Translation of the official consolidated financial statements and consolidated management report issued in Bulgarian.

Telelink Business Services Group AD

Consolidated Financial Statements and Consolidated Management Report

As of 31 December 2024

General Information

Supervisory Board (SB)

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

Management Board (MB)

Ivan Zhitiyanov – Chair of MB and Executive Director;
Teodor Dobrev – member of MB;
Orlin Rusev – member of MB;
Jordanka Klenovska - member of MB (elected in this capacity in substitution of Nikoleta Stanailova as per SB resolution from 25 March 2024);
Desislava Torozova – member of the MB.

Audit Committee

Jordanka Klenovska – mandate until 10 September 2026;
Anelia Angelova - Tumbeva - mandate until 10 September 2026;
Todor Stefanov – mandate until 10 September 2026;

Head office and registered Office

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

Servicing banks

Unicredit Bulbank AD
KBC Bank Bulgaria AD

Legal consultants

Consult 2002 EOOD
42, Alabin St. floor 2
Sofia

Auditors

Deloitte Audit OOD
Mladost region
4 Mihail Tenev St., floor 12
1784 Sofia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Notes	*2024* BGN'000	*2023* Restated* BGN'000
Revenue	9	222,973	184,254
Cost of sales	12	(175,329)	(147,750)
Gross profit		47,644	36,504
Other operating income	13	1,822	453
General and administrative expenses	10, 12	(15,073)	(10,748)
Selling and marketing expenses	11, 12	(19,068)	(14,046)
Other operating expenses	13	(443)	(98)
Operating profit		14,882	12,065
Finance income	14	85	-
Finance costs	14	(1,509)	(1,116)
Profit before tax		13,458	10,949
Income tax expense	16	(1,834)	(1,452)
Profit for the year		**11,624**	**9,497**
Discontinued operations			
Loss after tax for the year from discontinued operations		(9)	(53)
Profit for the year		**11,615**	**9,444**
Profit for the year attributable to:			
Owners of the Parent company		11,615	9,444
Non-controlling interests		-	-
		11,615	**9,444**

**The comparative information has been restated to reflect the discontinued operations in 2024.*

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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Jordanka Lyubchova Klenovska
Financial Director, Preparer

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The accompanying notes from 1 to 40 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2024

	Notes	*2024* BGN'000	2023* Restated BGN'000
Other comprehensive income			
Exchange differences on translation of foreign operations		(37)	12
Total comprehensive income for the year, net of tax		**11,578**	**9,456**
Total comprehensive income attributable to:			
Owners of the Parent company		11,578	9,456
Non-controlling interests		-	-
		11,578	**9,456**
Earnings per share	34		
From continuing operations:			
Basic		0.930	0.760
Diluted		-	-
From continuing and discontinued operations:			
Basic		0.929	0.756
Diluted		-	-

**The comparative information has been restated to reflect the discontinued operations in 2024.*

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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The accompanying notes from 1 to 40 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	*2024*	*2023*
ASSETS		***BGN'000***	***BGN'000***
Non-current assets			
Property, plant and equipment	19	17,624	11,059
Investment properties	20	526	454
Intangible assets	21	1,081	1,030
Goodwill	8	15,922	-
Prepayments	18	9,551	12,613
Other non-current assets		363	45
Deferred tax asset	16	1,731	1,569
		46,798	26,770
Current assets			
Inventories	22	5,650	12,069
Trade and other receivables	23	73,264	53,952
Contract assets	9, 23	12,003	15,642
Loans granted	24	303	-
Prepayments	18	13,235	13,252
Cash and cash equivalents	25	24,979	14,091
Income taxes receivable		393	438
Assets classified as held for sale	17	-	269
		129,827	109,713
TOTAL ASSETS		**176,625**	**136,483**

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2024

EQUITY AND LIABILITIES	Notes	2024 BGN'000	2023 BGN'000
Share capital	33	12,500	12,500
Legal reserves	33	1,374	1,352
Other reserves	33	(13,369)	(13,204)
Other components of equity	33	22	3
Retained earnings		26,917	17,454
Profit for the year		11,615	9,444
Foreign currency translation reserve	33	(559)	(536)
Total equity		38,500	27,013
Non-current liabilities			
Interest-bearing loans and borrowings	27	5,210	-
Lease liabilities	28	4,705	2,821
Employee retirement benefit obligations	31	63	40
Government grants	26	547	803
Contract liabilities	9, 30	7,267	9,211
Other non-current liabilities	29	2,594	-
		20,386	12,875
Current liabilities			
Interest-bearing loans and borrowings	27	13,252	4,194
Lease liabilities	28	2,641	1,228
Trade and other payables	29	86,879	64,471
Government grants	26	725	585
Contract liabilities	9, 30	13,558	25,183
Income tax payable		684	934
		117,739	96,595
Total liabilities		138,125	109,470
TOTAL EQUITY AND LIABILITIES		**176,625**	**136,483**

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share Capital *BGN'000*	Legal reserves *BGN'000*	Other reserves *BGN'00*	Other components of equity *BGN'000*	Retained earnings *BGN'000*	Foreign currency translation reserve *BGN'000*	Total equity *BGN'000*
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 33)	-	-	-	-	-	12	**12**
Total comprehensive income	**-**	**-**	**-**	**-**	**9,444**	**12**	**9,456**
Transfers (note 33)	-		359	-	(407)	-	**(48)**
Buy-back of own shares (note 33)				38		-	**38**
Share based payments (note 33, 39)	-	-	(196)	-	-	-	**(196)**
Balance at 31 December 2023	**12,500**	**1,352**	**(13,204)**	**3**	**26,898**	**(536)**	**27,013**
Balance at 01 January 2024	**12,500**	**1,352**	**(13,204)**	**3**	**26,898**	**(536)**	**27,013**
Profit for the year	-	-	-	-	11,615	-	**11,615**
Other comprehensive income (note 33)	-	-	-	-	-	(37)	**(37)**
Total comprehensive income	**-**	**-**	**-**	**-**	**11,615**	**(37)**	**11,578**
Transfers (note 33)	-	22	44	-	19	14	**99**
Buy-back of own shares (note)	-	-	-	19	-	-	**19**
Share based payments (note 33, 39)	-	-	(209)	-	-	-	**(209)**
Balance at 31 December 2024	**12,500**	**1,374**	**(13,369)**	**22**	**38,532**	**(559)**	**38,500**

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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The accompanying notes from 1 to 40 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	*2024* *BGN'000*	*2023* *BGN'000*
Operating activities			
Profit before income tax		13,458	10,949
Loss before income tax from discontinued operations		(9)	(49)
Profit before income tax		13,449	10,900
Adjustment to reconcile profit before tax to net cash flows			
Non-cash adjustments:			
Net finance costs		1,509	798
Movements in retirement benefits obligations and government grants	26, 31	(397)	(278)
Share-based payments expense	39	(102)	114
Write down of inventories to net realisable value	22	-	63
Gain on disposal of property, plant and equipment	13	(80)	(1)
Gain on disposal of subsidiaries	13	(271)	-
Loss on disposal of assets held for sale	13	(3)	-
Depreciation & amortisation	19, 21	5,953	3,984
Working capital adjustments			
Decrease/ (Increase) in inventories		6,633	(6,773)
Increase in trade and other receivables, contract assets, prepayments		(6,703)	(47,443)
Increase in trade and other payables, contract liabilities		2,493	44,641
Bank charges paid	14	(357)	(244)
Income taxes paid		(1,788)	(1,610)
Net cash flows from operating activities		**20,336**	**4,151**

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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The accompanying notes from 1 to 40 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2024

	Notes	2024 BGN'000	2023 BGN'000
Investing activities			
Purchase of property, plant and equipment	19	(6,414)	(3,340)
Purchase of intangible assets	21	(364)	(603)
Proceeds from sale of property, plant and equipment		356	10
Proceeds from disposal of subsidiaries		113	-
Receipt of government grants	26	580	398
Interest received		-	36
Acquisition of a subsidiary	8	(10,543)	-
Net cash flows used in investing activities		**(16,272)**	**(3,499)**
Financing activities			
Proceeds form borrowings	27	101,758	59,353
Repayment of borrowings	27	(91,485)	(58,050)
Payments on leases	28	(2,216)	(1,377)
Dividends paid	35	-	(297)
Repurchase of shares	33	(182)	(223)
Interest paid	27	(886)	(315)
Interest paid on leases	28	(250)	(127)
Net cash flows used in financing activities		**6,739**	**(1,036)**
Net change in cash and cash equivalents		10,803	(384)
Net foreign exchange difference	14	85	(353)
Cash and cash equivalents at 1 January		14,091	14,828
Cash and cash equivalents at 31 December	25	**24,979**	**14,091**

The financial statements were approved for issue by decision of the Management Board dated 29 April 2025.

Ivan Krasimirov Zhitiyanov
Executive Director

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2024

1. Accounting policy - Corporate information

The consolidated financial statements of Telelink Business Services Group AD (the Parent Company) and its subsidiaries (the Group) were authorised for issue by decision of the Management Board dated 29 April 2025.

Incorporation

Telelink Business Services Group AD was incorporated on 12 July 2019 as a sole-shareholder joint stock company, registered with the Trade Register of the Registry Agency under UIC 205744019. On September 24, 2019, a change was registered and the Parent Company was incorporated as a joint-stock company. The registered office of the Parent Company is located at: 2 Donka Ushlinova St., Garitage Park, Building 1, Floor 4, Vitosha District, Sofia 1766, Bulgaria.

