EXPLANATORY NOTES

BY "TELELINK BUSINESS SERVICES GROUP" AD

as of the end of the FIRST QUARTER OF 2024 as per art. 100o[1], par. 2, with regard to art. 100o[1] , par. 4, p. 2 and par. 5 of the POSA and art.15, with regard to art. 14 of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission of securities to trading on a regulated market (Ordinance 2)

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Business profile

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

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

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

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

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

As of March 31 2024, the products and services offered by the Group cover a broad range of technologies organized in 5 product categories – IT Infrastructure, Digital Transformation, Cybersecurity, End User Hardware and Software and Internet of Things.

The correspondence of the above product categories with the technology groups applied in the Group's reporting as of the end of 2023 (Service Provider Solutions, Enterprise Connectivity, Private Cloud, Public Cloud, Modern Workplace, Computers and Peripherals, Application Services, Hyperautomation, Information Security and Internet of Things) is established in section V.1.1.1 of this Notification.

I.2 Share capital and ownership structure

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

As of March 31 2024, 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 and transfers for the purposes of incentive programs for the employees and the MB (including 1,516 shares transferred to a former member of the MB in the ended quarter in accordance with an incentive plan from 2020), as of March 31 2024, the Company held 562 own shares representing 0.004% of its registered capital.

I.3 Governance

The Company has a two-tier board system.

As of March 31 2024, 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;
- Iordanka Klenovska – member of the MB (elected in this capacity in place of Nikoleta Stanailova by resolution of the SB from March 25 2024);
- Desislava Torozova – member of the MB.

As of March 31 2024, the Company's Supervisory Board (the SB) features three members, including:

- Wolfgang Ebberman – Chairman of the SB;
- Florian Huth – Vice-chairman of the SB;
- Hans van Houwelingen – independent member of the SB;
- William Anthony Bowater Russell – independent member of the SB;
- Ivo Evgeniev – member of the SB.

I.4 Public Information

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

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

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

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

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

II INVESTMENT PORTFOLIO

Subsidiary	Country of incorporation and management	Capital share held by TBS Group
(direct)		
Telelink Business Services EAD	Bulgaria	100%
Comutel DOO	Serbia	100%
Telelink Business Services Montenegro DOO	Montenegro	100%
Telelink DOO	Bosnia and Herzegovina	100%
Telelink DOO	Slovenia	100%
Telelink Business Services DOO	Croatia	100%
Sedam IT 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 March 31 2024, the Company held shares in 12 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;
- Sedam IT DOO (Croatia) (“7IT”), acquired by the Company by means of a share purchase in March 2024.

As of March 31 2024, 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 March 31 2024, all direct subsidiaries had active commercial operations.

As of March 31 2024, the indirectly owned Telelink BS Staffing EOOD, established with a view to potential cooperation with a leading financial advisory firm, was yet to deploy material business activities, while joint venture Green Border EOOD has exhausted its purpose with the completion of the project it was established for and is not expected to have a material impact on the Group’s future results and financial position.

III IMPORTANT EVENTS DURING THE REPORTING PERIOD

On January 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 г. 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 the 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 precedent, which had to be fulfilled within a mutually 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 is to be paid to the seller in stages including an initial and subsequent payments, all of which, as of the date of signing the Agreement, were yet 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 the 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 as authorized representative of TBS USA with Teodor Dobrev.

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 01 2024, a resolution was adopted to replace Harald Ehrl as authorized representative of TBS Germany with Vesela Lukarska.

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 March 31 2024, the MB was in the process of preparing a proposal to the SB, but neither the MB, nor the SB had 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 a 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 effected payment was financed with a combination of own funds and long-term debt under the Investment bank loan agreement with Unicredit Bulbank AD from March 19 2024 in the amount of EUR 3,568,730. As of the date of the acquisition, the final amount of the upfront payment was to be determined and paid out to the seller on the basis of and pursuant to the provision of financials statements as of March 29 2024, which were yet to be prepared.

