer, a subsidiary thereof or a parent company in their capacity of borrowers

XII.8.1 Loan agreements, guarantees and undertakings of liabilities by the Company

XII.8.1.1 Agreement with Raiffeisenbank (Bulgaria) EAD (now United Bulgarian Bank AD)

On April 05 2023, Annex №1 was signed to the Overdraft agreement between the Company and Raiffeisenbank (Bulgaria) EAD (now United Bulgarian Bank AD from February 15 2022, whereby the credit limit utilization and repayment deadlines were extended until February 28 2027 for the utilization of overdraft, until January 28 2027 for utilization pursuant to bank guarantees and until February 28 2027 for the repayment of utilized credit funds as a whole.

The credit limit of the agreement was maintained at EUR 2,000,000, available for utilization in the form of any or a combination of overdraft credit and contingent bank credit securing the issuance of guarantees.

The limit remained available for utilization in leva, euro or US dollars at respectively applicable interest rates of the lending bank's reference interest rate (RIR) +1.5%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% regardless of the utilization currency.

Provided security under the agreement continued to include a pledge of receivables from accounts with the bank, a pledge of current and future receivables from commercial agreements between TBSG AD and its subsidiaries and a suretyship by TBS EAD.

Interest expenses under the agreement for the period amounted to BGN 12 thousand. As of December 31 2023, the Company had no outstanding principal or interest payables under the agreement.

XII.8.1.2 Agreement with TBS EAD

Until March 23 2023, the Company (borrower) maintained its Cash loan agreement with TBS EAD (lender) from March 23 2022 with a limit of BGN 1,000,000 and an interest rate of 2.25% p.a. over the utilized part of the loan. During the reporting period, the Company did not use any funds and did not record any interest expenses under the agreement. The agreement was not renewed.

The agreement was of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2 Loan agreements, guarantees and undertakings of liabilities by subsidiaries

XII.8.2.1 Agreements signed by TBS EAD

XII.8.2.1.1 AGREEMENT WITH UNICREDIT BULBANK AD

As of December 31.2023, the Agreement for undertaking credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between TBS EAD and Unicredit Bulbank AD remained in force.

Material changes made to the agreement and the suretyship and pledge agreements signed as security thereto during the reporting period included:

- Annex №8 from January 13 2023, whereby the interest rate for drawdowns in BGN was changed from BIR + 1.357% to the lending bank's average deposit index (ADI) + 1.65%;
- Annex №9 from May 31 2023, whereby the maximum utilization term was extended until June 30 2023;
- Annex №10 from June 30 2023 г., whereby the maximum utilization term was extended until May 31 2024, the overall credit limit was changed from EUR 13,000,000 to EUR 15,000,000, including a change in the overdraft credit limit from EUR 3,000,000 to EUR 4,000,000, a change in the revolving credit limit from EUR 4,000,000 to EUR 5,000,000 евро and a change in the contingent credit limit securing the issuance of bank guarantees from EUR 13,000,000 to EUR 15,000,000 but not more than difference between the overall credit limit and outstanding principal obligations under the overdraft and revolving credit limits, and the interest rate for drawdowns in BGN was changed from ADI + 1.65% to ADI + 2.35%;
- Annex №6 from June 30 2023 to the Suretyship agreement from October 10 2019 between UniCredit Bulbank AD and TBSG AD for extending the validity until May 31 2024 and harmonizing the secured overall credit limit under the Agreement for undertaking credit commitments under an overdraft credit line from EUR 13,000,000 to EUR 15,000,000;
- Annex №12 November 30 2023, whereby the overall credit limit was changed from EUR 15,000,000 to EUR 18,000,000, including a change in the contingent credit limit securing the

issuance of bank guarantees from EUR 15,000,000 to EUR 18,000,000 but not more than difference between the overall credit limit and outstanding principal obligations under the overdraft and revolving credit limits;

- Annex №7 November 30 2023 to the Suretyship agreement from October 10 2019 between UniCredit Bulbank AD and TBSG AD and Annex №1 from November 30 2023 to the Share pledge agreement between UniCredit Bulbank AD and TBSG AD for harmonizing the thereby secured overall credit limit under the Agreement for undertaking credit commitments under an overdraft credit line from EUR 15,000,000 to EUR 18,000,000.

As of December 31 2023, all limits are available for utilization in BGN, EUR or USD at respectively applicable interest rates of ADI + 2.35%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% for utilization in EUR and USD.

Security provided under the agreement includes continued to include a pledge over receivables from accounts with the bank, a pledge of existing and future receivables from individualized contracts of TBS EAD securing utilized overdraft funds and additional pledges of current and future receivables of TBS EAD from projects financed with revolving credit, a pledge over 100% of the shares in the capital of TBS EAD and related receivables and suretyship by TBSG AD, including a commitment to maintain its participation in the capital of TBS EAD.

Interest expenses from the agreement for the period amounted to BGN 99 thousand. As of December 31 2023, the company's outstanding principal and interest payables under the agreement amounted to BGN 2,687 thousand.

XII.8.2.1.2 AGREEMENT WITH UNITED BULGARIAN BANK AD

On December 14 2023, Revolving bank credit agreement №23F-10092889-95625 was signed between TBS EAD and United Bulgarian Bank AD with a credit limit of EUR 4,000,000 and utilization and repayment deadlines respectively until November 29 2025 and November 30 2025.

The limit is available for utilization in BGN and EUR at respectively applicable interest rates of the lending bank's short-term interest rate (SIR) + 1.7%, but no less than 1.7%, and 1m. EURIBOR + 1.5%, but no less than 1.5%.

TBS EAD's obligations under the agreement are secured with a first ranking specific pledge over all of the company's current and future receivables approved for financing under the agreement, including but not limited to the receivables arising from a contract between TBS EAD and the Prosecutor's office the Republic of Bulgaria for the implementation of public procurement order № 50/08.06.2023, item № 2, pertaining to the Delivery and Installation of software bundles and hardware devices for the definition of a backbone network, network equipment for database access, internet traffic and edge layer firewalls, local network email, electronic identity and information access management and control system", as well as with a financial collateral pledge and agreement under the Law on Financial Collateral Agreements over the receivables from all of TBS EAD's accounts with the bank.

As of December 31 2023, TBS EAD had not utilized any funds and did not have any outstanding principal or interest obligations under the agreement.

XII.8.2.1.3 AGREEMENT WITH TBSG AD

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 3,000,000 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. Obligations arising from the agreement are not secured. On December 29 2023, an annex was signed to the agreement, whereby the loan tenor was extended until December 31 2024. Interest expenses from the agreement for the period were equivalent to BGN 6 thousand. As of December 31 2023, the Company's outstanding receivables from the agreement amounted to BGN 72 thousand.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.2 Agreements signed by Comutel

On January 16 2023, Comutel signed an annex for the annual renewal of the Credit facility agreement with Raiffeisen Banka AD Beograd (Serbia) №265-0000001624611-36 from February 21 2016 until January 27 2024.

The limit for the effective drawdown of funds under the agreement in the form of revolving credit for working capital financing, which is available for utilization on the basis of separate requests up to the amount of respectively pledged client receivables, was maintained at the amount of USD 4,200 thousand.

The applicable interest rates were changed from 1m. LIBOR + 2.1% to 3m. SOFR + 2.6% for utilization in USD and from 1m. BELIBOR + 1.5% to 1m. BELIBOR + 2.8% for utilization in Serbian dinars.

Security provided under the agreement continued to include pledges over individual receivables from a specified key account of the company presented at each separate drawdown, as well as a suretyship by TBS EAD.

Interest expenses from the agreement for the reporting period were equivalent to BGN 160 thousand. As of December 31 2023, the company and no outstanding principal or interest payables under the agreement.

XII.8.2.3 Agreements signed by Telelink Bosnia

On December 29 2023, a Cash loan agreement was signed between TBSG AD (lender) and Telelink Bosnia (borrower) with a limit of EUR 500,000 subject to revolving utilization and repayment, a tenor until December 31 2024 and an annual interest rate of 5%. Obligations arising from the agreement are not secured. As of December 31 2023, the company had not utilized any funds and did not have any expenses or payables under the agreement.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.4 Agreements signed by Telelink Slovenia

On January 20 2023, an annex was signed to Frame loan agreement №5074/2022 between Unicredit Slovenia and Telelink Slovenia from March 22 2022 with a limit of up to EUR 1,500,000 available for utilization in the form of revolving credit and/or bank guarantees, whereby the tenor was extended until January 18 2024 and the annual interest rate was changed from 1m. EURIBOR + 1.5% to 3m. EURIBOR + 1.6%.

A corporate guarantee provided by TBSG AD was maintained as security to Telelink Slovenia's obligations under the agreement.

Interest expenses from the agreement for the period were equivalent to BGN 79 thousand. As of December 31 2023, the company's outstanding principal and interest payables under the agreement amounted to EUR 771 thousand (BGN 1,507 thousand).

XII.8.2.5 Agreements signed by TBS Croatia

XII.8.2.5.1 ДОГОВОРИ СЪС ZAGREBACKA BANKA D.D.

On March 01 2023, a Frame overdraft agreement was signed between TBS Croatia and Zagrebska banka d.d. with a tenor until February 29 2024, a maximum amount of EUR 245,500 and an annual interest rate of 3m. EURIBOR + 0.39%, secured with a corporate guarantee from TBSG AD.

On December 18 2023, Frame overdraft agreement №1102903942 was signed between TBS Croatia and Zagrebačka banka d.d. with a tenor until July 31 2024, a maximum amount of EUR 600,000 and an annual interest rate of 3m. EURIBOR + 1.5%.%, secured with a corporate guarantee from TBSG AD.

As of December 31 2023, TBS Croatia had not utilized any funds and did not have any expenses or outstanding principal and interest payables under the agreement.

XII.8.2.5.2 ДОГОВОР С ТБС ГРУП АД

On November 02 2023 and December 29 2023, annexes were signed to the Cash loan agreement between TBSG AD (lender) and TBS Croatia (borrower) from September 21 2021, whereby the limit subject to revolving utilization and repayment was raised from EUR 1,500,000 to EUR 2,000,000, the loan tenor was extended from December 31 2023 to December 31 2024 and the annual interest rate was changed from 4% to 5%, effective from January 01 2024. %. Obligations arising from the agreement are not secured. Interest expenses from the agreement for the period were equivalent to BGN 76 thousand. As of December 31 2023, the outstanding payables of TBS Croatia from the agreement amounted to EUR 1,222 thousand (BGN 2,391 thousand).

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.6 Agreements signed by TBS Macedonia

XII.8.2.6.1 AGREEMENT WITH PRO CREDIT BANKA AD SKOPJE

During the reporting period, TBS Macedonia maintained its Frame limit agreement with Pro Credit Banka AD Skopje from July 20 2021 with an overall limit of EUR 500,000 available for utilization as overdraft, revolving credit, bank guarantees and/or other credit instruments, annual interest rate of 5% and a maximum term until July 15 2031.