Telelink Business Services Group AD is a public company, registered with Financial Supervision Commission on 28 November 2019.

Parent Company shares are traded on the Bulgarian Stock Exchange.

Shareholders

The share capital of the Parent 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 Parent 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 Parent Company's registered capital (of which 7% realized in 2021). The offerings conducted do not include a capital increase and do not generate proceeds for the Parent Company.

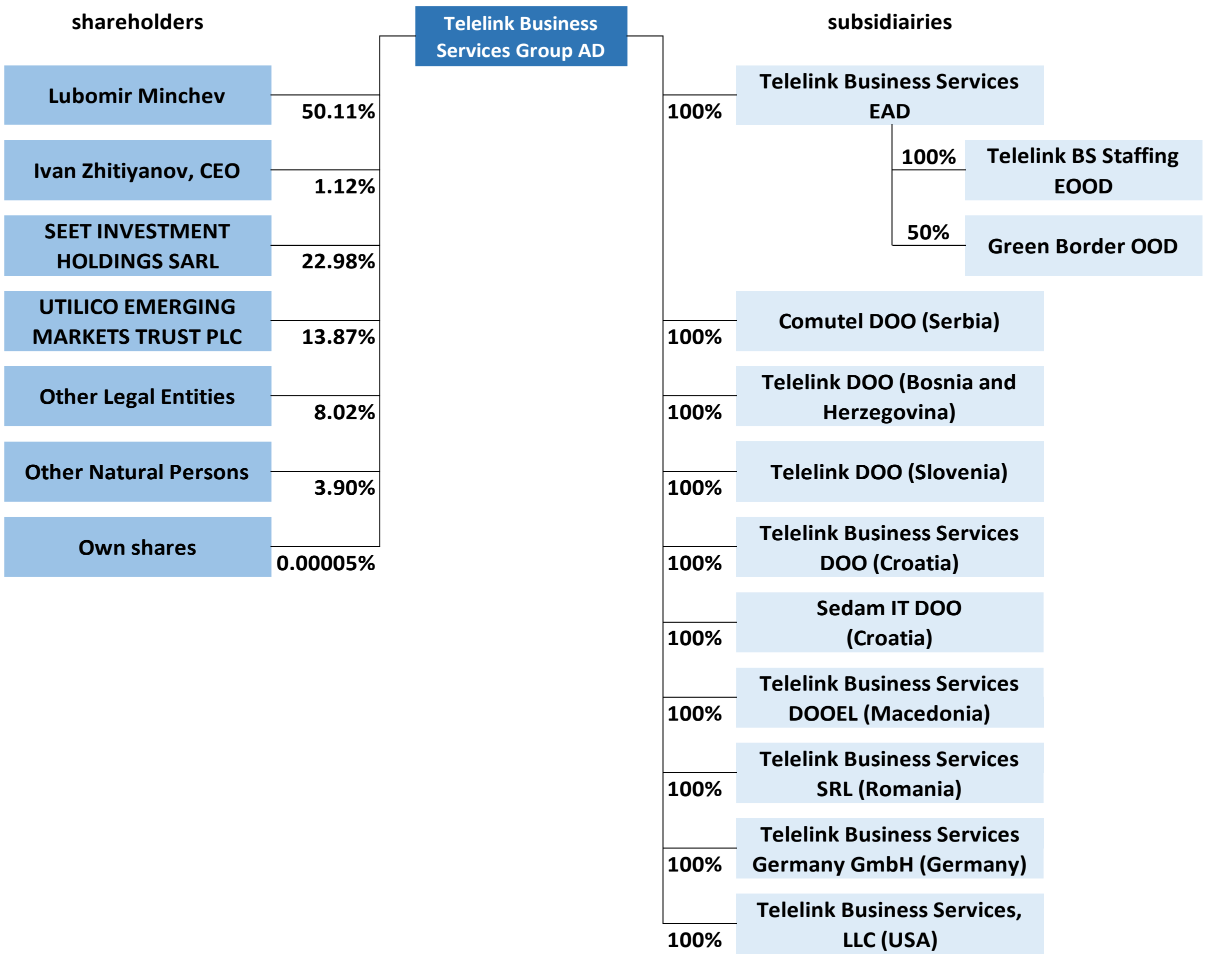
As of December 31, 2024, the persons holding over 5% of the Parent Company's capital were Lubomir Minchev with a stake of 6,263,624 shares or 50.11%, SEET INVESTMENT HOLDINGS SARL (Luxembourg) with a stake of 2,872,380 shares or 22.98% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,733,837 shares or 13.78%.

As a result of share buy-backs for the purposes of employee incentive programs (including 23,500 shares acquired during the first half of 2023 and 6,030 shares acquired in prior periods) and the transfer of a total of 27,452 shares (including 20,343 to employees in the third quarter and 7,109 to current and former Management Board members in the fourth quarter) under the 2020 incentive plan, as of 31 December 2023, the Parent Company held 2,078 own shares, representing 0.02% of its registered capital, with a carrying amount of BGN 3 thousand (Notes 33 and 39).

As a result of share buy-backs and transfers related to employee and Management Board incentive programs (including 2,078 shares held as of 31 December 2023, 20,700 shares repurchased in 2024, and a total of 22,772 shares transferred during the year to current and former employees and Management Board members under the 2020 and 2021 plans), as of 31 December 2024, the Parent Company held 6 own shares, representing 0.00005% of its registered capital, with a carrying amount of BGN 22 thousand (Notes 33 and 39).

1. Accounting policy - Corporate information (continued)

Ownership structure and Group structure as at 31 December 2024 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.

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), (liquidated in 2024), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (North Macedonia), Telelink Albania SH.P.K. (Albania), (sold in 2024), Telelink Business Services DOO (Croatia), Telelink Business Services LLC (USA), Telelink Business Services SRL (Romania), Telelink Business Services Germania GmbH (Germany), Sedam IT DOO, (acquired in 2024) all of them jointly the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2024

1. Accounting policy - Corporate information (continued)

As of December 31, 2024 the Group has a two-tier management structure – Management and Supervisory Board. Operational management is carried out by its Management Board. Those charged with governance are represented by the Supervisory Board of the Parent Company. An Audit Committee elected by the General Meeting of the Shareholders functions in the Group.

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/General financial reporting framework

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union ("IFRS Accounting Standards as adopted by the EU"). The reporting framework "IFRS Accounting Standards as adopted by the EU" is substantially the approved national accounting basis International Accounting Standards (IAS) as adopted by the EU, regulated by the Accountancy Act and defined in item 8 of its Additional Provisions.

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 2024.

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.

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

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 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.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

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

Goodwill (continued)

Goodwill is not amortised but is reviewed for impairment at least annually. If the recoverable amount of goodwill is lower than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of goodwill. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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 IFRS Accounting Standards applicable to the specific assets, liabilities, income and expenses.

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.

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

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 comprehensive income 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 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.

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 comprehensive income in the period of retirement or disposal.

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

Investment property (continued)

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 the Group incurs in connection with the borrowing of funds.

Government grants

Government grants are recognised initially as deferred revenue at fair value 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 as other income in profit or loss on a systemic basis over the asset's useful life.

Government grants that compensate the Group for expenses incurred are recognized in profit or loss 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.

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 comprehensive income 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.

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

Intangible assets (continued)

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 comprehensive income, depending on the use of the intangible asset.

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 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.

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

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 the Group assesses whether there are indications that the impairment loss on an asset 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 comprehensive income for the year.

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.

4. Accounting policy - Significant accounting policies (continued)

Financial assets (continued)

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 two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

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 the statement of comprehensive income when the asset is derecognised, modified or impaired.

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

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.

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

Financial assets (continued)

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.

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 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).

With respect to trade receivables and contract assets, the Group applies the simplified approach for calculating expected credit losses (ECL). As a result, it does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group always measures the impairment of trade receivables at an amount equal to lifetime expected credit losses. Expected credit losses on trade receivables are assessed using a provision matrix based on historical loss experience, adjusted for forward-looking information relevant to the debtors and the economic environment as at the reporting date. The Group has recognised a loss allowance of 0% against all receivables overdue by more than 180 days, as historical experience indicates that such receivables are typically recoverable.

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

Financial assets (continued)

At each reporting date, the Group determines whether a debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making this assessment, the Group reviews the internal credit rating of the debt instrument. In addition, it assesses whether there has been a significant increase in credit risk when contractual payments are more than 60 days past due. A financial instrument is in default when contractual payments are more than 90 days past due. However, in certain cases, a financial asset may be considered to be in default when internal or external information indicates that it is unlikely the Group will receive the full amount outstanding under the contract, before considering any credit enhancements held. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost as loans and borrowings and payables.

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. As of the end of the reporting period there are no balances formed from derivatives.

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 comprehensive income.

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

Financial liabilities (continued)

This category generally applies to interest-bearing loans and borrowings. More information is presented in Note 27 „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 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.

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

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 retirement benefit plan is not funded. 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 "Employee benefit expense";
- Net interest expense or income within "Finance costs".

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.

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

Revenue from contracts with customers (continued)

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 goods/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.

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.

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

Revenue from contracts with customers (continued)

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

The Group reports the services as a single performance obligation and recognizes revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group applies the practical expedient under IFRS 15, paragraph B16 to recognize revenue in the amount to which the Group has a right to invoice. 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 its obligations 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.

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.

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

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 (i.e. authorised by the shareholders) and is no longer at the discretion of the Parent 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.

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
• Buildings	5 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.

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

Lease (continued)

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed 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 Group 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.

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.