IV RISKS FACED BY THE COMPANY AND THE GROUP

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

IV.1 Systemic Risks

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

IV.1.1 Political risk

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

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

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

IV.1.2 Macroeconomic risk

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

In spite of slowing down in 2023 and over the reporting period, 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.

IV.1.3 Currency risk

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

Presently, Bulgaria maintains a currency board system, based on a fixed Euro / Lev exchange rate., 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.

IV.1.4 Interest risk

The Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions in the countries where Group companies operate, as well as by the 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 towards the end of 2023 and over the reporting period, 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.

IV.1.5 Credit risk

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

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

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

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

IV.1.7 Risks related to imperfections of the legal system

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

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

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

IV.2.1 Risks relative to the business strategy and growth

IV.2.1.1 Inappropriate business strategy

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

IV.2.1.2 Insufficient management capacity and increased growth management costs

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

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

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

Identifying and recruiting appropriate marketing and sales professionals with the aim to attract new customers can be difficult, slow, or involve additional costs, which may slow growth or reduce sales profitability. Considering the overall growth trend and increased demand for engineering, technical and project staff in the ICT sector on the Group's markets and globally, the expansion of existing and the development of new resource 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.

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

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

IV.2.1.5 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.

IV.2.2 Risks relative to human resources and managerial staff

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

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

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

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

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

IV.2.3 Risks relative to the market environment and competition

IV.2.3.1 Slowdown or unfavourable trends in demand

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

IV.2.3.2 Regulatory changes unfavourable to market demand

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

IV.2.3.3 Intense competition

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

IV.2.3.4 Unfair competition

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

IV.2.4 Risks relative to public procurement

IV.2.4.1 Delayed tendering and implementation

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

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

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

IV.2.4.2 Competition for public procurement

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

IV.2.5 Concentration risks

IV.2.5.1 Adverse changes in key client relationships

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

IV.2.5.2 Adverse changes in relationships with key technological partners

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

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

IV.2.6.1 Time and cost of adpating to new technologies

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

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

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

IV.2.6.3 Delayed adoption of new technologies by the clients

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

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

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

IV.2.7 Risks relative to long-term contracts

IV.2.7.1 Cost of commitments for regular service and support

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

IV.2.7.2 Early termination

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

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

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

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

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

IV.2.8 Financial risks

IV.2.8.1 Currency risk

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

IV.2.8.2 Interest rate risk

The Group is exposed to the risk of increase in market interest rates mainly with regard to the use of overdraft limits and revolving credit lines 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, their hedging with the financial instruments usually offered for that purpose, which are based predominantly or entirely on predetermined amounts over time, can involve significant deviations between the actual and hedged principals and expenses. Therefore, the Group does not resort to their hedging with financial instruments and assumes the risk of fluctuations in the applicable floating interest indexes, managing it mostly by the monitoring and of market trends and the negotiation and/or renegotiation of the best possible interest terms. As of the date of this Notification, this risk exhibits a mixed development, with market interest rates reflecting substantially the tendencies described in section IV.1.4, while the interest rates of lending banks applicable to drawdowns in BGN remain in the range of 0.0-0.1%.

Considering the slowdown in inflation and economic growth in the EU, as of the date of this Notification, the Company's management deems the interest risk of investment bank loan exposures based on 3-month EURIBOR to be relatively limited and has not planned on the use of financial instruments for their hedging in the immediate term. Notwithstanding, it remains committed to the continuous monitoring of economic and credit market trends, maintaining its readiness for the potential hedging of exposures from tranches already utilized in their definitive amounts in case of an expected increase in this risk.

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 Notification, 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.

IV.2.8.3 Liquidity risk

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

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

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

IV.2.8.5 Credit risk

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

IV.2.8.6 Asset impairment risk

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

IV.2.9 Operational risks

IV.2.9.1 Deviations in processes and quality of service

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

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

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

IV.2.9.3 Assuring compliance with standards and norms

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

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

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

IV.2.10 Other risks

IV.2.10.1 Litigation risk

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

IV.2.10.2 Risks relative transactions with related parties

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

IV.2.10.3 Cyber attacks

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

IV.2.10.4 Force majeure

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

IV.3 Military conflict between Russia and the Ukraine

Consequent to the military conflict between Russia and Ukraine, which escalated in February 2022, increased 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.