On December 11 2023, Annex №1 to the agreement was signed, adding as security to the agreement a bank guarantee issued by UniCredit Bulbank AD and provided by TBSG AD for the amount of EUR 300,000, valid until May 31 2025.

As of December 31 2023 and during the year as a whole, TBS Macedonia did not utilize any funds and did not have any interest expenses or outstanding principal and interest obligations under the agreement.

XII.8.2.6.2 AGREEMENT WITH TBS EAD

On December 29 2023, an annex was signed to the Cash loan agreement was signed between TBS EAD (lender) and TBS Macedonia (borrower), whereby the limit subject to revolving utilization and repayment was changed from EUR 1,000,000 to EUR 2,000,000, the loan tenor was extended from December 31 2023 to December 31 2024 and the annual interest rate was changed from 4% to 5%, effective from January 01 2024. %. Obligations arising from the agreement are not secured. Interest expenses from the agreement for the period were equivalent to BGN 13 thousand. As of December 31 2023, the outstanding payables of TBS Croatia from the agreement amounted to EUR 266 thousand (BGN 521 thousand).

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.7 Agreements signed by Telelink Albania

During the reporting period, Telelink Albania (borrower) maintained its Cash loan agreement with TBS EAD (lender) from February 15 2021 with a limit of up to EUR 500,000 subject to revolving utilization and repayment, annual interest rate of 4% and a tenor until December 31 2023. Obligations arising from the agreement are not secured. On December 29 2023, an annex was signed to the agreement, whereby the tenor was extended until December 31 2024 and the annual interest was changed from 4% to 5%, effective from January 01 2024. Interest expenses from the agreement for the reporting period were equivalent to BGN 31 thousand. As of December 31 2023, the outstanding payables of Telelink Albania from the agreement amounted to EUR 460 thousand (BGN 900 thousand).

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.8 Agreements signed by TBS Romania

On November 02 2023 and December 29 2023, annexes were signed to the Cash loan agreement between TBSG AD (lender) and TBS Romania (borrower) from February 21 2022 whereby the limit subject to revolving utilization and repayment was raised from EUR 500,000 to EUR 1,000,000, the loan tenor was extended from December 31 2023 to December 31 2024 and the annual interest rate was changed from 4% to 5%, effective from January 01 2024. Obligations arising from the agreement are not secured. Interest expenses from the agreement for the reporting period were equivalent to BGN 34 thousand. As of December 31 2023, TBS Romania's outstanding principal and interest obligations under the agreement amounted to EUR 618 thousand (BGN 1,209 thousand).

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.9 Agreements signed by TBS Germany

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. On December 29 2023, an annex was signed to the agreement, whereby the loan tenor was extended until December 31 2024 and the annual interest rate was changed to 5%, effective from January 01 2024. Obligations arising from the agreement are not secured. As of December 31 2023, outstanding principal and interest obligations under the agreement amounted to BGN 492 thousand.

On August 24 2023, the Company (lender) and TBS Germany (UIN 299685098) (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. On December 29 2023, an annex was signed to the agreement, whereby the annual interest rate was changed to 5%, effective from January 01 2024. Obligations arising from the agreement are not secured. As of December 31 2023, outstanding principal and interest obligations under the agreement amounted to BGN 567 thousand.

In total, interest expenses from the latter two agreements for the reporting period were equivalent to BGN 16 thousand.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.8.2.10 Agreements signed by TBS USA

During the reporting period, TBS USA (borrower) maintained its Cash loan agreement with TBS EAD (lender) from April 28 2022 with a limit of USD 2,000,000 subject to revolving utilization and repayment and a tenor until December 31 2024. On December 29 2023, an annex was signed to the agreement, whereby the annual interest rate was changed from 4% to 5%, effective from January 01 2024. Obligations arising from the agreement are not secured. Interest expenses from the agreement for the reporting period were equivalent to BGN 75 thousand. As of December 31 2023, TBS USA's outstanding principal and interest obligations under the agreement amounted to USD 1,298 thousand (BGN 2,300 thousand).

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9 Loan agreements signed by the Issuer, a subsidiary thereof or a parent company in their capacity of lenders

XII.9.1 Loans granted by the Company

XII.9.1.1 Agreement signed with TBS EAD

During the reporting period, the Company (lender) signed with TBS EAD (UIN 130545438) (borrower) a Cash loan agreement from July 05 2023. The terms and conditions of the agreement and the expenses and obligations of the borrowing subsidiary, representing reciprocally the income and receivables of TBSG AD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.1.3 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.1.2 Agreement signed with Telelink Bosnia

During the reporting period, the Company (lender) signed with Telelink Bosnia (UIN 4201745520006) (borrower) a Cash loan agreement from December 29 2023. The terms and conditions of the agreement and the expenses and obligations of the borrowing subsidiary, representing reciprocally the income and receivables of TBSG AD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.3 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.1.3 Agreement signed with TBS Croatia

During the reporting period, the Company (lender) maintained its Cash loan agreement with TBS Croatia (UIN 081341811) (borrower) from September 21 2021. The terms and conditions of the agreement, the changes therein made during the reporting period and the expenses and obligations of the borrowing subsidiary, representing reciprocally the income and receivables of TBSG AD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.5.2 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.1.4 Agreement signed with TBS Romania

During the reporting period, the Company (lender) maintained its Cash loan agreement with TBS Romania (UIN J40/19800/2021) (borrower) from February 21 2021. The terms and conditions of the agreement, the changes therein made during the reporting period and the expenses and obligations of the borrowing subsidiary, representing reciprocally the income and receivables of TBSG AD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.8 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.1.5 Agreements signed with TBS Germany

During the reporting period, the Company (lender) signed with TBS Germany (UIN 299685098) (borrower) a Cash loan agreement subject to revolving utilization and repayment from July 10 2023 and 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 from August 24 2023. The terms and conditions of the agreements and the expenses and obligations of the borrowing subsidiary, representing reciprocally the income and receivables of TBSG AD from the agreements during and as of the end of the reporting period are summarized in section XII.8.2.9 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.2 Provided guarantees and undertaking of liabilities by the Company

As of December 31 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 described in section XII.8.2.1.1 of this Report and the annexes thereto until their final repayment:

- a suretyship agreement with Unicredit Bulbank AD, including a commitment to maintain the Company's participation in the capital of TBS EAD;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD and related receivables.

As of December 31 2023, the Company also maintained the following commitments undertaken thereby with regard to corporate and bank guarantees issued in previous periods and extended and/or issued during the reported period:

- a corporate guarantee in favor of Citi Bank and Cisco Systems International B.V. (the Netherlands) securing the capacity of 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, issued on July 01 2020;
- a corporate guarantee 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., issued on February 15 2022;
- a corporate guarantee securing the obligations of Telelink Slovenia (UIN 6596240000) under Framework loan agreement № 5074/2022 with Unicredit Banka Slovenia d.d. for the amount of EUR 1,500,000, issued on March 16 2022;
- a corporate guarantee 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 (EUR 200 thousand), issued on June 28 2022;
- a corporate guarantee securing the obligations of TBS Croatia (UIN 081341811) under Frame overdraft agreement from March 01 2023 with Zagrebacka Banka d.d. up to the amount of EUR 245,500, issued on March 01 2023;

- a corporate guarantee securing the obligations of TBS Croatia (UIN 081341811) under Frame agreement for issuing bank guarantees № 0200126236 from June 27 2022 with Zagrebacka Banka d.d. and the annexes thereto for the amount of EUR 900,000, issued on April 07 2023;
- 3 bank guarantees, 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), issued on August 30 2023;
- a bank guarantee for the amount of RON 7,000 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, issued on October 05 2023;
- a counter-guarantee for the amount of EUR 664,163.28 securing the good performance of TBS EAD (UIN 130545438) under a contract with NCI Agency – NATO with regard to a contract for the delivery of equipment and services valid until November 15 2025, issued on October 24 2023;
- a bank guarantee for the amount of RON 74,510.71, securing the good performance of TBS Romania (UIN J40/19800/2021) under a contract with BUCHAREST MUNICIPALITY, issued on October 30 2023;
- a corporate guarantee in favor of MB Distribution S.R.L. (Romania), securing the capacity of TBS Romania (UIN J40/19800/2021) to make high-value equipment purchases on deferred payment terms up to the amount of USD 20,488, issued on November 15 2023;
- a bank guarantee for the amount of EUR 5,100 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 National Administration of Penitentiaries – Румъния, issued on October 16 2023;
- a counter-guarantee for the amount of EUR 26,000 securing a performance guarantee issued by Raiffeisen banka a.d. Beograd with regard to a delivery contract between Comutel (UIN 07554133) and REPUBLIC FUND FOR PENSION AND DISABILITY INSURANCE – Serbia valid until February 28 2025, issued on November 16 2023;
- a corporate guarantee in favor of INGRAM MICRO DISTRIBUTION S.R.L (Romania), securing the capacity of TBS Romania (UIN J40/19800/2021) to make high-value equipment purchases on deferred payment terms up to the amount of USD 152,000, issued on November 17 2023;
- a corporate guarantee in favor of Comtrade (Serbia) securing the capacity of Comutel (UIN 07554133) to make high-value equipment purchases on deferred payment terms up to the amount of USD 3,000,000 valid until December 31 2024, issued on November 20 2023;
- a bank guarantee for the amount of EUR 300,000 securing the obligations of TBS Macedonia (UIN 7385986) with regard to a Frame limit agreement with Pro Credit Banka AD Skopje valid until May 31 2025, issued on November 25 2023;
- a corporate guarantee in favor of INGRAM MICRO d.o.o. Zagreb, securing the capacity of TBS Croatia (UIN 081341811) to make high-value equipment purchases on deferred payment terms up to the amount of USD 1,000,000 valid until April 30 2024, issued on December 04 2023;
- a corporate guarantee, securing the obligations of TBS Croatia (UIN 081341811) under a Frame overdraft agreement from December 18 2023 with Zagrebacka Banka d.d. up to the amount of EUR 600,000, issued on December 18 2023.

XII.9.3 Loans granted by subsidiaries

XII.9.3.1 Agreement between TBS EAD and TBSG AD

Until March 23 2023, TBS EAD (lender) maintained its Cash loan agreement with TBSG AD Group (UIN 205744019) (borrower) from March 23 2022. The terms and conditions of the agreement and the expenses and obligations of the borrowing company, representing reciprocally the income and receivables of TBS EAD from the agreement during and as of the end of the reporting period are summarized in section XII.8.1.1 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.3.2 Agreement between TBS EAD and TBS Macedonia

During the reporting period, TBS EAD (lender) maintained its Cash loan agreement with TBS Macedonia (UIN 7385986) (borrower) from February 15 2021. The terms and conditions of the agreement, the changes therein made during the reporting period and the expenses and obligations of the borrowing company, representing reciprocally the income and receivables of TBS EAD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.6.2 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.3.3 Agreement between TBS EAD and Telelink Albania

During the reporting period, TBS EAD (lender) maintained its Cash loan agreement with Telelink Albania (UIN L91803017J) (borrower) from December 15 2021. The terms and conditions of the agreement, the changes therein made during the reporting period and the expenses and obligations of the borrowing company, representing reciprocally the income and receivables of TBS EAD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.7 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.3.4 Agreement between TBS EAD and TBS USA

During the reporting period, TBS EAD (lender) maintained its Cash loan agreement with TBS USA (UIN 87-3162431) (borrower) from April 28 2022. The terms and conditions of the agreement, the changes therein made during the reporting period and the expenses and obligations of the borrowing company, representing reciprocally the income and receivables of TBS EAD from the agreement during and as of the end of the reporting period are summarized in section XII.8.2.10 of this Report.