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

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
- as of the time of the transaction does not give raise to equal taxable and deductible temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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
- as of the time of the transaction does not give raise to equal taxable and deductible temporary differences.

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 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.

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

Taxes (continued)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable taxable profit will be available against which 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 16.

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 statement of financial position.

Share capital and reserves

Telelink Business Services Group AD 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 Parent 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 companies are 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 share-based payments 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 39.

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

The preparation of the consolidated 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:

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 separate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Accounting policy - Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

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.

- 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, upon completed tests of functioning equipment and acceptance by the customer.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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 „Accounting policy - Summary of significant accounting policies”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

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 reporting 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 investment properties are disclosed in note 36 "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.

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 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.

Legal guarantees

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

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

Estimates and assumptions (continued)

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 IFRS Accounting Standards

Amendments to IFRS accounting standards that are effective for the current reporting period

The following amendments to the existing IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 Presentation of Financial Statements:** Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective for annual periods beginning on or after January 1, 2024);
- **Amendments to IAS 7 and IFRS 7:** Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IFRS 16 Leases** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

The adoption of the new amendments to the existing IFRS accounting standards has not led to any material changes in the Group’s consolidated financial statements.

Amendments to the existing IFRS accounting standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these consolidated financial statements, the following amendment to the existing IFRS accounting standards that has been issued by IASB and adopted by EU but is not yet effective has not been applied:

- **Amendments to IAS 21:** The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

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

New standards and amendments to the existing IFRS accounting standards issued by IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS Accounting Standards adopted by the IASB except for the following new accounting standards and amendments to the existing accounting standards, which were not endorsed for use in EU as at the date of authorization of these financial statements (the effective dates stated below is for IFRS Accounting Standards as issued by IASB):

- **IFRS 18 - Presentation and Disclosures in Financial Statements** (effective for annual periods beginning on or after 1 January 2027);
- **IFRS 19 - Subsidiaries without Public Accountability**: Disclosures (effective for annual periods beginning on or after 1 January 2027);
- **Amendments to IFRS 9 and IFRS 7** - Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026);
- **Amendments to IFRS 9 and IFRS 7** - Amendments to Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after 1 January 2026);
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7** - Annual Improvements to IFRS Accounting Standards - Volume 11 - effective for annual periods beginning on or after 1 January 2026;
- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to 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 and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.

The Group will asses whether the adoption of these new accounting standards and amendments to the existing IFRS Accounting Standards will have material impact on the consolidated financial statements of the Group in future periods. If the impact is material the Group will reflect the effects in the consolidated financial statements.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 Financial Instruments - Recognition and Measurement would not significantly impact the financial statements, if applied as at the reporting date.

8. Changes in investments in subsidiaries and discontinued operations

New investments in subsidiaries

On 13.02.2024 Telelink Business Services Group AD has entered into an Agreement for the acquisition of 100% of the shares of the limited liability company SEDAM IT, d.o.o. ("7IT", Sedam IT DOO), registered under the legislation of the Republic of Croatia, with its registered office and registered address in the town of Zagreb, Croatia, 2, Koledovčina St. and identification number (OIB) 95661305069 - provider of IT, communication and software solutions and services with a long-standing presence on the Croatian IT market. The counterparty (seller) to the purchase and sale of the company shares is an unrelated/ disinterested third party. As of the date of the Agreement, the acquisition is conditional upon the implementation of agreed conditions precedent to be fulfilled within a timeframe to be determined by the parties and still to be fulfilled.

On 29.03.2024. Telelink Business Services Group AD acquires 100% of the shares in the capital of 7IT as part of the execution of the Group's strategy for growth and market development in the Western Balkans through acquisitions of companies in the System Integration business segment. The Parent Company has made an upfront initial payment into a special (escrow) account in the amount of EUR 5,098,186, calculated on the basis of 7IT's interim accounts as of 29.02.2024, and provides guarantees to secure subsequent payments of the price. The payment made was financed by a combination of own funds and long-term debt under the Investment Bank Loan Agreement with Unicredit Bulbank AD dated 19.03.2024 in the amount of EUR 3,568,730.

As a consequence of the preparation of the financial statements of 7IT as at the date of acquisition of 100% of the shares in its capital by Telelink Business Services Group AD (29.03.2024), on 29.04.2024, the following have been established:
- a final amount of the initial payment due to the seller under the transaction of EUR 5,494,743, in accordance with which Telelink Business Services Group AD shall remit, in addition to the payment of EUR 5,098,186 calculated on the basis of 7IT's interim accounts as of 29.02.2024, a balancing amount of EUR 396,557;
- a total value of the Company's equity at the acquisition date of EUR 8,848,194, taking into account, in addition to the initial payment mentioned above, that pursuant to the Share Purchase Agreement:
o EUR 698,994 of this amount has been assumed in the form of long-term liabilities of Telelink Business Services Group AD to 7IT which represents a liability of the seller to 7IT, that will be settled by Telelink Business Services Group AD instead of the seller;
o EUR 2,654,458 of this amount is subject to contingent deferred payments, the final amount of which will be established in 2025 and 2026 depending on 7IT's financial results for 2024 and 2025, and represent the maximum total amount of such payments.

As a result of the acquisition, SEDAM IT, d.o.o. has been included in the consolidated statement of financial position of Telelink Business Services Group AD as of 29 March 2024, and in the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Parent Company as of 1 April 2024. The Group applies IFRS 3 Business Combinations, under which the acquirer in a business combination recognises goodwill as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net amount of the identifiable assets acquired and liabilities assumed.

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8. Changes in investments in subsidiaries and discontinued operations (continued)

New investments in subsidiaries (continued)

Revenue and loss of SEDAM IT, d.o.o. included in the consolidated statement of comprehensive income from the acquisition date:

	Notes	*01.04.2024 - 31.12.2024 BGN'000*
Revenue	9	20,456
Cost of sales	12	(14,888)
Gross profit		5,568
Other operating income	13	113
General and administrative expenses	10, 12	(2,777)
Selling and marketing expenses	11, 12	(2,963)
Other operating expenses	13	(14)
Operating profit		(73)
Finance income	14	43
Finance costs	14	(258)
Profit before tax		(288)
Income tax expense	16	-
Loss for the period		**(288)**

Revenue and profit or loss of 7IT for the year 2024:

	01.01.2024 - 31.03.2024 BGN'000	*01.04.2024 - 31.12.2024 BGN'000*	*2024 BGN'000*
Revenue	8,003	20,456	28,459
Profit/loss	1,596	(288)	1,308

Consolidated revenue and profit for the year ended 31 December 2024, as if the acquisition of SEDAM IT, d.o.o. had occurred on 1 January 2024:

	2024 BGN'000
Revenue	230,976
Profit	13,211

The values of the identifiable assets and liabilities of SEDAM IT, d.o.o. at the acquisition date are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

8. Changes in investments in subsidiaries and discontinued operations (continued)

New investments in subsidiaries (continued)

	Balance as of the date of acquisition 29.03.2024 *BGN'000*
Assets	
Property, plant and equipment	426
Intangible assets	170
Non-current receivables	550
Inventories	37
Prepayments	516
Cash and cash equivalents	203
Trade and other receivables	6,252
Contract assets	258
Government grants	276
Income taxes receivables	413
	9,101
Liabilities	
Trade and other payables	(3,734)
Interest bearing loans and borrowing	(3,970)
Contract liabilities	(14)
	(7,718)
Total identifiable net assets	**1,383**
Non-controlling interest (0%)	-
Goodwill arising on acquisition	15,922
Purchase consideration	17,305

Purchase consideration	*BGN'000*
Shares acquired	10,746
Deductible receivables	1,366
Contingent consideration liability	5,192
Total consideration	**17,304**

Cash outflow on acquisition	*BGN'000*
Net cash acquired with the subsidiary	203
Cash paid	(10,746)
Net cash flow on acquisition	**(10,543)**

8. Changes in investments in subsidiaries and discontinued operations (continued)

New investments in subsidiaries (continued)

The line item "Deductible receivable" represents an amount assumed in the form of long-term liabilities by Telelink Business Services Group AD to 7IT, which essentially constitutes a liability of the seller to 7IT that will be settled by Telelink Business Services Group AD instead of the seller.

The total amount of costs related to the acquisition of Sedam IT is BGN 280 thousand, of which BGN 166 thousand are included in the line item “General and administrative expenses” in the consolidated statement of comprehensive income for 2023, and BGN 114 thousand are included in the same line item for year 2024.

The fair value of receivables and contract assets has been assessed and corresponds to their carrying amount.

The total amount of goodwill expected to be non-deductible for tax purposes is BGN 15,922 thousand.

The most important sources of present value justifying the excess of consideration paid over Sedam IT's net assets as of the acquisition date include:

- the profit and cash generation potential of the company's continuing operations;
- expected synergies:
- service capacity gains;
- product portfolio gains;
- product and client based cross-sales in the company and across the rest of the Group.

Service capacity gains are expected to be derived from the combined group's increased technical staff, enabling both the Group and Sedam IT to undertake larger and more complex projects and services. An important aspect of this synergy is the significant software development team of Sedam IT, expanding significantly the Group's resources in that area.

Product portfolio gains include both the addition of competences from and to Sedam IT to and from the Group, enabling the combined group top address a broader range of technologies, projects and services. Important additions from Sedam IT to the Group include different new monitoring and management solutions and experience in software development in the fields of ERP and business solutions. The existing Group is adding a broader range of solutions and services in the areas of public and private clouds, cybersecurity and productivity to Sedam IT.