V PRESENTED INFORMATION ON THE GROUP'S ACTIVITIES WITH AN IMPACT ON FINANCIAL RESULTS AS OF MARCH 31 2024

Financials (BGN thousand)	(period end)		change
	31.3.2024	31.3.2023	
Net sales revenue	**41,219**	**27,064**	**52%**
Operating Expenses	-38,182	-26,695	43%
Other Operating Income/(Expenses) (net)	42	53	-11
Operating Profit	**3,079**	**422**	**630%**
Financial Income/(Expenses) (net)	-246	-219	-27
Income Tax Expense	-508	-148	243%
Net Profit	**2,325**	**55**	**42.3x**
Depreciation & Amortization Expenses	-1,042	-865	20%
Interest Income/(Expenses) (net)	-98	-81	21%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**3,973**	**1,149**	**246%**
	31.3.2024	31.12.2023	
Total Assets	**146,604**	**136,483**	**7%**
Non-current Assets	45,068	26,770	68%
Current Assets	101,536	109,713	-7%
Equity	**29,385**	**27,013**	**9%**
incl. Retained Earnings and Profit for the Year	29,223	26,898	9%
Total Liabilities	**117,219**	**109,470**	**7%**
Non-current Liabilities	24,092	12,875	87%
Current Liabilities	93,127	96,595	-4%
Cash & Cash Equivalents	**3,856**	**14,091**	**-73%**
Total Financial Debt*	**26,604**	**4,216**	**531%**
Net Financial Debt**	**22,748**	**-9,875**	**32,623**
	31.3.2024	31.3.2023	
Net Cash Flow from Operating Activities	**-18,099**	**-13,584**	**-4,515**
Net Cash Flow from Investment Activities	**-10,970**	**-1,719**	**-9,251**
Net Cash Flow from Financing Activities	**18,834**	**3,971**	**14,863**

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

Ratios	(period end)		change
	31.3.2024	31.3.2023	
Operating Margin	7.5%	1.6%	5.9%
Net Margin	5.6%	0.2%	5.4%
EBITDA Margin	9.6%	4.2%	5.4%
	31.3.2024	31.12.2023	
Current Ratio	1.1	1.1	0.0
Equity / Total Assets	20%	20%	0%
Financial Debt / Total Assets	18%	3%	15%
	31.3.2024	31.3.2023	
Average Return on Assets (ROA)	6.6%	-	-
Average Return on Equity (ROE)	33.0%	-	-

V.1 Revenue, costs and profitability

V.1.1 Revenues

Growing 52% or BGN 14,155 thousand against the same period of 2023, consolidated net sales revenue for the first quarter of 2024 reached BGN 41,219 thousand.

The leading factor behind the registered increase were sales realized by TBS EAD, which grew by 71% (BGN 11,607 thousand)[1] mostly as a result of continuing growth in revenues from the Bulgarian public sector, as well as owing to the growing number of small and medium projects with corporate clients and the bigger sales to the company's key telecom account. Maintaining its leading role in the formation of Group revenues, the company also registered a growing share of 68%, as compared to 60% in the first quarter of 2023.

Substantially positive contributions to the Group'c growth during the period were also made by TBS Croatia, which registered more than 15-fold growth of BGN 1,987 thousand[1] and a growing share of 5% of consolidated revenues against the yet underdeveloped sales preceding the company's first big projects implemented in the second quarter of 2023, TBS Macedonia, which registered a more than double increase of BGN 319 thousand[1] and a share of 1% against the still weak revenues preceding the revival of the Macedonian public sector in the later months of 2023, Telelink Albania, which recorded BGN 865 thousand[1] of sales and a share of 2% against the total stagnation in the first quarter of 2023, as well as TBS Romania, TBS Germany and TBS USA, which realized substantial revenues in the total amount of BGN 1,722 thousand[1] against the near-zero sales preceding the launch of business at these new subsidiaries in the second half of 2023, with respective shares of 2%, 2% and 1%.