The agreement is of an internal nature to the Group and did not participate in the formation its consolidated income, expenses, assets and liabilities.

XII.9.4 Provided guarantees and undertaking of liabilities by subsidiaries

As of December 31 2023, subsidiary TBS EAD has provided the following guarantees, securing obligations of third parties with regard to the implementation of projects and the financing of subsidiaries making part of the Group:

Guarantee securing obligations of:	UIN	Guarantee type	Amount (BGN)	End Date
Consortium Telelink Group DZZD	177239104	performance bond	66,238.86	17.06.2024
Consortium Systel DZZD	177424500	performance bond	710,000.00	01.09.2024
TBS Macedonia	7385986	performance bond	135,433.97	15.10.2024
Consortium Secure Borders Telesec DZZD	177158206	performance bond	39,152.25	30.12.2024
TBS Croatia	81341811	performance bond	1,173,498.00	01.02.2024
ConsortiumDigital Backpack DZZD	180705429	performance bond	258,368.81	30.09.2024
Consortium Secure Borders Telesec DZZD	177158206	performance bond	151,277.00	27.02.2026
CONSORTIUM TELESEK DZZD	180851327	performance bond	781,453.95	01.04.2028
CONSORTIUM TELELINK-INFO DZZD	177133772	performance bond	10,520.00	31.07.2024
Consortium TBS EAD - TBS Macedonia	n/a	bid bond	15,646.64	10.10.2024
Consortium Technolink DZZD	177359593	performance bond	125,640.00	29.01.2027
Consortium TBS EAD - TBS Romania	n/a	performance bond	4,856.52	12.01.2024
Consortium Systel DZZD	177424500	performance bond	732,070.00	17.12.2026
TBS Macedonia	7385986	counter-guarantee	606,307.30	31.01.2026

XII.10Utilization of funds from a new issue of shares performed during the reporting period

During the reporting period, the Company did not issue and did not generate any proceeds from new shares, other securities or options thereon.

XII.11Analysis of the ratio between achieved financial results reflected in the financial statements for the year and previously published forecasts for these 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 section "Budget 2023 (B)" of the table below ("the Budget").

The deviations of the actually achieved consolidated results for 2023 from the are shown in section "Final Results for 2023" of the same table.

Financials	Budget 2023 (B)		Final Results for 2023		
	EUR'M	BGN'000	EUR'M	BGN'000	% dev. from B
Net sales revenue	**102.2**	**199,886**	**94.7**	**185,258**	**-7%**
Gross Profit	**20.1**	**39,312**	**18.8**	**36,738**	**-7%**
Sales and Marketing Expenses	-9.0	-17,602	-7.2	-14,082	-20%
General and Administrative Expenses	-5.4	-10,561	-5.6	-10,983	4%
EBITDA	**7.7**	**15,060**	**7.9**	**15,357**	**2%**
Operating Profit	**5.7**	**11,148**	**6.1**	**11,946**	**7%**
Net Profit	**4.8**	**9,388**	**4.8**	**9,444**	**1%**
Revenue by Invoicing Country/Region:					
Bulgaria	79.6	155,684	64.3	125,838	-19%
Serbia, Montenegro, Bosnia i Herzgovina and Slovenia	9.0	17,602	16.5	32,253	83%
Croatia	4.5	8,801	9.0	17,634	100%
South-Western Balkans	3.9	7,628	3.8	7,475	-2%
Romania	3.6	7,041	0.3	496	-93%
Germany and USA	1.6	3,129	0.8	1,562	-50%
Revenue by Technology Group					
Service Provider Solutions	8.2	16,069	13.7	26,845	67%
Enterprise Connectivity	33.9	66,433	29.7	58,030	-13%
Private Cloud	23.9	46,836	19.5	38,087	-19%
Public Cloud	1.2	2,352	1.0	1,889	-20%
Modern Workplace	10.9	21,360	9.6	18,853	-12%
Computers and Peripherals	1.7	3,331	7.6	14,839	345%
Application Services	7.9	15,481	2.5	4,794	-69%
Hyperautomation	0.0	0	0.1	149	0%
Information Security	11.2	21,948	10.4	20,249	-8%
IoT	0.5	980	0.3	526	-46%
Other	2.6	5,095	0.5	998	-80%

As evidenced by the above ratios, actual consolidated revenues for 2023 were 7% short of the Budget and the Group registered the same relative deviation on the level of gross profit, implying the preservation of a close-to-budgeted gross margin. At the same time, the Group realized significant economies in terms of the 20% lower than budgeted sales and marketing expenses, which outweighed both the registered moderate 4% excess in general and administrative expenses and the total amount of the latter and the negative deviation in gross profit. As a result, the Group was able to achieve 7% stronger than budgeted operating profit and, notwithstanding the substantially higher interest expenses and the unforeseen loss from foreign currency operations, also registered positive deviations of 1% and 2% on the levels of net profit and EBITDA.

In territorial perspective, the negative deviation from forecasted revenues stemmed mostly from the evolution of sales at TBS EAD, which recorded strongly positive but slower than expected growth in the public sector, and the delayed launch of sales to new clients in Romania, Germany and the USA. On a positive note, these deviations were compensated in part by the much stronger growth in sales in Croatia and the substantially less acute decrease in combined revenues in Serbia, Montenegro, Bosnia I Herzegovina and Slovenia, as compared to the extent of these trends anticipated in the Budget.

In technology perspective, the main factors behind the fallback from forecasted revenues were the Application Services, Enterprise Connectivity and Private Cloud business lines, which were affected to the largest extent by the slower than expected expansion in sales to the public sector in Bulgaria. On a positive note, these deviations were compensated in part by the much stronger growth in sales of Computers and Peripherals, relating mostly to the additional revenues realized in Croatia, and the substantially less acute decrease in the sales of Service Provider Solutions in the context of the substantially more moderate slowdown in combined revenues in Serbia, Montenegro, Bosnia I Herzegovina and Slovenia, as compared to the forecasts reflected in the Budget.

XII.12Financial resource management policy, debt service capacity, potential threats and measures towards their neutralization

The policy of managing financial resources with regard to the timely and due fulfilment of the obligations of Group companies is based on the procurement of funds from the following main sources:

- revenue from sales to third parties, which are the main source for all subsidiaries of the Group involved directly in the performance of operating activities in the field of ICT;
- revenue from sales to other Group companies which are an ancillary source for Group subsidiaries involved directly in the performance of operating activities in the field of ICT and a main source for TBSG AD on a standalone basis;
- dividend income from direct participations in the capital of Group subsidiaries, which are a significant source for TBSG AD on a standalone basis;
- securing additional funds needed to honour liabilities to third parties and other Group companies with limits under credit lines and finance leases negotiated with leading local banks, which are a significant main and/or backup source for the Company and most subsidiaries with large or medium revenues and personnel, and/or loans from the Company and/or leading Group subsidiary TBS EAD, which are a significant actual or potential complementary and/or main source for all Group companies on standalone basis.

The above sources are expected to be sufficient to cover working capital funding requirements and investments in non-current assets for the purposes the ordinary activities of Group companies, as well as the Company's residual commitments for the buyback of shares for the purposes of stimulating its management and employees of the Group. Nevertheless, the Company and Group subsidiaries continue to monitor and plan their financial resources on an ongoing basis, while maintaining their readiness for the timely negotiation or renegotiation of existing and new credit facilities, should such necessities arise.

As of the date of this report, the Company's MB has not been preauthorized to sign new credit agreements. Acknowledging this and although it remains interested in further acquisitions and other strategic initiatives, the Company's management does intend to proceed with or allow the undertaking of capital expenditures exceeding its available financial resources and the net cash flows expected from its ordinary activities before the approval and signing of new credit agreements or the procurement of other sources for their funding.

XII.13Assessment of the possibilities for realization of investment plans, available funds and possible changes in their funding structure

As of the date of this Report, the Group has planned on the substantial acceleration of purchases of equipment provided to clients under long-term managed service agreements by TBS EAD and TBS USA, which are however expected to remain within the ranges of 2% of consolidated revenues. In line with its established practices, TBS EAD intends to finance the above investments with own funds and/or finance lease contracts similar to those signed in previous periods, whenever such financing is deemed necessary and/or appropriate.

With regard to the Group's product development, the management expects a relative slowdown in capital expenditures on development activities in the field of IoT. As usual, these activities are expected to be assured predominantly with the internal resources available at TBS EAD.

The Group intends to maintain its policy of using vehicles predominantly under operating lease contracts without incurring capital expenditures on their acquisition. To the extent that vehicles may be purchased in exception to this policy, they should be effected on the basis of secured funding with special-purpose medium-term bank loans or finance leases.

Taking into account the continuing expansion and equipment of office areas, personnel growth and the need for replacement and modernization of legacy computer equipment at TBS EAD, the Company's management expects Group expenditures on the acquisition and formation of tangible and intangible non-current assets of a general nature in 2024 (including computing hardware, machinery, equipment and software for the general assurance of employees, the internal IT infrastructure and other common business needs) to come close to those recorded in 2023. It is expected that available funds and future cash generation will suffice to cover such capital expenditures without recourse to credit instruments for their financing.

Based on the financing procured with the Investment bank loan agreements with UniCredit Bulbak AD referred to in sections VI and VIII, the significant cash funds of the Group as of December 31 2-23 and the financial projections described in section VI of this Report, the management is confident that the capital expenditures on the acquisition of 100% of the shares in the capital of SedamIT d.o.o. can be covered with the sources already available to the Group.

The management's position on the potential further acquisitions of capital interests in other companies and their funding are described in sections VIII and XIII.12 of this Report.

XII.14Information about changes in the fundamental principles of governance of the Issuer and its economic group

On June 21 2023, the GMS approved the cancellation of the Company's commitment to distribute a certain part of the profit, removing art. 41, par. 3 of the Company's Articles of Association with the text: "The Company shall distribute as dividend no less than 50% (fifty per cent) of the distributable profit for the respective year/6-month period in accordance with the provisions of the present Articles and applicable law.”.