Cross-sales potential is based on the opportunity to implement the product portfolio and service capacity gains by offering an extended range of products and services and expand the scope of works in the existing clients of both the Group and Sedam IT.

The Group performed its annual impairment testing for the goodwill of Sedam as at the end of the year. The recoverable amount is determined based on a value in use calculation using statement of comprehensive income projections from the annual budget for the next year and other forward-looking financial projections approved by the management, covering a five year period. Major assumptions used include:

8. Changes in investments in subsidiaries and discontinued operations (continued)

New investments in subsidiaries (continued)

- Significant revenue growth throughout the projection horizon with a compound annual growth rate (CAGR) of 15%, reflecting the recovery and expansion of sales in the Software Development segment from their relatively low levels in 2024, positive outlook for continued growth in public IT investments due to the country's strong performance in EU funds absorption, and the gradual realization of synergies from cross-sales of products and services between Telelink Business Services EAD and Sedam IT DOO starting in 2026;
- Maintained average gross profit margin of 28%, close to the margin reported for 2024, balancing the characteristically high profitability of the Software Development segment with the assumption of slightly lower margins on projected sales growth through commercial synergies;
- Sustainable growth in marketing, sales, and general administrative expenses with a CAGR of 6%, supporting the marketing and organizational infrastructure required for the planned increase in sales and business scale;
- Average net working capital to revenue ratio of 10%, in line with the average observed during 2022–2024;
- Stabilized capital expenditures at a level of 1% of annual revenue, consistent with the ratio recorded in 2024;
- Weighted average cost of capital (WACC) of 13.6%, based on assumptions including a cost of equity of 14.6%, after-tax cost of debt of 4.2%, and an applicable debt-to-equity ratio consistent with the industry average for 2024.

The projections reflect management's past experience, expectations for future market development, and the anticipated realization of operational synergies.

As at the impairment testing date, the recoverable amount exceeded the carrying amount of the cash-generating unit to which goodwill is allocated, and no impairment loss was recognized. A sensitivity analysis was performed and confirmed that no reasonably possible change in any key assumption would result in the carrying amount exceeding the recoverable amount.

Discontinued operations

Voluntary liquidation of Telelink Business Services Montenegro

In March 2024. Telelink Business Services Group AD adopts a decision on voluntary liquidation of Telelink Business Services Montenegro and submits the applicable documents for its registration in the Central Register of Business Entities of the Republic of Montenegro. The actual entry of the deletion in the register was disclosed by the Parent Company on 24.04.2024.

As of 30.06.2024. the Parent Company has fully written off its investment in Telelink Business Services Montenegro in the amount of BGN 123 thousand. The proceeds from liquidation paid to Telelink Business Services Group AD as a positive difference after collection and repayment of all receivables and liabilities of Telelink Business Services Montenegro amount to BGN 95 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

8. Changes in investments in subsidiaries and discontinued operations (continued)

Discontinued operations (continued)

Sale of Telelink Albania

In accordance with the respective proposal of the MB approved by the SB on 30.04.2024, on 25.06.2024, a Share purchase agreement for the sale of 100% of the shares in the capital of Telelink Albania was signed between the Parent Company (seller) and Erton Graceni (purchaser) (administrator of Telelink Albania as of the same date, who did not represent a related / interest party vis-à-vis the shareholders / members of the MB and SB of Telelink Business Services Group AD), for a committed consideration of EUR 10 thousand.

The transfer of all shares in the capital of Telelink Albania to Erton Graceni was entered in the National Business Register of the Republic of Albania on 12.07.2024.

As of 12.07.2024, the Parent Company has written off fully its investment in Telelink Albania in the amount of BGN 20 thousand. The proceeds from the sale paid to Telelink Business Services Group AD as consideration for the transaction were equivalent to the same amount.

Results from the discontinued operations are presented below:

	2024	*2022*
	BGN'000	***BGN'000***
Revenue	891	1,004
Cost of sales	(799)	(770)
Gross profit	**92**	**234**
Other operating income	-	2
General and administrative expenses	(88)	(235)
Selling and marketing expenses	(9)	(36)
Other operating expenses	(8)	(84)
Operating loss	**(13)**	**(119)**
Finance income	5	100
Finance costs	(1)	(30)
Loss before tax	**(9)**	**(49)**
Income tax expense	-	(4)
Loss for the year	**(9)**	**(53)**

The net assets of discontinued operations are presented below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

8. Changes in investments in subsidiaries and discontinued operations (continued)

Discontinued operations (continued)

	2024
	BGN'000
Total assets	1,651
Total liabilities	1,741
Net assets	(90)
Selling price	20
Net result from discontinued operations	**110**

The net change in cash and cash equivalents of discontinued operations are presented below:

	2024
	BGN'000
Net cash flows from operating activities	210
Net cash flows from investing activities	5
Net cash flows used in financing activities	(323)
Net change in cash and cash equivalents	**(108)**

9. Revenues from contracts with customers

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

	2024	*2023**
		Restated
Revenue from contracts with customers	***BGN' 000***	***BGN' 000***
Geographical markets		
Bulgaria	134,019	118,048
Other European countries	86,636	63,847
Counties outside Europe	2,318	2,359
	222,973	**184,254**
Timing of revenue recognition		
At a point	161,166	137,046
Over time	61,807	47,208
	222,973	**184,254**
Type of product		
Goods	96,082	74,658
Services	126,891	109,596
	222,973	**184,254**

In 2024, there were no direct clients accounting for more than 10% of the consolidated annual revenues of the Group.

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

The "Goods" category includes sales of equipment, while the "Services" category comprises licenses, installation services, consulting services, maintenance, software development services, and managed services.

The Group has not disclosed revenues by product or service category as the information is not readily available in the format required by IFRS 8. Management has concluded that the benefits of such a disclosure would not outweigh the costs involved. The revenue amounts presented in the financial statements are based on the internal financial reporting of the Group.

Contract balances

	2024	***2023***
	BGN'000	***BGN'000***
Trade receivables (note 23)	70,524	51,076
Contract assets (note 23)	12,003	15,642
Contract liabilities (note 30)	20,825	34,394

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

9. Revenue from contracts with customers (continued)

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.

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 2024 amounts to BGN 23,062 thousand (at 1 January 2023: BGN 14,092 thousand).

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

	2024	***2023***
	BGN'000	***BGN'000***
Within one year	13,648	25,175
Between one and three years	6,207	8,491
Between three and five years	970	728
	20,825	**34,394**

10. General and administrative expenses

	2024 *BGN'000*	*2023** *Restated* *BGN'000*
Employee benefit expenses	(9,574)	(7,042)
Depreciation & amortisation	(576)	(366)
Consulting services	(3,196)	(1,697)
Office rent and utilities	(275)	(413)
Representative expenses	(795)	(538)
Other	(657)	(692)
	(15,073)	**(10,748)**

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

- Fee for statutory audit on the separate and consolidated financial statements to the amount of BGN 239 thousand (2023: BGN 174 thousand)

11. Sales and marketing expenses

	2024 *BGN'000*	*2023** *Restated* *BGN'000*
Employee benefit expenses	(13,782)	(8,340)
Depreciation & amortisation	(661)	(418)
Consulting and agency services	(2,572)	(4,050)
Marketing and advertisement	(753)	(535)
Other	(1,300)	(703)
	(19,068)	**(14,046)**

12. Expenses by nature

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

	2024 *BGN'000*	*2023** *Restated* *BGN'000*
Changes in inventories of work in progress	(1,672)	2,407
Capitalised development costs and contract costs	343	507
Raw materials and consumables	(970)	(782)
Hired services	(81,585)	(81,802)
Employee benefit expenses (note 15)	(39,442)	(25,502)
Depreciation and amortisation (note 19, 21)	(5,953)	(3,984)
Cost of goods sold	(66,328)	(52,752)
Other	(13,863)	(10,636)
	(209,470)	**(172,544)**

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13. Other operating income/ (expenses)

Other operating income	***2024 BGN'000***	***2023* Restated BGN'000***
Gain on disposal of subsidiaries	271	-
Gain on disposal of property, plant and equipment	80	1
Gain on disposal of assets held for sale	3	-
Written off payables	31	6
Government grants (note 26)	705	286
Rental income	29	28
Other	703	132
	1,822	**453**

Other operating expenses	***2024 BGN'000***	***2023* Restated BGN'000***
Penalties	(56)	(32)
Other	(387)	(66)
	(443)	**(98)**

14. Finance income and finance costs

Finance costs	***2024 BGN'000***	***2023* Restated BGN'000***
Interest on financing	(1,152)	(478)
Net foreign exchange loss	-	(394)
Bank charges paid	(357)	(244)
	(1,509)	**(1,116)**

Finance income	***2024 BGN'000***	***2023* Restated BGN'000***
Net foreign exchange gain	85	-
	85	**-**

15. Employee benefit expenses

	2024 BGN'000	*2023* Restated BGN'000*
Salaries	(35,377)	(22,842)
Social security contributions	(4,102)	(2,504)
Expenses related to defined benefit plans	(65)	(47)
Share-based payments	102	(109)
	(39,442)	**(25,502)**

Additional information related to the share-based payments is presented in note 39.