On the backdrop of the above positive trends, the leading factor limiting the Group's growth in the reporting period remained sales realized by the business pool of Comutel, TBS Montenegro, Telelink Bosnia and Telelink Slovenia, which registered a decrease by 22% (BGN 2,297 thousand)[1] and a decreasing combined share of 19% of consolidated sales (comparing to 38% in the first quarter of 2023) as a result of a continuing slowdown in revenues from traditional clients in the regional telecom sector.

V.1.1.1 Revenues by main categories of products and services

Product Group	Correspondence with Product Group 2022-2023	Net Sales Revenue (BGN thousand)				
		31.3.2024	31.3.2023	change	share 31.3.24	share 31.3.23
IT Infrastructure	Service Porivder Solutions, Enterprise Connectivity, Private Cloud, Public Cloud, part of Modern Workplace	26,995	17,467	55%	65%	65%
Digital Transformation	Application Services, Hyperautomation	867	204	325%	2%	1%
Cybersecurity	Information Security, part of Enterprise Connectivity	2,812	1,429	97%	7%	5%
End User Hardware and Software	Computer & Peripherals, Modern Workplace	10,299	7,664	34%	25%	28%
IoT	no change	44	113	-61%	0%	0%
Other	no change	202	188	7%	0.5%	1%
Total		**41,219**	**27,064**	**52%**	**100%**	**100%**

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

Favored by all Group markets that exhibited positive evolution in terms of sales with the leading contribution of big clients and projects in the Bulgarian public sector, revenue from the IT Infrastructure category registered 55% or BGN 9,529 thousand of growth, reaching a total of BGN 26,995 thousand and maintaining a top share of 65% in consolidated revenues for the period.

Ranking second in the Group's product portfolio for the period in terms of their size, deliveries of End User Hardware and Software also exhibited a significant increase by 34% or BGN 2,635 thousand, reaching a total of BGN 10,299 thousand and retaining a lower but nonetheless substantial share of 25% (as compared to 28% in the first quarter of 2023) both as a result of their moderate growth in Bulgaria and owing to the substantial sales realized in Croatia and Romania (against the yet null turnovers on these markets in the first quarter of 2023).

Continuing their positive evolution on the Bulgarian market, mainly but not only in connection with public procurement, sales of solutions in the Cybersecurity domain registered a near double increase of 97% or BGN 1,383 thousand, reaching a total of BGN 2,812 thousand and growing share of 7% (as compared to 5% for the same period of 2023).

While showing more than quadruple growth for the period in connection with their increase in Bulgaria and realized sales in Germany, revenues in the Digital Transformation domain remained relatively limited in size (BGN 867 thousand) and share (2%, comparing to 1% in the first quarter of 2023).

In the absence of material relevant projects during the end quarter, revenues from Internet of Things and Other products and services remain relatively insignificant, with shares of less than 1% of consolidated sales.

V.1.1.2 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.3.2024	31.3.2023	change	share 31.3.2024	share 31.3.2023
Bulgaria	25,743	14,257	81%	62%	53%
Serbia	5,054	6,165	-18%	12%	23%
Croatia	2,497	393	536%	6%	1%
Germany	1,365	591	131%	3%	2%
Bosnia and Herzegovina	1,215	1,691	-28%	3%	6%
Albania	865	0	-	2%	0%
Romania	809	74	999%	2%	0%
United States of America	714	405	76%	2%	1%
Slovenia	545	1,969	-72%	1%	7%
North Macedonia	531	215	148%	1%	1%
Montenegro	17	76	-78%	0%	0%
Other	1,863	1,230	51%	5%	5%
Bulgaria	25,743	14,257	81%	62%	53%
Mid-Western Balkans	9,328	10,293	-9%	23%	38%
South-Western Balkans	1,415	231	514%	3%	1%
Other Balkan Markets	1,725	291	493%	4%	1%
Central & Western Europe	2,283	1,562	46%	6%	6%
Other Markets	725	431	68%	2%	2%
Total	**41,219**	**27,064**	**52%**	**100%**	**100%**