On 28.02.2023, the GMS adopted the following amendments to the Company's Articles of Association:

- Expanding the competences of the GMS by adding in art. 17 a new par. 13 with the text: “establishing, electing the composition, determining the remuneration and defining the functions and powers of the Investment Committee and the Compliance Committee in the Company”;
- Changing the qualified majority for the adoption of resolutions by the GMS from 2/3 to 85% plus one share of the represented capital, as well as the scope of decisions to which the above-mentioned majority is applied, by adopting an amended par. 2 of art. 23 with the text: “The decisions of the General meeting of Shareholders under Art. 17 items 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12 and 123, art. 14 and art. 37, par. 1 of this Articles of Association and 3 (termination only) shall be taken by a majority of 2/385% (eighty five percent) plus one share of presented capital.”;
- Changing the number of members of the SB from 3 to 7 to 5 members, adopting an amended par. 3 of art. 27 with the text: “The Supervisory Board shall consist of 5 (five) members elected by the General meeting of shareholders. The members of the Supervisory Board and their term of office and their remuneration shall be determined by a resolution of the General meeting of shareholders. Each member of the Supervisory Board may be recalled prior to the expiry of his or her term in office upon resolution of the General meeting of shareholders. The newly elected members of the Supervisory Board shall have a term of office equal to the remaining part of the term of office for which the other members of the Supervisory Board have been elected.”;
- Introducing regular holding of the meetings of the SB by adopting amended par. 1 of art. 28 with the text: “The Supervisory Board shall have regular meetings at least once every 3 (three) months.”;
- Providing for a qualified majority for the adoption of certain resolutions by the SB by adopting an amended par. 5 of art. 28 with the text: “Any decision of the Supervisory Board shall be adopted by a simple majority of votes unless these Articles of Association require another majority.”;
- Introducing a qualified majority of 4/5 of all votes for the adoption of decisions by the SB and expanding the scope of relevant decisions by adopting an amended composition of par. 2 of art. 29 with the text: “1. electing and recalling the members of the Managing Board and determining the remuneration of the Managing Board members and the Executive Directors; 2. approval of the consolidated three-year business plan and the consolidated annual budget of the Company and its subsidiaries, as well as material changes to them in the event of a reduction of the Company's consolidated EBITDA from the annual budget by more than 20% (twenty percent) for the latest two consecutive closed calendar quarters.”;
- Introducing a qualified majority of 4/5 of all votes for approving decisions of the MB and expanding the scope of relevant decisions by adopting an amended par. 3 of art. 29 with the text: “1. distribution of the functions of the Managing Board members, and the empowerment of a member/s of the Managing Board to represent the Company (executive director/s); 2. opening of branches and representative offices of the Company in the country and abroad; 3. acquisition, termination or other disposal of shares, other securities, stakes or interests in commercial companies in the country and abroad as well as in non-for-profit

organizations; 4. for carrying out the transactions under art. 236 of the Commercial act; 5. material change in the scope of business activity of the Company or its subsidiaries; 6. lending or borrowing loans by the Company or any of its subsidiaries to/from third parties (except for loans between the Company and any of its subsidiaries) which exceed 15% of the Company's consolidated total assets as of the end of the last completed calendar quarter; 7. entering into or amending material terms of convertible loan agreements, simple agreements for future equity, bonds or other investment instruments of the Company or its subsidiary; 8. any proposal to amend material aspect of the Articles of Association; 9. any proposal to the General Meeting to take a resolution with regard of any of the foregoing.";

- Introducing a qualified majority of 4/5 of all votes for approving certain categories of transactions by adopting an amended par. 4 of art. 29 with the text: "1. Entering into or amending of agreements for one or more transactions with a total value exceeding one million euros per year between the Company or its subsidiary and: (i) a shareholder holding directly or indirectly more than 25% (twenty-five percent) of the capital of the Company or (ii) a company in which a shareholder under item (i) owns more than 50% of the capital, except for subsidiaries of the Company and consortiums in which they participate; 2. entering into of an expenditure transaction by the Company or its subsidiary or a series of related expenditure transactions cumulatively exceeding 15% (fifteen percent) of the value of the expenditure in the approved and agreed consolidated budget, but not less than one million euros; 3. entering into by the Company or its subsidiary of a revenue transaction with a value exceeding 5 (five) million euros for a period of 12 months from the last transaction; 4. establishing of lien, lien or other encumbrance on assets of the Company or its subsidiary (shares, movable and immovable assets) to secure obligations of third parties (other than subsidiaries of the Company) that are not related to the activity of the company; 5. disposing (transfer or provision as collateral) of assets (shares in subsidiaries, fixed assets) of the Company or its subsidiary in the amount of more than 5% of the consolidated total assets of the Company at the end of the last completed calendar quarter.";
- Expanding the obligations of the MB to notify the SB by adding a new par. 5 of art. 32 with the text: "The Management Board shall notify the Supervisory Board of any transaction with an individual amount exceeding 100 (one hundred thousand) euros concluded between the Company or its subsidiary and: (i) a shareholder owning directly or indirectly more than 25% (twenty-five percent) of the capital of the Company (ii) a company in which a shareholder under item (i) owns more than 50% of the capital, excluding subsidiaries of the Company and consortia in which they participate.";
- Introducing a definition of a subsidiary by adding a new item 6 in art. 45 with the text: ""Subsidiary" is a company in which the Company directly or through another company owns more than 50% of its capital or exercises control within the meaning of the Public Offering Of Securities Act".

During the reporting period, there were no other changes in the fundamental principles of governance of the Company and the Group.

XII.15Information on the main characteristics of the Issuer's internal control and risk management systems with regard to the process of financial reporting

Respective information is provided in section 3 of the Declaration of corporate governance as per art. 100n, par. 8 of the POSA, which is a separate document published together with this Report.

XII.16Information about changes in the Company's governing bodies

On August 28 2023, the GMS changed the number of members of the SB from 3 to 5, released Ivo Evgeniev as member of the SB and elected Hans van Houwelingen, Boris Nemsic and William Anthony Bowater Russell as independent members of the SB and Lyubomir Minchev and Florian Huth – as members of the SB with a mandate of 4 years, effective from August 28 2023.

On September 19 2023, the SB elected Hans van Houwelingen as Chairmen of the SB and Florian Huth – as Vice-chairman of the SB.

On November 21 2023, the GMS released Lyubomir Minchev and Boris Nemsic as independent members of the SB and elected in place thereof Ivo Evgeniev and Wolfgang Ebberman.

On November 30 2023, Wolfgang Ebberman was elected as Chairman of the SB.

On December 15 2023, the SB released Gojko Martinovic as member of the MB and elected in place thereof Desislava Torozova. The new mandate of the MB is 3 years, effective from December 15 2023. The change was entered in the Trade register and register of non-profit legal entities on December 28 2023.

During the reporting period, there were no other changes in the composition of the Company's MB and SB.

XII.17Information about the amount of the remunerations, awards and benefits of each of the members of the governing bodies for the reporting year, paid by the Issuer, which is not a public company, respectively the person as per § 1d of the additional provisions of POSA, and its subsidiaries, regardless of whether they were included in the expenses of the issuer, which is not a public company, respectively the person as per § 1d of the additional provisions of POSA, or stemmed from profit distributions

In respect of TBSG AD's status of a public company, the information about the remunerations of the members of the governing and controlling bodies was provided in accordance with art. 100n, par. 4, item 5 of the POSA as a part of the Report on the implementation of the remuneration policy to the individual annual report of the Company published on April 01 2024.

XII.18 Shares of the Issuer held by members of the managing bodies, procurators and senior management

XII.18.1 Shares of the Issuer owned by members of its managing bodies

Number of shares held by members of the MB	Owned as of				Movements during the period				
	31.12.23	%*	31.12.22	%*	Acquired	Transfered	Membership	Change	%*
Ivan Zhtiyanov	137,084	1.10%	133,258	1.07%	3,826	0	-	3,826	0.03%
Teodor Dobrev	6,526	0.05%	4,996	0.04%	1,530	0	-	1,530	0.01%
Orlin Rusev	1,924	0.02%	284	0.00%	1,640	0	-	1,640	0.01%
Nikoleta Stanailova	4,882	0.04%	3,352	0.03%	1,530	0	-	1,530	0.01%
Desislava Torozova**	611	0.00%	-	-	-	-	611	611	0.00%
Gojko Martinovic***	-	-	1,034	0.01%	-	-	-1,034	-1,034	-0.01%
Total	**151,027**	**1.21%**	**142,924**	**1.14%**	**8,526**	**0**	**0**	**8,103**	**0.06%**

** % of the registered share capital*
*** not a member as of 31.12.2022*
**** not a member as of 31.12.2023*

As of December 31 2023, members of the MB as of the same date held a total of 151,027 shares representing 1.21% of the Company's registered capital.

During the reporting period, the persons having the status of members of the MB as of December 31 2023 acquired a total of 8,951 shares, including 425 shares acquired by Desislava Torozova in her capacity of employee prior to her election as a member of the MB. Excluding the latter, shares acquired in 2023 by members of the MB during their membership in the MB amounted to a total of 8,526 shares or 0.07% of the Company's capital. All of the above shares were acquired in accordance with a Plan for the long-term stimulation of employees with TBSG AD shares and a Schedule for providing remuneration based on Company shares to members of the MB from 2020.

None of the members of the MB sold or otherwise transferred any Company shares owned thereby in 2023.

Number of shares held by members of the SB	Owned as of				Movements during the period				
	31.12.23	%*	31.12.22	%*	Acquired	Transfered	Membership	Change	%*
Wolfgang Ebberman**	0	0.00%	-	-	-	-	0	0	0.00%
Florian Huth**	0	0.00%	-	-	-	-	0	0	0.00%
William Russell**	0	0.00%	-	-	-	-	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%
Boris Nemsic***	0	0.00%	0	0.00%	-	-	0	0	0.00%
Total	**900**	**0.01%**	**502,561**	**4.02%**	**0**	**-501,661**	**0**	**-501,661**	**-4.01%**

** % of the registered share capital*
*** not a member as of 31.12.2022*
**** not a member as of 31.12.2023*

As of December 31 2023, the members of the SB held a total of 900 shares representing 0.01% of the Company's registered capital.

During the reporting period, Ivo Evgeniev transferred by means of sale on the main market of the BSE all shares owned thereby in TBSG AD, amounting to 501,661 shares or 4.01% of the Company's capital.

Except for the above, no other persons having the status of members of the SB as of December 31 2022 and December 31 2023 held, acquired or transferred any Company shares during their membership in the SB in 2023.

As of the date of this Report, the Company has not issued and there are no members of the MB, SB and/or its top management holding options on shares in its capital or other securities issued thereby.

XII.18.2 Shares of the Issuer held by members of the managing bodies of its subsidiaries

As of December 31 2023, the following members of the managing and controlling bodies of subsidiaries of the Issuer, other than members of the Company's MB and SB, held shares in its capital:

- Iordanka Klenovska, member of the Board of Directors of TBS EAD, holding a stake of 1,893 shares or 0.02%;
- Ivo Rusev, member of the Board of Directors of TBS EAD, holding a stake of 1,877 shares or 0.02%;
- Bobi Cvetkovski, Manager of TBS Macedonia, Director of Comutel and Telelink Bosnia and Executive director of TBS Montenegro, holding a stake of 1,104 shares or 0.01%;
- Gojko Martinovic, Director of Telelink Slovenia, holding a stake of 1,034 shares or 0.01%.