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

	2024 Number	*2023* Restated Number*
Management	13	11
Operations	314	197
Sales	77	50
Administration	74	64
	478	**322**

16. Income tax

The major components of income tax expenses are as follows:

	2024 BGN'000	*2023* Restated BGN'000*
Current income tax		
Current income tax charge	(2,006)	(2,211)
Adjustment in respect of current income tax of previous year	10	4
Deferred income tax		
Relating to origination and reversal of temporary differences	162	755
Income tax reported in the statement of comprehensive income	**(1,834)**	**(1,452)**

The reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the Group for the years 2024 and 2023 is as follows:

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16. Income tax (continued)

	2024 *BGN'000*	*2023** *Restated* *BGN'000*
Accounting profit before income tax	13,458	10,949
Accounting loss before tax from discontinued operations	(9)	(49)
Accounting profit before income tax	13,449	10,900
Income tax rate	10%	10%
At income tax rate 10% (2023: 10%)	(1,345)	(1,090)
Tax effects of profits from subsidiaries taxed at different rate	(61)	58
Tax effect of non-deductible expenses	(97)	(128)
Effect from temporary difference become permanent	87	(4)
Utilisation of previously unrecognised tax losses and temporary differences	(102)	-
	(1,834)	**(1,452)**
At the effective income tax rate of:	14%	13%
Income tax reported in the statement of comprehensive income	(1,834)	(1,452)
	(1,834)	**(1,452)**

Deferred taxes of the Group as at 31 December 2024 and 2023 relate to the following items:

	Statement of financial position		**Statement of comprehensive income**	
	2024	*2023*	*2024*	*2023** *Restated*
Deferred income tax assets / (liabilities)	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Accrued expenses	949	762	187	604
Employee benefits	306	303	3	66
Property, plant and equipment/Intangible assets	41	(91)	132	(16)
Impairment losses on fanancial and contract assets	22	203	(181)	(7)
Share-based payments	-	37	(37)	(27)
Other	18	59	(41)	41
Asset for tax loss	395	296	99	94
Deferred income tax asset	**1,731**	**1,569**		
Movement in deferred taxes			**162**	**755**

The reconciliation between the movement in deferred tax assets for 2024 and 2023 is as follows:

	2024 *BGN'000*	*2023* *BGN'000*
Opening balance as of 1 January	1,569	816
Tax expense during the year recognised in profit or loss	162	755
Discontinued operations	-	(2)
Closing balance 31 December	**1,731**	**1,569**

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16. Income tax (continued)

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 ("CITA") related to the global minimum corporate tax of 15%

At the end of 2023, amendments to 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.

17. Assets classified as held for sale

In a prior period, Telelink Business Services EAD acquired apartments located in Aheloy in connection with trade receivables from a customer, following the completion of a public sale procedure. In 2022, a portion of the apartments was sold. The apartments were classified as held for sale, as management committed to a plan for their disposal.

As of the end of 2023, one of the apartments had been sold and there was an active commitment to sell the remaining three apartments. The apartments were sold in March 2024 for a total consideration of BGN 271 thousand, which is close to their carrying amount as of 31 December 2023 – BGN 269 thousand.

18. Prepayments

	2024	*2023*
	BGN'000	*BGN'000*
Balance on 1 January	**25,865**	**18,053**
Aquired in business combination (note 8)	793	-
Accrued during the year	22,478	34,149
Released to profit and loss	(26,350)	(26,337)
Balance on 31 December	**22,786**	**25,865**
Current	13,235	13,252
Non-current	9,551	12,613
	22,786	**25,865**

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

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19. Property, plant and equipment

Book value	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Other	Buildings	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2024	9,497	1,856	2,260	26	1,063	7,047	1,376	-	23,125
Aquired in business combination (note 8)	-	1,950	1,718	-	356	-	-	115	4,139
Additions	5,730	148	790	-	699	2,733	2,044	-	12,144
Disposals	(1,159)	(523)	(636)	-	6	(324)	-	(115)	(2,751)
Discontinued operations (note 8)	(55)	-	(39)	-	(5)	-	-	-	(99)
Transferred from inventory	-	-	-	-	-	124	-	-	124
Transferred to inventory	-	-	-	-	-	(389)	-	-	(389)
Exchange adjustment	-	1	1	-	-	77	-	-	79
Balance as of 31 December 2024	14,013	3,432	4,094	26	2,119	9,268	3,420	-	36,372
Accumulated depreciation:									
Balance as of 1 January 2024	(5,306)	(1,622)	(1,886)	(25)	(554)	(2,472)	(201)	-	(12,066)
Aquired in business combination (note 8)	-	(1,632)	(1,698)	-	(319)	-	-	(64)	(3,713)
Depreciation for the year	(2,649)	(334)	(428)	-	(149)	(1,639)	(418)	(4)	(5,621)
Disposals	968	522	627	-	(19)	98	-	68	2,264
Discontinued operations (note 8)	45	-	35	-	4	-	-	-	84
Transferred to inventory	-	-	-	-	-	307	-	-	307
Exchange adjustment	-	-	-	-	-	(3)	-	-	(3)
Balance as of 31 December 2024	(6,942)	(3,066)	(3,350)	(25)	(1,037)	(3,709)	(619)	-	(18,748)
Net book value as of 1 January 2024	**4,191**	**234**	**374**	**1**	**509**	**4,575**	**1,175**	**-**	**11,059**
Net book value as of 31 December 2024	**7,071**	**366**	**744**	**1**	**1,082**	**5,559**	**2,801**	**-**	**17,624**

Book value	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Other	Other	Total
	BGN'000	*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	1,972	26	657	5,650	375	-	16,025
Additions	4,093	173	363	-	406	1,397	1,001	-	7,433
Disposals	(249)	(2)	(85)	-	-	-	-	-	(336)
Transfers	-	(10)	10	-	-	-	-	-	-
Exchange adjustment	3	-	-	-	-	-	-	-	3
Balance as of 31 December 2023	9,497	1,856	2,260	26	1,063	7,047	1,376	-	23,125
Accumulated depreciation:									
Balance as of 1 January 2023	(3,658)	(1,406)	(1,630)	(25)	(457)	(1,375)	-	-	(8,551)
Depreciation for the year	(1,858)	(224)	(326)	-	(97)	(1,097)	(201)	-	(3,803)
Disposals	210	2	76	-	-	-	-	-	288
Transfers	-	6	(6)	-	-	-	-	-	-
Balance as of 31 December 2023	(5,306)	(1,622)	(1,886)	(25)	(554)	(2,472)	(201)	-	(12,066)
Net book value as of 1 January 2023	**1,992**	**289**	**342**	**1**	**200**	**4,275**	**375**	**-**	**7,474**
Net book value as of 31 December 2023	**4,191**	**234**	**374**	**1**	**509**	**4,575**	**1,175**	**-**	**11,059**

Group Other includes improvements of a leased asset (office).

The Group has performed impairment testing on the property, plant and equipment as at the end of 2024. There are no indicators that the carrying amount exceeds their recoverable amount. 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.

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19. Property, plant and equipment (continued)

Geographical information

as at 31 December 2024	Bulgaria	Other European countries	Counties outside Europe	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Property, plant and equipment	9,846	6,818	960	17,624
Investment properties	-	526	-	526
Intangible assets	905	176	-	1,081
Prepayments	4,590	4,260	701	9,551
Goodwill		15,922		15,922
	15,341	**27,702**	**1,661**	**44,704**

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**

20. Investment property

	2024	*2023*
	BGN'000	*BGN'000*
Opening balance at 1 January	454	448
Net result from a fair value remeasurement	72	6
Closing balance at 31 December	**526**	**454**
Rental income derived from investment properties	29	28
Net profit arising from investment properties carried at fair value	**29**	**28**

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

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%

21. Intangible assets

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2024	3,667	741	458	4,866
Aquired in business combination (note 8)	4,841	-	471	5,312
Additions	-	317	114	431
Disposals	(29)	-	(43)	(72)
Transfers	811	(839)	28	-
Transferred from inventory	-	93	-	93
Transferred to inventory	-	(312)	-	(312)
Balance as of 31 December 2024	9,290	-	1,028	10,318
Accumulated amortization:				
Balance as of 1 January 2024	(3,558)	-	(278)	(3,836)
Aquired in business combination (note 8)	(4,674)	-	(468)	(5,142)
Amortisation for the year	(272)	-	(58)	(330)
Disposals	29	-	43	72
Exchange adjustment	(1)	-	-	(1)
Balance as of 31 December 2024	(8,476)	-	(761)	(9,237)
Net book value as of 1 January 2024	**109**	**741**	**180**	**1,030**
Net book value as of 31 December 2024	**814**	**-**	**267**	**1,081**

	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**

The Group invests resources in the development of new products—software solutions in areas such as next-generation communications, information and cybersecurity, integrated security, and the Internet of Things. The Group's other intangible assets include a branding concept. In 2023, the Group registered a trademark, which will be amortised over a period of 10 years. In 2024, a concept, design, and workspace architecture for a new office were recognised under the "Other" category.

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21. Intangible assets (continued)

The Group performed an impairment review of intangible assets as of the end of 2024. No indicators were identified suggesting that the carrying amount exceeds the recoverable amount, and as a result, no impairment loss was recognised in the financial statements.

22. Inventories

	2024	*2023*
	BGN'000	*BGN'000*
Materials	270	534
Goods	1,460	6,503
Dispatched goods	1	173
Work in progress	3,919	4,859
	5,650	**12,069**

Write-down allowance for inventories

	2024	*2023*
	BGN'000	*BGN'000*
At 1 January	125	62
Charge for the year	-	63
Discontinued operations (note 8)	(63)	-
At 31 December	**62**	**125**

23. Trade and other receivables and contract assets

Trade and other receivables

	2024	*2023*
	BGN'000	*BGN'000*
Trade receivables from related parties, gross (note 32)	5,167	6,939
Trade receivables from third parties, gross	65,413	44,456
Loss allowance	(56)	(319)
Trade receivables	**70,524**	**51,076**
Other receivables	2,740	2,876
Trade and other receivables	**73,264**	**53,952**

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 7,303 thousand as at 31 December 2024 (as at 31 December 2023: 2,687 BGN).