** By receiving country.*

In correspondence with the positive evolution of revenues at TBS EAD described in V.1.1 above, the Group registered strong growth of 81% (BGN 11,486 thousand) in sales realized on the territory of Bulgaria (totaling BGN 25,743 thousand), which maintained their top position in the territorial structure of consolidated revenues with a growing share of 62% (comparing to 53% in the first quarter of 2023).

Compensating to large extent the slowdown of revenues from Serbia, Slovenia and Bosnia and Herzegovina with a more than sixfold increase in sales to Croatia, TBS Croatia helped to mitigate the overall decrease in revenues from region Mid-Western Balkans (BGN 9,328 thousand) to 9% or BGN 965 thousand), as a result of which the region continued to account for a decreasing but nonetheless significant share 23% (comparing to 38% in the same period of 2023). In itself, the Croatian market ranked as the Group's third largest in the first quarter of 2024 with revenues of BGN 2,497 thousand and a share of 6%, comparing to just 1% in the same period of 2023.

In correspondence with the positive turnaround of sales in North Macedonia and Albania described in section V.1.1, combined sales to region South-Western Balkans (BGN 1,415 thousand) grew more than 6 times (by BGN 1,184 thousand), accounting for an increased share of 3% of consolidated revenues (as compared to just 1% in the first quarter of 2023).

In contrast with the other traditional clients making part of the leading regional telecom group serviced by the business pool of Comutel, Telelink Bosnia, TBS Montenegro and Telelink Slovenia, sales to subsidiaries of that group in Greece registered significant growth as compared to their temporary slowdown in 2023. Together with local sales in Romania, which were launched in the later months of 2023, the above development lead to a nearly fivefold increase (by BGN 1,434 thousand) of total sales to Other Balkan Markets (BGN 1,725 thousand) to 4% of consolidated revenues (comparing to jut 1% in the first quarter of 2023).

Summing up growing revenues from cross-border deliveries at TBS EAD and the local sales launched at TBS Germany, revenues from markets in Central and Western Europe (BGN 2,283 thousand) increased by 46%, retaining a share of 6% of consolidated sales.

Adding sales to clients on Other markets (growing by 68% to BGN 725 thousand at a maintained share of 2% mostly in connection with local and cross-border deliveries by TBS USA and TBS EAD to the USA), the Group continued to generate a total of 7% of its consolidated revenues from deliveries outside the Balkan region.

V.1.2 Expenses and profitability

In parallel with revenue growth, consolidated operating expenses (BGN 38,182 thousand) increased by 43% (BGN 11,487 thousand) against the first quarter of 2023. The main factors behind registered growth were the cost of external services, the balance sheet value of assets sold and the decrease in the cost-reducing adjustment for growth in production stocks and work in progress, which reflected mostly the Group's growing sales. A substantial increase was also observed in remuneration and social security expenses, which reflected mostly the continuing expansion of operating personnel in TBS EAD and the local teams in Germany and the USA established in the later months of 2023.

Notwithstanding the significant increase in operating expenses, the faster growth in revenues yielded a more than sevenfold increase in consolidated operating profit (BGN 3,079 thousand) by 630% or BGN 2,657 thousand against the first quarter of 2023 and a corresponding improvement of the operating margin from 1.6% to 7.5%.

Accounting for the above increase, the growing share of depreciation and amortization costs in operating expenses and the largely balanced changes in the net foreign exchange loss and other non-interest financial expenses, consolidated EBITDA exhibited more than threefold growth of 246% and an even stronger absolute increase of BGN 2,824 thousand, reaching BGN 3,973 thousand and a consequent improvement of the corresponding margin from 4.2% to 9.6%.