As of the date of this Report, the Company has not issued and there are no members of the managing and controlling bodies and senior management of its subsidiaries hold any options on shares in its capital or other securities issued thereby.

XII.19 Agreements known to the Company as a result of which future changes may occur in the percentage of shares held by current shareholders

As of the date of this Report, the Company has no information about agreements, as a result of which future changes may occur in the percentage of shares held by current shareholders.

XII.20 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 December 31 2023 and the date of this Report, there are no pending court cases, administrative or arbitration proceedings to which the Company is party and/or concerning receivables or payables thereof equal or greater than 10% of its equity.

XII.21 Information about the Investor Relations Director

As of the date of this Report, the Company's Investor Relations Director is Ivan Daskalov, available at telephone number +359 2 9882413 and e-mail address IR-TBS@tbs.tech.

XII.22Non-financial Statement

As of 31 December 2023 and during the reporting period as a whole, neither the Company, nor the Group exceeded on a consolidated basis the criteria as per Article 19a and Article 29a of Directive 2014/95/EU of the European Parliament and of the Council and Article 41 of the Accountancy Act for an average number of 500 employees during the financial year. Therefore, no obligation arises for the Company and the Group as a whole to include a non-financial statement in the consolidated activity report.

XII.23Additional Information at the Company's Discretion

In the Company's estimation, there is no further information about the Group other than that included in this Report, the Declaration of Corporate Governance and the Consolidated Financial Statements, which has not been publicly disclosed and which would be of substantial importance to the adoption of reasonable investment decisions by the shareholders and potential investors in the Company.

April 29, 2024

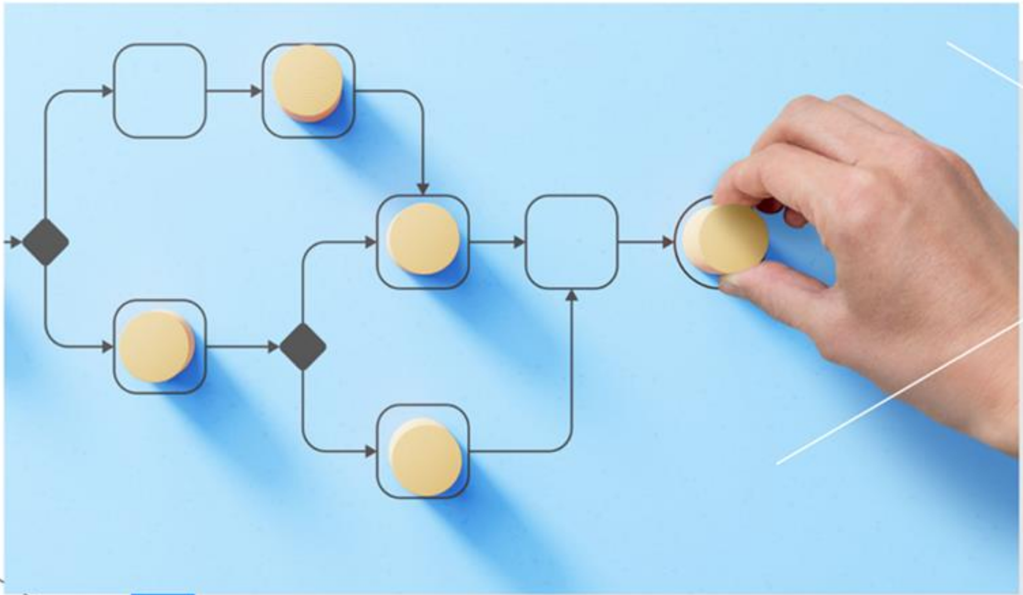
Sofia

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2024.05.09 16:17:09 +03'00'

Ivan Zhitiyanov, TELELINK BUSINESS SERVICES GROUP AD

Translation of the official consolidated corporate governance statement to the consolidated annual financial statements issued in Bulgarian.



CORPORATE GOVERNANCE STATEMENT

TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

OF TELELINK BUSINESS SERVICES GROUP AD

PURSUANT TO ARTICLE 100N, PARA. 8

OF THE PUBLIC OFFERING OF SECURITIES ACT

Information on the application of the
National Code of Corporate Governance

After its registration as a public company by a decision of the Financial Supervision Commission (FSC), dated 28th November 2019, **TELELINK BUSINESS SERVICES GROUP AD** performs its operations in compliance with the **National Corporate Governance Code** and conducts its business in accordance with the principles and provisions of the Code.

TELELINK BUSINESS SERVICES GROUP AD does not apply corporate governance practices in addition to the National Corporate Governance Code.

Implementation of the National Corporate Governance Code

Until 28th November 2019 TELELINK BUSINESS SERVICES GROUP AD did not have the status of a public company, therefore, its activities have been carried out in accordance with the provisions of the Commerce Act, the Accountancy Act, and the good corporate practices applicable to the industry in which it operates.

Since its listing as a public company, respectively since the admission of its shares to trading on a regulated market organized and maintained by the Bulgarian Stock Exchange AD, the activities of the Managing Board and the Supervisory Board of TELELELINK BUSINESS SERVICES GROUP AD have been carried out in compliance with the regulatory requirements, set forth in the Public Offering of Securities Act (POSA) and its implementing acts, in the Company's Articles of Association, as well as in the National Code of Corporate Governance.

The corporate management of TELELINK BUSINESS SERVICES GROUP AD has taken all necessary legal and factual actions in 2021 to fully implement all recommendations of the Code.

The corporate management of TELELINK BUSINESS SERVICES GROUP AD is aware that sustainable development is about achieving the balance between social and environmental principles, such as socially justifiable and environmentally sound economic development, and is therefore committed to establishing specific actions and policies regarding the sustainable development of the Company, including but not limited to the disclosure of information, related to social and environmental aspects of its operations.

As a technological company, TELELINK BUSINESS SERVICES GROUP AD strives to provide "purposeful technology" that makes production cleaner and infrastructure more energy efficient. In doing so, the Company supports its customers, as well as cities and countries, to achieve their individual sustainability goals to create a variety of benefits for employees, people and society as a whole.

Company's ongoing environmental efforts follow and implement the guidelines and requirements of the international standard ISO 14001:2015 Environmental Management Systems. Implementation Guide.

The corporate management of TELELINK BUSINESS SERVICES GROUP AD, in the performance of its functions, works to set sustainable development goals and a model for their achievement and reporting.
There are recommendations of the Code that are not applicable to TELELINK BUSINESS SERVICES GROUP AD due to the capital structure, the organisation of the business and the overall concept of corporate governance of the Company. The inapplicability of the recommendations is described in a statement with the reasons, substantiating the inapplicability.

The Code is applied on a **"comply or explain" basis.** This means that the Company complies with the Code and in the event of deviation, its management should clarify the reasons for this.

I. Corporate management

TELELINK BUSINESS SERVICES GROUP AD (hereinafter referred to as the "Company") is a company with a two-tier management system.
The Company is managed and represented by a Managing Board, under the control of a Supervisory Board.
As of the date of preparation of this document, members of the Managing Board are:

- Ivan Krasimirov Zhitiyanov – President and Executive Member of the Managing Board
- Teodor Dimitrov Dobrev – Member of the Managing Board
- Orlin Emilov Rusev – Member of the Managing Board
- Nikoleta Elenkova Stanailova – Member of the Managing Board (held this position until 05-04-2024, replaced by Yordanka Klenovska in accordance with the decision of the Supervisory board from 25.03.2024)
- Desislava Torozova - Member of the Managing Board (elected in this capacity replacing Gojko Martinovic in accordance of the Supervisory board from 15.12.2023)

As of the date of preparation of this document, members of the Supervisory Board are:

- Wolfgang Ebermann – chairman of the SB (elected in this capacity in replacement of Hans van Houwelingen in accordance with the decision of the SB from 30-11-2023 after his election as an independent member to replace Boris Nemsic by GMS resolution from November 21 2023);
- Florian Huth - vice-chairman of the SB (elected in this capacity in accordance with the decision of the SB from 18-09-2023 after his election as a member by GMS resolution from August 28 2023)
- Hans van Houwelingen – Independent member of the SB (re-elected in this capacity at an extraordinary general meeting held on 28.08.2023);
- William Anthony Bowater Russell – Independent Member of the SB (elected in this capacity at an extraordinary general meeting held on 28 August 2023)
- Ivo Evgeniev – member of the SB (elected in this capacity to replace Lyubomir Minchev at an extraordinary general meeting held on 21 November 2023).

Functions and duties of the Managing Board
The Managing Board manages the Company and is supervised by the Supervisory Board and exercises its rights and duties in accordance with the requirements of law, the Articles of Association and the Regulation of its proceedings. The Company's Managing Board makes decisions, as its exclusive competence, for:

1. Closure or transfer of enterprises or significant parts of them to subsidiaries of the Company;
2. Significant change in the activity of the Company;
3. Significant organizational changes;
4. Opening and closing branches and representative offices of the Company in the country and abroad;
5. Acquisition, cancellation or other disposal of shares, other securities, shares or share participation in commercial companies in the country and abroad, as well as in non-profit legal entities;
6. Formation of monetary funds and arranging the procedure for their raising and spending;
7. Execution of the transactions under Article 236 of the Commerce Act;
8. Acquisition and alienation of real estate properties and the related rights in rem;

9. Preparation, acceptance and signing prospectuses for public offering of securities issued by the Company;
10. Appointment and release of investment intermediaries to undertake and/or administer an issue of Company securities, designated for public offering;
11. Acceptance and presentation of the annual financial statements of the Company, the annual report on the activity and the report of the registered auditors to the Supervisory Board;
12. Acceptance of the annual consolidated financial statements of the Company;
13. Adoption of the annual budget and business plan of the Company and/or its subsidiary, as well as amendments to the annual budget and business plan;
14. Taking decisions for transactions or actions, which do not fall within the usual commercial activity of the Company, and transactions, which are not concluded under market conditions;
15. Taking bank loans;
16. Transfer of the rights to perform the expanded activity of the Company and the persons directly related to it to entity, which is not exclusively owned by the Company or to a person, directly related to the Company;
17. Any transfer, rental or establishment of a right of usufruct, rent, pledge, mortgage or other encumbrances on the property of the Company and the persons directly related to the Company;
18. Proposal to the General Meeting of Shareholders separation of particular spheres of activity of the Company and the persons directly related to it, so that one or more of these spheres of activity to be transferred to a Company or companies, which are not related to the Company, regardless the form of separation of the respective sphere of activity;
19. Concluding or amending management contracts with the executive director of the Company;
20. All other issues related to the Company's management, which are not within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board.

The Managing Board takes decisions if at least half of its members are present in person or are represented by another member of the Board. A member who presents may not represent more than one absent member. Decisions are taken by simple majority.
The Managing Board may take written resolutions if all members of the Board agree in writing to these decisions.
The Managing Board reports on its activities to the Supervisory Board at least once quarterly.