23. 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 2024, the funds utilized amounted to zero BGN (as at 31 December 2023: zero BGN).

Other receivables include mainly paid advances to suppliers and court receivables.

Contract assets

As at 31 December 2024, the Group had contract assets amounted BGN 12,003 thousand (31 December 2023: BGN 15,642 thousand). The Group does not expect credit losses on contract assets.

	2024	*2023*
	BGN'000	***BGN'000***
Balance on 1 January	15,642	2,879
Accrued during the year	12,003	15,642
Aquired in business combination (note 8)	258	-
Released to profit and loss	(15,900)	(2,879)
Balance as of 31 December	**12,003**	**15,642**
Current	12,003	15,642
Non-current	-	-
	12,003	**15,642**

The amounts included in contract assets are for services and equipment accepted by the customer that have not been invoiced at the end of the reporting period.

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

	Collectively assessed	**Individually assessed**
	BGN'000	**BGN'000**
Balance as at 1 January 2023	**-**	**393**
Net impairment losses	-	-
Amounts written off	-	(74)
Balance as at 31 December 2023	**-**	**319**
Net impairment losses	-	5
Amounts written off	-	(268)
Balance as at 31 December 2024	**-**	**56**

The Group performs a detailed impairment analysis of trade receivables and contract assets based on issued documents and contractual relationships for each individual transaction on a case-by-case basis.

23. Trade and other receivables and contract assets (continued)

The ageing analysis of trade receivables and contract assets as at 31 December 2024 and 31 December 2023 is presented in the following table:

31 December 2024	Current BGN'000	Days past due < 30 days BGN'000	31-60 days BGN'000	61 - 90 days BGN'000	91 - 180 days BGN'000	> 181 days BGN'000	Total BGN'000
Receivables from related parties, gross	4,596	98	83	78	66	246	**5,167**
Receivables from third-party customers, gross	55,753	4,026	4,942	44	181	467	**65,413**
Contract assets, gross	12,003	-	-	-	-	-	**12,003**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(56)	**(56)**
Total trade receivables and contract assets	**72,352**	**4,124**	**5,025**	**122**	**247**	**657**	**82,527**

31 December 2023	Current BGN'000	Days past due < 30 days BGN'000	31-60 days BGN'000	61 - 90 days BGN'000	91 - 180 days BGN'000	> 181 days BGN'000	Total BGN'000
Receivables from related parties, gross	6,728	41	32	29	39	70	**6,939**
Receivables from third-party customers, gross	34,222	6,003	1,733	439	965	1,094	**44,456**
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**

The trade and other receivables presented in the table above have been assessed on an individual basis and, accordingly, no information on expected credit loss rates has been disclosed. The expected credit loss as of the end of the reporting period has been determined to be insignificant.

24. Loans granted

Current	**Maturity**	***2024* *BGN'000***	***2023* *BGN'000***
Third parties	2025	303	1,401
Loss allowance		-	(1,401)
		303	**-**

As of 31 December 2023, the Group has not granted any loans, except for loans impaired as of 31 December 2017.

Following the sale of Telelink Albania in July 2024 (Note 8), the obligations under the loan agreement between Telelink Business Services EAD and Telelink Albania have been presented as loans to third parties. These are recognised at the amount of the outstanding principal as of that date—EUR 292 thousand—and unpaid interest of EUR 15 thousand. The revolving credit facility was replaced with a fixed repayment schedule, under which the interest payable of EUR 15 thousand and EUR 137 thousand of the outstanding principal were repaid in 2024 and the outstanding balance shall be repaid no later than 31 July 2025.

25. Cash and cash equivalents

	2024 *BGN'000*	*2023* *BGN'000*
Cash and cash equivalents in hand	2	4
Cash and cash equivalents in current accounts	24,883	13,930
Cash and cash equivalents in accounts subject of special conditions	-	1
Short-term deposits	94	156
	24,979	**14,091**

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 2024 and 31 December 2023 equals their carrying amount. Amounts in accounts with special conditions have been transferred and not withdrawn as at 31 December 2023 of the respective year dividends from certain shareholders.

The Group's cash and cash equivalents are held with banking institutions with credit ratings of "A-", "A+", "BBB", and "Baa1".

26. Government grants

In 2024, Telelink Business Services EAD received funding of BGN 520 thousand under the European ACTING Programme – European Commission EDF 2022/2026, and BGN 120 thousand under the operational programme ECHO – European network of Cybersecurity Centres and Competence Hub for Innovation and Operations. Under both programmes, Telelink Business Services EAD participates jointly in consortia with European and Bulgarian companies. The funds are designated for personnel expenses related to the implementation of the programmes over a period of two to four years.

In 2023, Telelink Business Services EAD received funding of BGN 398 thousand under the European programme Veles Excellence Hub 2023. In 2024, funding in the amount of BGN 54 thousand was reimbursed.

In April 2024, the Group acquired the Croatian company Sedam IT d.o.o., which is a participant in two European programmes providing funding for personnel expenses related to the implementation of programme objectives – Eurostars and MZOŠ. In 2024, funding reimbursed under the Eurostars project amounted to BGN 6 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:

26. Government grants (continued)

	2024 *BGN'000*	*2023* *BGN'000*
Balance on 1 January	1,388	1,276
Aquired in business combination (note 8)	(276)	-
Received during the year	580	398
Amounts written off	285	-
Released to profit and loss (note 13)	(705)	(286)
Balance on 31 December	**1,272**	**1,388**
Current	725	585
Non-current	547	803
	1,272	**1,388**

27. Interest-bearing loans and borrowings

Current	**Interest rate %**	*2024* *BGN'000*	*2023* *BGN'000*
UniCredit (Slovenia), overdraft	1M EURIBOR + 1.5%	-	1,507
UBB (Bulgaria), overdraft	RIR + 1.5 %	712	-
RBB (Croatia), factoring	6M EURIBOR +1.8%	2,030	-
UniCredit (Bulgaria), investment loan	3M EURIBOR+2.2%	1,418	-
Erste Bank (Croatia), revolving credit facility	5.25%	1,271	-
Zagrebačka Banka (Croatia), overdraft	3M EURIBOR + 1.5%	518	-
UniCredit (Bulgaria), revolving credit facility	ADI+2.35%	7,303	2,687
		13,252	**4,194**

During the reporting period, an overdraft agreement remained in force between Telelink Business Services Group AD and United Bulgarian Bank AD. On 28 February 2024, Annex No. 2 to the agreement was signed, extending the final utilization and repayment dates to 28 January 2028 for guarantees issued, and to 28 February 2028 for utilization in the form of an overdraft and repayment of amounts drawn under the credit facility as a whole. The credit limit under the agreement remains at EUR 2,000,000, available in the form of either an overdraft, a conditional loan, or a combination thereof, serving as collateral for the issuance of guarantees.

The credit limit remains available for utilization in BGN, EUR, or USD, at the applicable interest rates of the lender's Reference Interest Rate (RIR) + 1.5%, 1-month EURIBOR + 1.5%, and 1-month LIBOR + 1.5%, but not less than 1.5%, regardless of the currency of utilization.

The collateral under the agreement continues to include a pledge over receivables from bank accounts, a pledge over current and future receivables under commercial contracts between Telelink Business Services Group AD and its subsidiaries, and a corporate guarantee issued by Telelink Business Services EAD.

As of 31 December 2024, the outstanding liability under the agreement amounts to BGN 712 thousand.

27. Interest-bearing loans and borrowings (continued)

As of 31 December 2024, the Overdraft Facility Agreement No. 0018/730/10102019 dated 10 October 2019 between UniCredit Bulbank AD and Telelink Business Services EAD remains in force.
Significant changes during the period to the agreement and the related guarantee and pledge agreements include:

- Annex No. 13 dated 6 March 2024, which approves the utilization of a revolving credit sub-limit under the agreement to finance up to 80% of the value of a contract between the company and “Consortium TELESEC” dated 06.03.2023 for performing activities amounting up to EUR 5,000,000 under a public procurement contract No. 5785mpd-14 / 28 February 2023, titled “Development of a National Intelligent Security System by Upgrading the Integrated Automated Security System”, concluded with the Ministry of Interior. The financing is secured by a special pledge over the relevant receivables of the company, dated the same day.
- Annex No. 14 dated 31 May 2024, which extends the maturity of the agreement to 30 June 2024.
- Annex No. 8 dated 31 May 2024 to the Guarantee Agreement dated 10 October 2019 between Telelink Business Services Group AD, Telelink Business Services EAD, and UniCredit Bulbank AD, reflecting the above extension.
- Annex No. 15 dated 28 June 2024, which:
  - increases the total credit limit available under the overdraft, revolving credit, and conditional bank guarantee facility in BGN, EUR, or USD from EUR 18,000,000 to EUR 20,000,000, maintains the overdraft sub-limit at EUR 4,000,000, increases the revolving credit sub-limit from EUR 5,000,000 to EUR 6,000,000, and increases the conditional credit limit for issuing bank guarantees from EUR 18,000,000 to EUR 20,000,000, subject to not exceeding the difference between the total credit limit and the utilized and outstanding amounts under the overdraft and revolving sub-limits;
  - extends the main utilization period until 31 May 2025, with repayment deadlines set to 31 July 2025 for the overdraft and 31 May 2026 for the revolving credit facility.
- Annex No. 9 dated 28 June 2024 to the Guarantee Agreement dated 10 October 2019 and Annex No. 2 to the Pledge Agreement of Shares dated 6 July 2023 between Telelink Business Services Group AD, Telelink Business Services EAD, and UniCredit Bulbank AD, reflecting the aforementioned amendments.