Taking into account the moderate growth of interest expenses, which stemmed mostly from costs recognized in accordance with IFRS 16 with regard to the growing rights of use from rental and operating lease contracts, and the largely balanced changes in other financial income and expenses, the net finance costs of BGN 246 thousand recorded in the current period exhibited a relatively insignificant increase by BGN 27 thousand against the first quarter of 2023.

In spite of the substantial increase in corporate income tax expenses by BGN 360 thousand up to a total of 508 thousand, the Group recorded a significantly lower interim effective tax rate of 17.9% (comparing to 72.9% in the first quarter of 2023, when it recorded substantially lower results before tax across its subsidiaries).

Summing the above changes, consolidated net profit for the ended quarter (BGN 2,325 thousand) registered an increase by BGN 2,270 thousand over the minimally positive result of BGN 55 thousand recorded in the same period of 2023 and a corresponding improvement of the net margin from 0.2% to 5.6%.

V.2 Assets, liabilities and equity

V.2.1 Assets

Reaching a total of BGN 146,604 thousand, the consolidated assets reported as of March 31 2024 registered an increase by BGN 10,121 thousand or 7% from the end of 2023 entirely as a result of the acquisition of 7IT on Match 29 2024, while decreasing by 10% or BGN 13,533 thousand in the Group's scope prior to this acquisition.

The above increase stemmed entirely from non-current assets, which grew by 68% or BGN 18,298 thousand, reaching BGN 45,068 thousand mostly as a result of the recognition of goodwill in the amount of BGN 15,922 thousand and other effects from the acquisition of 7IT. Excluding the latter, non-current assets exhibited moderate growth by 5% or BGN 1,230 thousand due mostly to the tangible fixed assets derived from equipment provided as a service to clients under managed service agreements, furniture, improvements and fit-out works on a new office for TBS EAD throughout the first half of 2023 and the recognition of right of use assets as per IFRS 16 from the respective lease contract and other contracts at TBS EAD.

Notwithstanding the significant effects from the consolidation of 7IT as of period end, current assets registered a decrease by 7% or BGN 8,177 thousand, ending the period at BGN 101,536 thousand. Excluding the acquisition of 7IT, current assets in the preceding scope of the Group decreased by 13% or BGN 14,763 thousand, mainly as a result of the decrease in receivables from clients and suppliers from the peak levels attained in the aftermath of the exceptionally strong sales towards the end of 2023 and the negative net cash flow (decrease in cash and cash equivalents) recorded in the context of the much bigger decrease in payables to suppliers and clients, the payment of own funds as a part of the preliminary upfront payment on the acquisition of 7IT and other capital expenditures.

V.2.2 Liabilities

In parallel with assets, consolidated liabilities (BGN 117,219 thousand) registered a similar increase by 7% or BGN 7,749 thousand from December 31 2023 entirely in connection with the acquisition of 7IT, while decreasing by 12% or BGN 12,916 thousand in the Group's scope prior to the acquisition.

The above increase stemmed entirely from non-current liabilities, which grew by 87% or BGN 11,217 thousand, reaching BGN 24,092 thousand mostly as a result of the long-term loan utilized as of period end under the Investment bank loan agreement with UniCredit Bulbank AD from March 19 2024 in accordance with the disclosures made in section III of this Notification, including a non-current part of the respective obligations (instalments due in more than 12 months from the end of the reporting period) in the amount of BGN 5,799 thousand and conditional long-term obligations for future consideration payments in the amount of BGN 5,192 thousand in accordance with the disclosures made in section VIII of this Notification. Excluding these effects from the acquisition of 7IT, non-current liabilities registered only a slight increase by 2% of BGN 230 thousand as a result of growing long-term deferred income from equipment and software support services spanning over 1 year. Besides the above items, the Group continued to report as a part of non-current liabilities minimal residual obligations from finance lease agreements of just BGN 1 thousand and lease obligations recognized with regard to operating lease and rental contracts as per IFRS 16 in the amount of BGN 2,761 thousand, which do not represent financial debt.