Election and dismissal of members of the Managing Board

The Supervisory Board elects and dismisses the members of the Managing Board in accordance with the law and the Company's Articles of Association, as well as in accordance with the principles of continuity and sustainability of the proceedings of the Managing Board.
In case of proposals for election of new members of the Managing Board, the principles of compliance of the competence of the candidates with the nature of the National Code of Corporate Governance in the activity of the Company are observed.
All members of the Managing Board should meet the legal requirements for holding their office. The functions and obligations of the corporate management, as well as its structure and competence, are in accordance with the requirements of the Code.
The contracts for assignment of management, concluded with the members of the Managing Board, determine their obligations and tasks, their duty of loyalty to the Company and the grounds for dismissal.

Structure and competences of the Managing Board

The number of members and the structure of the Managing Board are determined in the Company's Articles of Association. The Company's Managing Board consists of five members, which is an optimal number with a view to ensuring the effective operation of the Company.
The Managing Board is composed of professionals with various competencies, including those with financial and accounting expertise, legal, technical and technological, commercial and managerial, in order to ensure the professionalism, impartiality and independence of its decisions in relation to the management of the Company. The functions and duties of the corporate management, as well as its structure and competence, are in accordance with the requirements of the Code.
The Managing Board ensures the proper division of the tasks and responsibilities among its members in order to achieve efficiency of the activities of the Company, in accordance with the interests and rights of the shareholders.
The competences, rights and obligations of the members of the Managing Board follow the requirements of the laws, the by-laws and the standards of good professional and managerial practice. The members of the Managing board are obliged to keep themselves informed about new trends in corporate governance and sustainability.
Board members have the professional experience and knowledge of management, finance, commerce and technology required for their position.
Improving the qualification of the members of the Managing Board is their constant commitment, thus they attend various trainings, international exhibitions and seminars and trade fairs.
The members of the Managing Board should have the necessary time to perform their tasks and duties. The Articles of Association of the Company do not determine the number of companies in which the members of the Managing Board may hold managerial positions. This point shall be taken into account in the nomination and election of new members of the Managing Board.

Conflict of interests

The members of the Managing Board must avoid and not allow real or potential conflicts of interest.
The members of the Managing Board shall immediately disclose conflicts of interest, if applicable. In the event that such conflicts arise in respect of the members of the Managing Board of the public company, they undertake to disclose such conflict by submitting a declaration under Art. 114b of the POSA, including not to participate in the decision making on matters where such conflict is deemed to exist.
The Articles of Association of the Parent Company explicitly states that not later than at the time of opening the meeting, the member of the Managing Board shall notify the Chairman in writing that he/she or a person related to him/her has a conflict of interest in a matter on the agenda and shall not participate in the decision-making.
In 2020 the Managing Board has developed a procedure for avoiding conflicts of interests in transactions with stakeholders and disclosure of information, and the procedure had been followed during 2023 as well.

Functions and duties of the Supervisory Board

The Supervisory Board of the Company makes decisions, as its exclusive competence, on the following:

1. Election and dismissal of the members of the Managing Board and determination of the remuneration of the members of the Managing Board and the CEOs;
2. Approval of the consolidated three-year businesss plan and the consolidated annual budget of the Company and its subsidiaries as well as significant changes in them in the case of a decrease in

the consolidated EBITDA of the Company from the annual budget by more than 20% (twenty percent) for the last two completed calendar quarters

3. Approval of the following resolutions of the Managing Board:

3.1. Allocation of functions among the members of the Managing Board and authorization of members of the Managing Board to represent the Company;

3.2. Opening and closing branches and representative offices of the Company or its subsidiary in the country and abroad;

3.3. Acquisition, cancellation or other disposal of shares, other securities, shares or share interest in companies in the country and abroad, as well as in non-profit legal entities:

3.4. Carrying out the transactions under Art. 236 of the Commerce Act;

3.5. A significant change in the business activities of the Company or its subsidiaries;

3.6. Granting or receiving loans by the Company or its subsidiary to/from third parties (excluding loans between the Company and its subsidiary) which exceed 15% of the consolidated total assets of the Company at the end of the last completed calendar quarter;

3.7. The Company or any of its subsidiaries entering into convertible loan agreements, simple agreements for future equity bonds or other investment instruments or amending any significant terms thereof;

3.8. any proposal to significantly amendment the Articles of Association;

3.9. a proposal to the General Meeting for a resolution on each of the above matters;

4. The Supervisory Board approved by a qualified majority of 4/5 (four-fifths) of all votes the conclusion of the following transactions, except where the General meeting is required by law to be authorised for the transaction;

4.1. concluding or amending agreements for one or more transactions with a total value exceeding one million euros per year between the Company or its subsidiary (i) a shareholder holding directly or indirectly more than 25% (twenty-five percent) of the capital of the Company (ii) a company in which a shareholder referred to in item (i) holds more than 50% of the capital, excluding subsidiaries of the Company and consortiums in which they participate;

4.2.conclusion by the Company or its subsidiary of an expenditure transaction or a series of related expenditure transactions cumulatively exceeding 15% (fifteen percent) of the value of the expenditure in the approved and agreed consolidated budget but not less than one million euros;

4.3. conclusion by the Company or its subsidiary of a revenue transaction with a value exceeding 5 (five) million EUR in a period of 12 months since the last transaction;

4.4. establishing a right of lien, mortgage or other encumbrance on assets of the Company or its subsidiary (shares, movable, and immovable assets) to secure obligations of third parties (other than subsidiaries of the Company) that are not related to the Company's business;

4.5. disposal (transfer or provisions as security) of assets (shares in subsidiaries, fixed assets) of the Company or its subsidiary in excess of 5% of the consolidated total assets of the Company as at the end of the last completed calendar quarter;

4.6. approve the Rules of Procedure of the Management Board and any proposed amendments or additions to the them;

4.7. shall have the right at any time to request the Board of Directors to submit information, reports or draft resolutions on any matter affecting the Company.

The Supervisory Board has the right to check all documents, books and reports concerning the activities of the Company and to request written and oral information on all matters from all members of the Managing Board and from all employees of the Company.
The Supervisory Board meets at least once quarterly. The meetings are convened by the President of the Supervisory Board on his/her initiative or at the request of a member of the Supervisory Board or at the request of a member of the Managing Board, made through the President of the Managing Board.
The Supervisory Board takes resolutions if at least half of its members are present in person or are represented by another member of the Board. A member, attending the session, may not represent more than one absent member. The resolutions are taken by simple majority.
The Supervisory Board may take written resolutions if all members of the Board agree to these resolutions. in writing

Election and dismissal of members of the Supervisory Board

The members of the Supervisory Board are elected and dismissed by the members of the General Meeting of Shareholders in accordance with the law and the Company's Articles of Association, as well as in accordance with the principles of continuity and sustainability of the proceedings of the Supervisory Board.
When considering proposals for election of new members of the Supervisory Board, the principles of compliance of the competence of the candidates are observed, as required by the National Code of Corporate Governance, implemented in the activity of the Company.
All members of the Supervisory Board should meet the legal requirements for filling their positions. The functions and obligations of the corporate management, as well as its structure and competence, are in accordance with the requirements of the Code.
The contracts for assignment of the management, concluded with the members of the Supervisory Board, determine their obligations and tasks, their duty of loyalty to the Company and the grounds for dismissal.

Structure and competences of the Supervisory Board

The number of members and the structure of the Supervisory Board is determined in the Company's Articles of Association. The Company's Supervisory Board consists of five members, which is an optimal number with a view to exercising effective control over the Company's activities.
The composition of the Supervisory Board is structured in a way that guarantees the professionalism, impartiality and independence of its resolutions. The functions and obligations of the corporate management, as well as its structure and competences, are in accordance with the requirements of the Code.

The competences, rights and obligations of the members of the Supervisory Board follow the requirements of the laws, the by-laws and the standards of good professional and managerial practice, whereas the members are obliged to follow the new trends in corporate governance and sustainability.
The members of the Supervisory Board shall have the appropriate knowledge and experience, required for the position they hold. They include professionals with more than 20 years of experience in investment and finance, high technology, and telecommunications.
Improving the qualification of the members of the Supervisory Board is their constant commitment.
The members of the Supervisory Board should have the necessary time to perform their tasks and duties. The Company's Articles of Association do not determine the number of companies in which the members of the Supervisory Board may hold managerial positions. This point shall be observed in the nomination and election of new members of the Supervisory Board.
The election of the members of the Supervisory Board of the Company is done through a transparent procedure that provides, among others, timely and sufficient information about the personal and professional qualities of the candidates for members. As a part of the documents for the General Meeting, at which the election of a new member of the Supervisory Board is proposed, all declarations required by the POSA and the Commerce Act, a criminal record certificate and a professional CV of the candidate for the position have to be submitted.
Upon election of members of the Supervisory Board, the candidates confirm, by a declaration or in person, to the shareholders the accuracy of the submitted data and information. The election procedure is conducted by open voting and taking into account the votes "For", "Against" and "Abstentions". The results of the voting are announced through the minutes of the General Meeting of Shareholders.

Conflict of interests

The members of the Supervisory Board must avoid and not allow real or potential conflicts of interest.
The members of the Supervisory Board will immediately disclose conflicts of interest and provide access to information on transactions between the Company and members of the Supervisory Board or persons related to it by submitting the declaration under Art. 114b of the POSA.
The Company's Articles of Association explicitly provide that not later than at opening the meeting, the member of the Supervisory Board is obliged to notify in writing its chairperson that he/she or a related person has a conflict of interests on an issue included in the agenda and shall not participate in the decision-making.

Remuneration of the members of the Supervisory and Managing Boards

The remuneration of the members of the Managing and Supervisory Boards of Telelink Business Services Group AD is determined by the general meeting of the shareholders and is paid in accordance with the remuneration policy, adopted by the shareholders.
The remuneration policy for the members of the Supervisory and Managing Board of TELELINK BUSINESS SERVICES GROUP AD was adopted by a decision of the Supervisory Board of the Company on 3rd August 2020 and was approved by the first annual General Meeting of the Company's shareholders held on 10th September 2020.
The policy has entered into force on the date of its approval by the General Meeting of Shareholders of the Company. Since its adoption, up to the date of this document, there have been two amendments and additions to the adopted policy, developed by the members of the Supervisory Board and adopted by resolutions of the General Meeting of Shareholders, held on 10th December 2020 and 14th September 2021, respectively.
The Company has allocated and paid remuneration in accordance with the remuneration policy adopted by the General Meeting.

Information on the principles for the formation of the remuneration of the members of the Managing Board and Supervisory Board of the Company, as well as on their amount, is disclosed in a report on the application of the remuneration policy for the members of the Supervisory Board and Managing Board, prepared in accordance with the requirements of Article 12 of Regulation No. 48 of the FSC of 20th March 2013 on the requirements for remuneration. In accordance with the requirements of the Ordinance, the report on the implementation of the remuneration policy is included in the written materials for the annual general meeting and the shareholders are given the opportunity to make recommendations on the content and presentation of the information in the report. The shareholders are given easy access to information on the remuneration, paid to the members of the Supervisory Board and the Managing Board of Telelink Business Services Group AD via the Company's website, where the report on the implementation of the remuneration policy is published annually, once it has been adopted by the shareholders' general meeting.