All credit limits remain available for utilization in BGN, EUR, or USD, at the respective applicable interest rates of ADI + 2.35%, 1-month EURIBOR + 1.5%, and 1-month LIBOR + 1.5%, but not less than 1.5%, regardless of the currency of utilization.

The collateral provided and to be established under the agreement continues to include a pledge over receivables from the company’s bank accounts, a pledge over current and future receivables under specifically identified contracts of Telelink Business Services EAD to secure amounts drawn under the overdraft facility, additional pledges over current and future receivables of Telelink Business Services EAD under projects financed by the revolving credit facility, a pledge over 100% of the shares in the capital of Telelink Business Services EAD along with related receivables, and a corporate guarantee from Telelink Business Services Group AD, including a commitment to maintain its ownership in the capital of Telelink Business Services EAD.

27. Interest-bearing loans and borrowings (continued)

Interest expenses under the agreement for 2024 amounted to BGN 219 thousand. As of 31 December 2024, the outstanding principal and interest payable under the agreement amounts to BGN 7,303 thousand.

During the reporting period, Revolving Credit Facility Agreement No. 23F-10092889-95625 dated 18 December 2023 between Telelink Business Services EAD and United Bulgarian Bank AD remained in force. The facility has a limit of EUR 4,000,000, available in BGN and EUR, at applicable interest rates of the bank's short-term interest rate (RIR) + 1.7% (but not less than 1.7%) and 1-month EURIBOR + 1.5% (but not less than 1.5%). The utilization and repayment periods extend to 29 November 2025 and 30 November 2025, respectively.

The collateral provided and to be established under the agreement continues to include a pledge and financial collateral agreement under the Bulgarian Financial Collateral Arrangements Act over all receivables of Telelink Business Services EAD from its accounts with the bank, and a first-ranking special pledge over all current and future receivables of Telelink Business Services EAD approved for financing under the agreement.

As of 31 December 2024, the company has no outstanding principal or interest obligations under the agreement.

On 18 June 2024, an annex was signed to the Credit Agreement between Comutel and Raiffeisen Banka a.d. Beograd dated 21 January 2016, introducing the following amendments: the revolving credit limit for working capital was reduced from USD 4,200,000 to USD 2,500,000; the interest rate applicable to drawdowns in Serbian dinars was increased from 1-month BELIBOR + 2.8% to 1-month BELIBOR + 3.0%; the option for drawdowns in euro was introduced, subject to an interest rate of 3-month EURIBOR + 2.6%; and the agreement term was extended to 27 January 2025, with a final repayment date of 28 February 2025. The interest rate applicable to drawdowns in USD remains unchanged at 3-month SOFR + 2.6%.

The obligations under the agreement are secured by a requirement to maintain a pledge over receivables from a key client of the company covering no less than 50% of the utilized and outstanding amounts, blank promissory notes issued by the company with a "without protest" clause, and a corporate guarantee issued by Telelink Business Services EAD.

As of 31 December 2024, and throughout the reporting year, Comutel had not utilized any amounts under the facility and had no interest expenses or outstanding principal or interest obligations.

On 18 January 2024, an annex was signed to the Framework Loan Agreement No. 5074/2022 between UniCredit Banka Slovenija d.d. and Telelink Slovenia dated 22 March 2022, extending the maturity to 19 April 2024. On 26 April 2024, a subsequent annex was signed to further extend the maturity to 18 April 2025.

The credit limit, available as a revolving credit facility and/or bank guarantees, remains at EUR 1,500,000. The annual interest rate remains at 3-month EURIBOR + 1.6%.

27. Interest-bearing loans and borrowings (continued)

Telelink Slovenia's obligations under the agreement continue to be secured by a corporate guarantee provided by Telelink Business Services Group AD. As of 31 December 2024, the company has no outstanding principal or interest obligations under the agreement.

On 10 April 2024, an annex was signed to Overdraft Framework Agreement No. 1102903942 dated 18 December 2023 between Telelink Business Services Croatia and Zagrebačka banka d.d., increasing the credit limit under the agreement from EUR 600,000 to EUR 1,200,000 and updating the collateral arrangements.

The updated collateral includes a promissory note issued by Telelink Business Services Croatia and a corporate guarantee from Telelink Business Services Group AD, issued on 26 June 2024, reflecting the increased credit amount. The applicable interest rate under the agreement remains at 3-month EURIBOR + 1.5%. As of 31 December 2024, outstanding principal and interest liabilities under the agreement amounted BGN 518 thousand.

During the reporting period, Framework Credit Limit Agreement No. FW10.1259 between Telelink Business Services Macedonia and ProCredit Bank AD Skopje dated 20 July 2021 remained in force. The agreement provides a total limit of EUR 500,000, available in the form of overdraft, revolving credit, bank guarantees, and/or other credit instruments, with an annual interest rate of 5% and a maximum term until 15 July 2031.

The obligations of Telelink Business Services Macedonia under the agreement continue to be secured by a bank guarantee issued by Telelink Business Services EAD.

As of 31 December 2024, and throughout the reporting year, the company had not utilized any amounts and had no interest expenses or outstanding principal or interest liabilities under the agreement.

On 9 July 2024, an annex was signed to Loan Agreement No. 5302097953 dated 1 July 2022 between Sedam IT and Erste & Steiermärkische Bank d.d., Rijeka, with limit of EUR 1,300,000 under which the interest rate was set at 5.25%, and the repayment term was extended to 1 July 2025.

The obligations under the agreement remain secured up to the full credit limit by a promissory note issued by Sedam IT.

As of 31 December 2024, outstanding principal and interest under the agreement amounted to BGN 1,271 thousand.

On 23 August 2024, a Revolving Credit Agreement No. 6500378003 was signed between Sedam IT and Raiffeisenbank Austria d.d., Zagreb, with a total credit limit for cash and bank guarantees of EUR 800,000, including a sub-limit of EUR 400,000 for cash utilization, either as a revolving loan or an overdraft of up to EUR 170,000.

27. Interest-bearing loans and borrowings (continued)

The applicable annual interest rates are 1-month EURIBOR + 1.85% for revolving loan obligations and 1-month EURIBOR + 2.00% for overdraft obligations. The repayment period is up to 3 months for revolving loans and up to 12 months for overdraft, with a final utilization and repayment deadline of 31 July 2025.

The obligations are secured up to the full credit limit by a promissory note issued by Sedam IT.

As of 31 December 2024, the company had no outstanding principal or interest under this agreement.

On 23 August 2024, a Reverse Factoring Agreement No. 6500378003 was also signed between Sedam IT and Raiffeisenbank Austria d.d., Zagreb, with a revolving credit limit of EUR 1,100,000. The applicable annual interest rate is 6-month EURIBOR + 1.80%, with a financing term of up to 180 days from the date of payment to the supplier, utilization period until 31 July 2025, and final repayment deadline for all obligations under the agreement by 27 January 2026.

The obligations are secured up to the full credit limit and all related bank receivables by a promissory note issued by Sedam IT.

As of 31 December 2024, outstanding principal and interest under the agreement amounted to BGN 2,030 thousand.

		2024	*2023*
Non-current	**Interest rate %**	***BGN'000***	***BGN'000***
UniCredit (Bulgaria), investment loan	3M EURIBOR+2.2%	5,210	-
		5,210	**-**

With regard to the acquisition of Sedam IT, on 19.03.2024, 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, 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 31.07.2030. Securities stipulated in the agreement include:

- Pledge over 50% of all receivables of the Parent Company for dividends distributed by its subsidiaries, on the condition that the Parent Company will be authorized to dispose without limitations with such receivables and the cash proceeds therefrom unless 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 Parent Company from Sedam IT;
- Pledge over 100% of the company shares in the capital of Sedam IT and respective dividend receivables;

27. Interest-bearing loans and borrowings (continued)

- Pledge under the Law on financial collateral agreement (LFCA) over all receivables from accounts opened with the lending bank by Telelink Business Services Group AD and Telelink Business Services EAD.

On 10 April 2024, Annex № 1 to the agreement was signed, establishing a schedule for the repayment of the amount of EUR 3,568,730 utilized on 28.03.2024 with the purpose of financing the provisional upfront payment for the acquisition of 100% of the shares in the capital of Sedam IT in 65 equal monthly instalments from 01.05.2024 to 01.09.2029.

With regard to the additional financing of EUR 277,590 utilized to fund the equalization amount paid upon the final determination of the upfront payment for the acquisition, on 30.04.2024, Telelink Business Services Group AD signed Annex № 2 to the agreement, whereby the total amount and the amount of the monthly principal instalments in the repayment schedule were updated to reflect the amount of utilized credit attained as of 30.04.2024 (EUR 3,846,320).

As of 31.12.2024, the Parent Company's outstanding principal and interest obligations from the agreement were equivalent to a total of BGN 6,628 thousand, BGN 1,418 thousand of which represented short-term and BGN 5,210 thousand – long-term financial debt.

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

	2024	***2023***
	BGN'000	***BGN'000***
Interest-bearing loans and borrowings at 01 January	**4,194**	**2,879**
Aquired in business combination (note 8)	3,970	-
Proceeds from borrowings	101,758	59,353
Repayments of borrowings	(91,485)	(58,050)
Interest expense	911	327
Interest paid	(886)	(315)
Interest-bearing loans and borrowings at 31 December	**18,462**	**4,194**

28. 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.