Notwithstanding the significant effects from the consolidation of 7IT, the short-term part of the long-term loan utilized as of period end under the Investment bank loan agreement with UniCredit Bulbank AD (BGN 1,181 thousand) and the recording of BGN 776 thousand of current obligations for additional upfront payment for the acquisition of 7IT in accordance with the disclosures made in section VIII of this Notification, current liabilities decreased by 4% or BGN 3,468 thousand, ending the period at BGN 93,127 thousand. Excluding the acquisition of 7IT, current liabilities in the preceding scope of the Group decreased by 14% or BGN 13,146 thousand, mainly as a result of the decrease in receivables from clients and suppliers and advances received from the peak levels attained in connection with the assurance of intense current and forthcoming sales towards the end of 2023, as well as of the seasonally typical decrease of obligations towards employees and the state budget and recorded provisions from the end of the previous fiscal year.

Balancing partly the above decreases within current liabilities and the significant growth in net working capital stemming from their faster change as compared to receivables from clients and suppliers, the Group registered substantial growth in short-term financial debt along the lines of funds utilized under credit lines in Bulgaria, as well as moderate increases of the latter in Slovenia and Croatia, whereby, together with the similar obligations of 7IT, consolidated obligations from short-term borrowings reached BGN 19,607 thousand. Besides the latter, the Group continued to report as a part of current liabilities minimal residual obligations from finance lease agreements of BGN 17 thousand and lease obligations recognized with regard to operating lease and rental contracts as per IFRS 16 in the amount of BGN 1,603 thousand, which do not represent financial debt.

V.2.2.1 Financial Debt

Summing the above loan obligations (totaling BGN 26,586 thousand) and finance lease liabilities (totaling BGN 19 thousand), consolidated financial debt as of March 31 2024 amounted to BGN 26,605 thousand, showing a more than sixfold increase by 531% or BGN 22,389 thousand and growing ratios of 18% of total assets and 23% of total liabilities (as compared to just 3% and 4% at the end of 2022).

Accounting for the substantially lower value (BGN 3,856 thousand) and sharp decrease (by BGN 10,325 thousand) in cash and cash equivalents, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) exhibited a faster increase by BGN 32,624 thousand, switching to a positive value (excess of financial debt over cash and cash equivalents) of BGN 22,749 thousand, from the still negative value (surplus of cash and cash equivalents over financial debt) observed at the end of 2023.

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

V.2.3 Equity

In the absence of dividend distributions out of the Group, consolidated equity increased by 9% or BGN 2,372 thousand from the end of 2023 reflecting mostly current profit for the reporting period, reaching BGN 29,385 thousand.

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

Showing a slight overall increase by BGN 47 thousand, the rest of the Group's capital reserves reached a total value of (-) 13,690 thousand, which continued to include mostly the negative effect of BGN (-) 14,127 thousand accounted according to the rules of reporting business combinations under common control upon the Company's Reorganization from August 14 2019, specialized currency translation reserves and effects from share-based incentive programs and plans.

Together with retained earnings as of December 31 2023, accumulated earnings from the current and previous periods making part of equity as of March 31 2024 reached BGN 29,223 thousand.

Accounting for the similar growth rates in total assets and equity, the Group maintained a balance sheet capitalization (ratio of equity to total assets) of 20%, substantially equal to the ratio recorded at the end of 2023.

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

Upon the presentation of consolidated results, transactions between related parties within the Group are eliminated. Transactions between TBS Group AD and related parties, including such within the Group, were presented in the individual disclosures for the reporting period.