Managing boards of subsidiaries

The managing boards of the subsidiaries are appointed and dismissed by the management of Telelink Business Services Group AD in compliance with the rules for avoiding conflicts of interest in cases where a member of the Managing board of the controlling company has an interest in a particular decision.

The managing boards of the subsidiaries are entitled to carry out all actions and transactions that are related to the company's business. With regard to transactions for the conclusion of which, according to the companies' articles of association, a resolution of another body such as the board of directors, the supervisory board and/or the sole owner is required, the transactions shall be concluded after the approval of the relevant resolution. Examples of such transactions are:

- issuing bonds or other debt securities;
- any sale, assignment or transfer of the business of the company or the going concern or any part thereof;
- establishment of branches and representative offices of the company - in the country and abroad;
- entering into a contract or transaction on non-market terms, including, but not limited to, any transaction with related party;
- acquisition and termination of interests in other companies in the country and abroad, as well as in non-profit legal entities;
- establishment or modification of profit sharing, stock option or other bonus schemes for the Company's employees;
- any capital expenditure or disposal of assets not approved in the annual budget and exceeding a certain amount;
- taking out any bank loans or borrowings, including leases;
- acquisition or transfer of immovable property, encumbrances on immovable property;

Conflict of interest with respect to the Management of the subsidiaries

The members of the managing boards of the subsidiaries must avoid and not allow real or potential conflicts of interest.

The members of the management bodies of the Group companies shall promptly disclose potential or actual conflicts of interest, if any, and the subsidiaries shall notify their controlling company, Telelink Business Services Group AD, of such conflicts in writing.

In 2020 the Managing Board has developed a procedure for avoiding conflicts of interest in transactions with interested parties and disclosures, which procedure had also been applied in 2023. Pursuant to the developed procedure and best practices, the Managing Board approves transactions of its subsidiaries in cases where the latter are party to transactions resulting in the acquisition, transfer, and provision for use or as collateral of their assets of high value and where counterparties to the transactions are interested parties.

Remuneration of the members of the managing boards of subsidiaries

The remuneration of the members of the management bodies of the subsidiaries is determined based on objective criteria in determining the remuneration of the management of the subsidiaries, with a view to attracting and retaining qualified and loyal members of the managing boards and motivating them to work in the best interests of the company they manage and the Group as a whole.

II. Description of the internal control and risk management system of TELELINK BUSINESS SERVICES GROUP AD (TBSG) and the Group in connection with the financial reporting process.

The Company has an Audit Committee, elected by the General Meeting of Shareholders. The procedures for election of members of the Audit Committee, the manner of its functioning, reporting and tenure, are described in the Audit Committee Statute as of 10th September 2020.

At the AGM held on 28.08.2023, Yordanka Klenovska, Anelia Angelova-Tumbeva and Todor Stefanov were elected as members of the Audit Committee for a three-year term of office starting from the date of expiry of the term of office of the previous Audit Committee, namely 10.09.2023.

The Group Companies have established and operate a system for internal control and risk management, which provides the companies with a holistic management approach, applying preventive (risk assessment and treatment), control (internal control) and corrective actions (internal audit) that provide a mechanism for continuous improvement of the processes in the companies and ensure the effective functioning of the reporting and disclosure systems.

Description of the main characteristics of the internal control and risk management systems has considered that the POSA and the National Corporate Governance Code do not define an internal control framework, that public companies in Bulgaria should follow. Therefore, for the purpose of fulfilling the Company's obligations under Article 100n (8)(4) of the POSA, the description of the main features of the systems is based on the frameworks of:

- International Standard on Auditing standard 315
- International Standard ISO 31000:2018 Risk management – Principles and Guidelines
- International Standard ISO 31010:2019 Risk management — Risk assessment techniques

The Management observes the following basic principles in establishing, managing, and maintaining the internal control and risk management system:

- Provision of a basis for informed decision making
- Ensured feasibility and applicability to the Company's operations
- Ensured integrity of the Company's processes
- Taking into account the human, cultural and organisational factors
- Competence: the Company's Board and those involved in the internal control and risk management process, have the necessary knowledge and skills.
- Contribution to the continuous improvement of the Company's processes
- Contribution to the achievement of the Company's objectives

Internal control

The **purpose of the internal control** in the Company and the Group is to monitor the functioning of the processes, the implementation of the adopted rules, compliance with the applicable legislation and standards, identification of audit processes / areas, as well as risk indicators monitoring. The internal financial reporting control system is based on the previous experience of the Management, studies of good reporting and control practices, and compliance with legal requirements, as to ensure the effective functioning of reporting systems and disclosure of information. It is in a constant process of monitoring and continuous improvement.

Internal control is conducted continuously and provides the Company's Managing Board with data to make informed decisions regarding the operation of processes, risks and opportunities management, improvement of controls and operations, and reliable information regarding compliance with the applicable laws and standards.

Internal control is exercised over all activities, whether financial or not.

The internal control is implemented through continuous monitoring of indicators embedded in the Company's operational and management processes without interfering Company's operations.

The Management of the Companies in the Group is responsible for the preparation of the annual financial statements, which give a true and fair view of the financial condition of each enterprise, in accordance with the applicable accounting policy.

Management's responsibility also includes implementation of an internal control system to prevent, detect and correct errors and misstatements, resulting from actions of the accounting system, based on the following main principles:

- Observance of the accounting policy, completeness and correctness of the accounting information disclosed in the financial statements;
- Recording of all operations in accordance with the laws and regulations;
- Timely recording of operations and events, with their exact amount, during the preparation of financial statements;
- Observance of the precautionary principle in the valuation of assets, liabilities, income and expenses; detection and cessation of fraud and errors;
- Preparation of reliable financial information;
- Adherence to international financial reporting standards and compliance with the "going concern" principle.

Risk Management

The purpose of the Risk Management is to create a mechanism for making informed and consistent decisions by the Management of the companies in the TBSG Group in order to achieve sustainable business development.

In order to achieve maximum efficiency, the risk management process is an integral part of the activities of the companies in the Group, built as a structured approach according to the internal and external context of the organization and consistent with the dynamic changes that may occur in this context. Historical and current information, future forecasting, and the influence that the human factor can have, are used to carry out this process.

Telelink Business Services Group constantly monitors and adapts the risk management approach to ensure continuous improvement.

A detailed description of the risks, specific to the activity of TELELINK BUSINESS SERVICES GROUP AD, is presented in the section MAIN RISKS FACING THE COMPANY of the activity report.

Information system and related business processes, essential for financial reporting and communication

The Group has an information system, essential for the purposes of financial reporting, corporate governance and communication; it is an integrated set of systems, platforms and procedures, that are used to:

- initiate, record, process, and report transactions and operations of the Company (as well as events and conditions) and maintain accounting for related assets, liabilities and equity;
- solve problems with incorrect processing of transactions and operations;
- transfer information from deal and transaction processing systems to the general ledger;
- cover information that is essential for the financial reporting of events and conditions other than transactions and operations.

The experts from the accounting teams, working with the Information System of the Companies and performing the related business processes, have the necessary competence and clearly understand the individual roles and responsibilities related to the internal control - their own and those of the management staff, and understand how their activities in the information financial reporting system are related to the work of others and the means to report exceptions to the Corporate Management. Open communication channels help to ensure that exceptions are reported and acted upon.

Ongoing monitoring of controls

Ongoing monitoring of controls is a process for assessing the effectiveness of the results of the functioning of internal control over the time. It includes timely assessment of the effectiveness of controls and taking the necessary remedial actions. Corporate Management performs ongoing monitoring of controls through ongoing activities, separate assessments, or a combination of both. Ongoing monitoring activities are often embedded in the companies' normal recurring activities and include regular management and supervisory activities.

III. Protection of TBSG shareholders' rights

The Corporate Management guarantees equal treatment of all shareholders, including minority and foreign shareholders, protects their rights, as well as facilitates their exercise within the limits allowed by the current legislation and in accordance with the provisions of the Company's bylaws.
The invitation for the General Meeting contains the information required under the Commerce Act and the POSA, as well as additional information regarding the exercise of the right to vote and the possibility new items to be added to the agenda under Art. 223a of the Commerce Act.
The corporate management keeps all current and prospective investors informed by publishing on the Company's website, as well as on the Company's chosen news agency for providing regulated information (X3 News), information on the Company's financial results, as well as on upcoming corporate events (such as holding a general meeting, dividend distribution, etc.).

General Meeting of the shareholders

All shareholders are informed about the rules according to which the General Meetings of the shareholders are convened and held, including the voting procedures, through the Company's Articles of Association, as well as through an invitation for each specific General Meeting of the shareholders.
The Corporate Management provides sufficient and timely information on the date and place of the General Meeting, as well as complete information on the issues to be discussed and resolved at the meeting.

The invitation and the materials for the General Meeting of the shareholders are announced through the media agency Extra News and reach the public, the Financial Supervision Commission, and the regulated securities market. In order to facilitate the exercise of rights by cross-border shareholders, the Company provides the Central Depository with notifications of upcoming corporate events. After presenting the invitation and the materials for the General Meeting of shareholders, they are available on the Company's website.

Shareholders with voting rights can exercise their voting rights at the General Meeting of the Company in person or through representatives and by mail.
As a part of the materials for the General Meeting of shareholders, the Managing Board provides a Sample Power of Attorney, Rules for voting by proxy and the Mail voting rules.

The Managing Board exercises effective control by creating the necessary organization for the mail voting or the voting of the authorized persons in accordance with the instructions of the shareholders and in the ways permitted by law. By order of the CEO, the members of the Mandate Commission, who register the shareholders for each specific General Meeting are determined. The management of the General Assembly strictly monitors the lawful conduct of the General Assembly, including the manner of voting of the authorized persons. When ascertaining differences in the will of the authoriser and the vote of the authorized person, this circumstance is entered in the minutes and the will of the principal is taken into account accordingly.

The Managing Board organizes the procedures and the order for holding the General Meeting of shareholders in a way that does not complicate or increase the cost of voting unnecessarily.
In order to facilitate the exercise of the right to vote of shareholders, the Company's Articles of Association introduced an additional method for exercising the right to vote by mail.

In addition, the Company provides its shareholders who cannot attend the general meeting in person, nor exercise their voting rights by mail or proxy, with the opportunity to observe the meeting in real time without being able to exercise their voting rights. The purpose is to ensure that information on the resolutions taken by the shareholders, as well as management's answers to questions raised during the meeting about the Company's financial situation, reaches all persons who have acquired shares of Telelink Business Services Group AD.

Materials for the General Meeting of shareholders

The texts in the written materials related to the agenda of the General Meeting are specific and clear and do not mislead the shareholders. They are available to the shareholders from the day of the announcement of the invitation for its convening in the Commercial Register and register of non-profit legal entities and are published on the website of the Company. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the profit distribution proposal.
The Managing Board, according to the current legislation, assists the shareholders entitled to include additional issues and to propose resolutions on issues already included in the agenda of the General Meeting, performing all necessary legal and factual actions to disclose the additional issues on the agenda of an already convened General Meeting.
The Managing Board guarantees the right of the shareholders to be informed about the resolutions taken by the General Meeting of shareholders by announcing the Minutes of the General Meeting of shareholders through the selected media agency.