As of March 31 2024, Group companies have made the following transactions with related parties outside the Group:

Operating Activities (BGN thousand)	Sales to related parties	Purchases from related parties
Other related parties (under common control)	308	13
Total	**308**	**13**
Operating Activities (BGN thousand)	**Receivables from related parties**	**Payables to related parties**
Other related parties (under common control)	7,174	57
Total	**7,174**	**57**

Joint operations

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

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

Operating Activities (BGN thousand)	Sales	Purchases
Participation in joint operations (consortia)	3,324	1
Operating Activities (BGN thousand)	**Receivables**	**Payables**
Participation in joint operations (consortia)	1,112	0

VII SUBSTANTIAL NEW RECEIVABLES AND/OR PAYABLES ARISING DURING THE REPORTING PERIOD

The information about substantial receivables and payables arising during the reporting period is included in sections III, V and VI of this Notification and the Statement as per Supplement 4 of Ordinance 2 published along with this Notification.

VIII IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On April 09 2024, a deal was signed 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 Interior of the Republic of Bulgaria and "Consortium TELESEC" DZZD with the subject matter 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 7IT 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 in respect of 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.

Pursuant to the preparation of financial statements of 7IT as of the date of acquisition of 100% of the shares in its capital by TBSG AD (March 29 2024, the parties established:

- a final amount of the upfront payment due to the seller under the transaction of EUR 5,494,743, pursuant to which TBSG AD was to transfer in addition to the payment of 5,098,186 calculated on the basis of 7IT's interim statements as of February 29 2024 an equalization amount of EUR 396,557;
- a total equity value of the company as of the date of closing in the amount of EUR 8,848,194, taking into account that, in addition to the above upfront payment and in accordance with the Share purchase agreement:
    - EUR 698,994 of this amount was undertaken in the form of long-term obligations of the Company towards 7IT;
    - 2,654,458 of this amount are subject to conditional deferred payments, the final amount of which will be established in 2025 and 2026 depending on the financial results of 7IT for 2024 and 2025 and which represent the maximum total amount of these payments.

The above-mentioned equalization amount to the upfront payment under the transaction was financed with a combination of own funds and long-term debt under the Investment bank loan agreement with UniCredit Bulbank AD in the amount of EUR 277,590 and was transferred to the special (escrow) accounts established in accordance with the Share purchase agreement on April 30 2024.

With regard to the above additional financing, on April 30 2024, TBSG AD signed Annex № 2 to the Investment bank loan agreement № 00044/730 with UniCredit Bulbank AD from March 19 2024, whereby the total amount and the amount of the monthly principal installments in the repayment schedule adopted on April 10 2024 were updated in accordance with the amount of credit utilized under the Agreement attained as of April 30 2024 (EUR 3,846,320).

On April 30 2024, the SB approved the audited annual consolidated financial statements and annual management reports of the Company for 2023 signed by Ernst and Young Audit OOD.

On April 30 2024, the SB approved the MB's proposal to the GMS for the Company's profit for 2023, amounting to BGN 4,633,630.09, to be carried entirely towards retained earnings.

On April 30 2024, the SB approved the MB's proposal to convene a regular GMS at 10:00 a.m. on June 19 2024.

On April 30 2024, the SB approved the MB's proposal for the sale of 100% of the shares in the capital of Telelink Albania to Erton Graceni, currently holding the position of administrator of the company, therefore empowering the Executive director of TBSG AD to take all necessary action to the effect of the legal and factual implementation of the above resolution.

On May 03 2024, resolutions were adopted to the effect of revoking Tomislav Kosanovic and appointing Ante Jurisic as director of TBS Croatia.

On May 10 2024, TBSG AD published an invitation to convene a Regular General Meeting of Shareholders, which will be held on June 19 2024. The invitation and all materials thereto are available on http://www.x3news.com/ and on the Company's web page, at https://www.tbs.tech/general-meetings-of-shareholders/.

On May 17 2024, a resolution was adopted to change the management and representation of Telelink Slovenia, whereby Tomislav Kosanovic and Gojko Martinovic were replaced in their capacity of directors of the company by Bobi Cvetkovski.

On May 30 2024, the SB approved a proposal of the MB from May 29 2024 for the signing of an Annex to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between TBS EAD and UniCredit Bulbank AD, whereby the agreement's term shall be extended until June 30 2024.

Sofia, May 30 2024

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2024.05.30 19:15:20 +03'00'