Equal treatment of shareholders of one class

According to the Company’s Articles of Association and the internal acts of the Company, all shareholders of one class are treated equally, and all shares within one class give equal rights to the shareholders of the same class.
The Managing Director ensures the provision of sufficient information to the investors about the rights granted by all shares of each class before their acquisition through the information published on the Company's website, as well as by conducting conversations and personal meetings with the Management and/or the Investor Relations Manager.

Consultations among shareholders on basic shareholder rights

The Managing Board does not prevent shareholders, including institutional ones, from consulting each other on matters relating to their fundamental shareholder rights in a manner that prevents abuse.

Shareholder' transactions with controlling rights and abusive transactions

The Managing Board does not allow transactions with shareholders with controlling rights, which violate the rights and/or legitimate interests of other shareholders, including under the terms of negotiating with yourself. Upon carrying out such type of transactions, an explicit decision of the Managing Board is required, as the interested parties are excluded from the voting. In case of indications for exceeding the statutory thresholds under Art. 114, para. 1 of the POSA, the Managing Board prepares a reasoned report and initiates the convening and holding of a General Meeting of shareholders, at which the transactions to be put to the vote.

IV. Disclosure of information by TBSG

The Managing Board of TBSG has developed Rules for disclosure of inside information regarding insiders for Telelink Business Services Group AD, effective since 26th May 2020 and implemented in all companies in the Group. On the basis of these rules, the Managing Board of Telelink Business Services Group AD requires prior information from the management bodies of its subsidiaries for upcoming high-value transactions and when interested parties are involved.
The document has been developed in accordance with legal requirements and the Company's Articles of association. In accordance with the adopted rules, the Corporate Management has created and maintains a system for disclosure of information.
As at the date of this document, the requirement of disclosure of non-financial information is not applicable to Telelink Business Services Group AD.
The information disclosure system ensures equality of the addressees of the information (shareholders, stakeholders, investment community) and does not allow misuse of inside information.
The inside information is disclosed in the legally established forms, order and terms through the selected media agency. The Company uses a single point for disclosure of information electronically, thus the information reaches both the public and the Financial Supervision Commission and the regulated securities market in an unadjusted form. Information in unadjusted form and in the same volume is also published on the Company's website. In this way, the Company ensures that the information disclosure system provides complete, timely, accurate and understandable information that allows for objective and informed decision-making and assessments.
The Executive Management promptly discloses the capital structure of the Company and agreements that lead to control according to its disclosure rules.

The Managing Board ensures that the rules and procedures under which the acquisition of controls and extraordinary transactions, such as conversions and the sale of significant parts of assets, are carried out, are clearly and promptly disclosed.
The Managing Board approves and controls the process of preparation of the annual and interim reports, as well as the interim financial notifications, and the procedure for disclosure of information.
The Company maintains a website with approved content, scope and periodicity of the information disclosed through it. The content of the Company's website fully covers the recommendations of the National Corporate Governance Code.
The Company regularly discloses information about corporate governance.
The Managing Board believes that its activities in 2023 have created the conditions for sufficient transparency in its relations with investors, financial media and capital market analysts.
In 2023 the Company has disclosed any regulated information within the deadlines and in accordance with the procedure, provided for in the Public Offering of Securities Act and the regulations on its implementation.

V. Stakeholders

The Company has developed a policy towards stakeholders, which defines stakeholders and establishes the principles of effective interaction with them in accordance with legal requirements and in compliance with the principles of transparency, accountability and business ethics, adopted by the Company's Supervisory Board at a meeting held on 11.03.2023.

TELELINK BUSINESS SERVICES GROUP AD regularly communicates to the stakeholders both financial and non-financial information in connection with the corporate policy, adopted by the Managing Board.

VI. Information pursuant to Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (Information referred to in Article 10 (1) (c), (d), (f), (h) and (i).

6.1. Information referred to in Article 10 (1) (c) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.
As of 31stDecember2023, the shareholders holding 5 per cent or more of the capital and the voting rights in the General Meeting of the Company are:

- Lyubomir Minchev directly holding 6 263 624 shares with a nominal value of BGN 1 each, representing 50.11 % of the total equity of the Company;
- SEET Investment Holdings SARL (Luxembourg) with a stake of 2 872 380 shares or 22.98%
- UTILICO EMERGING MARKETS TRUST PLC directly holding 1 733 837 with a nominal value of BGN 1 each, representing 13.87% of the total equity of the Company.

Information on persons who reached, exceeded, or fell below one of the following limits of 10%, 20%, 1/3, 50% and 2/3 in 2021:

During the reporting period, the entity that exceeded the threshold of 20% of the share capital of Telelink Business Services Group AD is SEET INVESTMENT HOLDINGS SARL (Luxembourg). The changes in the shareholding of the above entity during the period include the sale of 2,108,054 shares by Lyubomir Minchev and the acquisition by SEET INVESTMENT HOLDINGS SARL (Luxembourg) of 2,872,380 shares in the capital of the Company.

6.2. Information referred to in Article 10 (1) (d) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – holders of all securities with special control rights and a description of those rights.

TELELINK BUSINESS SERVICES GROUP AD has no shareholders with special control rights.

6.3. Information referred to in Article 10 (1) (f) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – any restrictions on voting rights, such as restrictions on voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems by which, in cooperation with the Company, the financial rights granted to the securities are separated from the holding of the securities.

There are no restrictions on the voting rights of the shareholders of TELELINK BUSINESS SERVICES GROUP AD.

6.4. Information referred to in Article 10 (1) (h) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – the rules governing the appointment or replacement of members of the Board and making amendments to the Articles of Association.

According to the provisions of Art. 17, item 4 of the Articles of Association of TELELINK BUSINESS SERVICES GROUP AD, the General Meeting of shareholders determines the number, elects, and dismisses the members of the Supervisory Board and determines their remuneration.

According to the provisions of Art. 29, para. 2 of the Articles of Association of "TELELINK BUSINESS SERVICES" GROUP AD, the Supervisory Board determines the number, elects, and dismisses the members of the Managing Board.

The General Meeting of shareholders, respectively the Supervisory Board, may at any time decide to make changes in the number and composition of the Supervisory Board, respectively the Managing Board, and the members of the Boards may be re-elected without restriction. A member of the Supervisory and Managing Board may be any capable natural person or legal entity that meets the requirements of the law and has the necessary professional qualifications in respect to the activities of the Company.

According to the provision of Art. 17, item 1 of the Articles of Association of TELELINK BUSINESS SERVICES GROUP AD, the General Meeting of shareholders is the body that may amend and supplement the Articles of Association of "TELELINK BUSINESS SERVICES GROUP" AD.

6.5. Information referred to in Article 10 (1) (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – powers of members of the Board, in particular the right to issue or buy back shares.

The Managing Board cannot make decisions for issuance or buyback of shares of the Company. These decisions are within the powers of the General Meeting of shareholders.

In 2020 and 2021, 2022 and 2023, the Managing Board was authorized to repurchase shares under certain conditions and terms, according to decisions of the General Meeting of shareholders held on 30th June 2020 and 10th December 2020 and 21st June 2021.

VII. Description of the diversity policy applied to the Administrative, Management and Supervisory Bodies of TELELINK BUSINESS SERVICES GROUP AD and its subsidiaries.

TELELINK BUSINESS SERVICES GROUP AD and its subsidiaries are committed to maintaining compliance with the highest ethical and legal standards in the field of human rights, labour rights, environmental protection and the fight against corruption.

A number of internal documents have been developed that can be classified as a diversity policy with regard to Managing and Supervisory Bodies in relation to aspects such as age, gender or education and professional experience.

Such internal documents are:

- Code of Ethics and Professional Conduct of TELELINK BUSINESS SERVICES GROUP AD that aims to establish the moral and ethical norms, principles, and standards of conduct of employees in accordance with corporate principles such as legality, professionalism, confidentiality, teamwork, responsibility and accountability, mutual respect, respect of personal dignity and knowledge exchange.

- General personal data processing policy.

Each of the above documents, individually and collectively, builds the diversity policy of the Managing and Supervisory Boards in relation to aspects such as age, gender or education and professional experience. The Group companies apply a balanced policy to nominating members of the corporate management who have education and qualifications that correspond to the nature of the Company's work, its long-term goals and business plan.

The internal acts of the companies in the Group encourage maintenance gender balance at all management levels.

The Companies do not discriminate the members of the corporate management and administrative bodies based on age or gender.

The Companies prohibit and shall not in any way discriminate directly or indirectly on the basis of race, nationality, ethnicity, human genome, citizenship, sex, ancestry, religion, education, age, disability, HIV/AIDS status, political affiliation, beliefs, personal and social status, trade union membership, sexual orientation, marital status, property status or any other special characteristic established by law or international treaty and shall comply with all applicable employment laws against discrimination.

The prohibition of direct or indirect discrimination applies to all activities of the companies and is consciously applied in the recruitment of personnel, including in relation to employee’s participation in the administrative, management or supervisory bodies of the Group companies, as well as in relation to the working conditions and remuneration of the employees.

In the Group Companies, any manifestation of discriminatory behaviour by the Companies' employees towards other persons is expressly prohibited, as is inducement to discrimination or the carrying out of harassment on this basis. Any report or complaint of discrimination or harassment is subject to investigation and verification.

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2024.05.09 16:16:23 +03'00'

Date issued:
April 29 2024

Ivan Zhitiyanov,
TELELINK BUSINESS SERVICES GROUP AD

Telelink Business Services Group AD

DECLARATION

In accordance with Article 100n, paragraph 4, item 4 of Public Offering of Securities Act

The undersigned,

Ivan Krasimirov Zhitiyanov, in my capacity as Executive Director of TELELINK BUSINESS SERVICES GROUP AD,

Jordanka Lyubchova Klenovska, in my capacity as Financial Director and preparer of the annual consolidated financial statements of TELELINK BUSINESS SERVICES GROUP AD for the year 2023,

hereby DECLARE that to the best of our knowledge,

1. The Annual consolidate financial statements as of 31st of December 2023, prepared in accordance with the applicable accounting standards, present correctly and fairly the information regarding the assets and liabilities, the financial position and profit of TELELINK BUSINESS SERVICES GROUP AD.

and

2. The Annual consolidated management report as of 31st of December 2023 includes a fair review of the development and performance of TELELINK BUSINESS SERVICES GROUP AD, as well as the state of the Group together with a description of major risks and uncertainties faced thereby.

29 April 2024

Sofia

IVAN KRASIMIROV ZHITIYANOV

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Date: 2024.05.09 16:15:38 +03'00'

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Ivan Krasimirov Zhitiyanov

Executive Director

YORDANKA LYUBCHOVA KLENOVSKA

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Date: 2024.05.09 16:27:13 +03'00'

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Jordanka Lyubchova Klenovska

Financial Director