There are no lease contracts that include extension and termination options and variable lease payments.

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28. Leases (continued)

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 2024	3,021	818	352	4,191
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	*352*	*352*
Additions	3,589	2,141	-	5,730
Disposals	(119)	(72)	-	(191)
Depreciation	(1,612)	(805)	(232)	(2,649)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	*(232)*	*(232)*
Discontinued operations (note 8)	(10)	-	-	(10)
Balance at 31 December 2024	**4,869**	**2,082**	**120**	**7,071**

	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
Disposals	-	(39)	-	(39)
Depreciation	(1,087)	(319)	(452)	(1,858)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(18)*	*(452)*	*(470)*
Exchange differences	2	1	-	3
Balance at 31 December 2023	**3,021**	**818**	**352**	**4,191**

Expenses for short-term lease (included in cost of sales) are BGN 29 thousand in 2024 (2023: BGN 29 thousand).

28. Leases (continued)

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

	2024 *BGN '000*	*2023* *BGN '000*
Balance at 1 January	**4,049**	**1,379**
Exercised termination option	(130)	(46)
Additions	5,513	4,093
Accretion of interest	250	127
Payments	(2,336)	(1,504)
Balance at 31 December	**7,346**	**4,049**
Current	2,641	1,228
Non-current	4,705	2,821

Following the acquisition of Sedam IT d.o.o. in April 2024, the Group measured the lease liability at the present value of the remaining lease payments, treating the acquired lease as a new lease as of the acquisition date. The right-of-use asset was recognised at an amount equal to the calculated lease liability.

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

	2024 *BGN '000*	*2023** *Restated* *BGN '000*
Depreciation expense of rights-of-use assets	(2,649)	(1,832)
incl. under Lease contracts with transfer of ownership by the end of the lease term	*(232)*	*(470)*
Interest expenses on lease liabilities	(250)	(126)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(17)*
Expenses relating to short-term leases	(29)	(29)
Total amount recognised in profit or loss	**(2,928)**	**(1,987)**

29. Trade and other payables

	2024 *BGN'000*	*2023* *BGN'000*
Trade payables to related parties (note 32)	2	48
Trade payables to third parties	58,507	47,068
Of which amounts that are part of supplier finance arrangements (note 27)	-	-
Accrued expenses	9,811	7,756
Trade payables	**68,320**	**54,872**
Tax liabilities	9,079	5,328
Personnel payables and other	6,882	4,271
SPA agreement payment (note 8)	5,192	-
Trade and other payables	**89,473**	**64,471**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is between 30 and 90 days (excluding supplier finance arrangements) and 45 days (including supplier finance arrangements). For most suppliers no interest is charged on the trade payables for the first 30 to 90 days from the date of the invoice depending on the supplier payment terms agreement. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The management considers that the carrying amount of trade payables approximates to their fair value.

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.

The payables under share purchase agreements include BGN 5,192 thousand in other non-current liabilities, which in substance represent contingent liabilities related to the acquisition of Sedam IT d.o.o. Under the share purchase agreement for Sedam IT d.o.o., an amount of EUR 2,654,458 constitutes contingent deferred payments, the final amount of which will be determined in 2025 and 2026 based on the financial performance of Sedam IT d.o.o. for 2024 and 2025. This amount represents the fair value of contingent consideration.

29. Trade and other payables (continued)

Supplier finance arrangements

Sedam IT d.o.o. has entered into a reverse factoring agreement for payables to suppliers, with a revolving credit limit of EUR 1,100,000, an annual interest rate of 6-month EURIBOR + 1.80%, and a financing term of up to 180 days from the date of payment to the supplier. The subject of the agreement comprises existing, not yet due, full or partial monetary receivables arising from the supply of goods and/or the provision of services by domestic or foreign suppliers to Sedam IT d.o.o., where the legal basis and the amount of each individual receivable included in the scope of the factoring arrangement are evidenced by invoices. As the arrangement permits the Group to extend finance from the banks by paying them later than the Group would have paid its suppliers, the Group considers amounts payable to the banks should be presented as part of Interest-bearing loans and borrowings (note 27).

	2024 *BGN'000*	*2023* *BGN'000*
Carrying amount of the financial liabilities that are subject to supplier finance arrangements	-	-
Presented as part of "Trade and other payables", including:	-	-
Trade payables for which suppliers have already received payment from the finance provider	-	-
	-	-
Presented as part of "Interest-bearing loans and borrowings ", including:	2,030	-
Borrowings for which suppliers have already received payment from the finance provider	*2,030*	-

30. Contract liabilities

	2024 *BGN'000*	*2023* *BGN'000*
Contract liabilities to related parties	-	745
Advances received	1,051	5,996
Deferred income	19,774	27,653
Total contract liabilities	**20,825**	**34,394**
Current	13,558	25,183
Non-current	7,267	9,211
	20,825	**34,394**

30. Contract liabilities (continued)

Revenue recognized during the current year from amounts included in contract liabilities as of 1 January 2024 amounted to BGN 23,062 thousand (BGN 14,092 thousand as of 1 January 2023).

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.

31. Employee retirement benefit obligations

	2024 *BGN'000*	*2023* *BGN'000*
Balance on 1 January	40	32
Accrued for the year	23	8
Balance on 31 December	**63**	**40**

Major assumptions used for accounting purposes:

Major assumptions	*2024*	*2023*
Discount Rate	0.40%	0.40%
Future Salary Increases	5.00%	5.00%
Personnel Retention Rate	80.14%	80.14%

There have been no 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.

32. Related party disclosures

Other related parties for the Group

Name	**Nature of relationship**
Telelink Infra Services Group AD (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 (Republic of North Macedonia)	Under common control
Telelink MK DOOEL – Kosovo Branch (Republic of 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 AD (Bulgaria)	Under common control
Earls Investment und Verwaltungs GmbH (Austria)	Under common control
Penergy Invest EOOD (Bulgaria)	Under common control
SIL Energy Invest AD (Bulgaria)	Under common control
Iskar Lake House OOD (Bulgaria)	Under common control
Alonhon Investments Holding Limited (UAE)	Under common control
V-Investment Bulgaria EOOD (Bulgaria)	Under common control
Telelink Investment EOOD (Bulgaria)	Under common control

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32. Related party disclosures (continued)

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:

Trade	**Sales to related parties**		**Purchases from related parties**	
	2024	***2023***	***2024***	***2023***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	2,312	2,625	89	1,751
	2,312	**2,625**	**89**	**1,751**

Trade	**Receivables from related parties**		**Payables to related parties**	
	2024	***2023***	***2024***	***2023***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	5,167	6,939	2	48
	5,167	**6,939**	**2**	**48**

Amounts due by related parties are included in trade and other receivables (Note 23). Amounts due to related parties are included in trade and other payables (Note 29).

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 2024 (2023: 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.

Remuneration of key management personnel

	2024	***2023***
	BGN'000	***BGN'000***
Short-term employee benefits	3,065	3,115
Share-based payments	6	41
	3,071	**3,156**

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33. Share capital and reserves

Registered capital	***2024 Shares***	***2023 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 in 2019, whereby in Telelink Business Services Group AD were 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 current or 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 Parent 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 Parent 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 (BGN 100 thousand) and Telelink Business Services North Macedonia (2022: BGN 2 thousand), Sedam IT DOO, acquired in March 2024 (BGN 22 thousand).

The Group's legal reserves as at 31 December 2024 amount to BGN 1,374 thousand (2023: BGN 1,352 thousand).

Other reserves
Part of 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 was 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 BGN 217 thousand as at 31 December 2024 (2023: BGN 426 thousand).

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33. Share capital and reserves (continued)

As at 31 December 2024 an amount of BGN 131 thousand (2023: BGN 87 thousand) in Other reserves is formed of valuation of investment property in the subsidiary Comutel DOO.

	2024	**2023**
	BGN'000	***BGN'000***
The difference between the investment in acquirees and the share capital	(13,717)	(13,717)
Valuation of investment property in the subsidiary Comutel DOO	131	87
Reserves formed under Share-based payments incentive plans	217	426
	(13,369)	**(13,204)**

Other components of equity

	Number of shares	***Other components of equity***
		BGN '000
At the beginning of the reporting period	**(2,078)**	**3**
Shares bought back on market	(20,700)	(182)
Share -based payments	22,772	202
Buy-back transaction costs	-	(1)
At the end of the reporting period	**(6)**	**22**

As at 31 December 2023, the Group held a total of 2,078 treasury shares. In 2024, the Group acquired an additional 20,700 shares in connection with the implementation of the Employee and Management Board Incentive Programme and Scheme established in 2021. In execution of the latter, a total of 22,772 shares were transferred during 2024 to Group employees and members of the Management Board of Telelink Business Services Group AD.

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 2024 were BGN (559) thousand (2023: BGN (536) thousand).

34. Earnings per share

The table below presents the calculation of earnings per ordinary share and diluted share:

Earnings	***2024 BGN'000***	***2023 BGN'000***
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Parent company	11,615	9,444
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	-	-
Earnings for the purposes of diluted earnings per share	**11,615**	**9,444**

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34. Earnings per share (continued)

Number of shares	***2024*** ***BGN'000***	***2023*** ***BGN'000***
Weighted average number of ordinary shares for the purposes of basic earnings per share	12,499,994	12,497,922
Effect of dilutive potential ordinary shares		
Share options	-	-
Convertible loan notes	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**12,499,994**	**12,497,922**
Earnings per ordinary and diluted shares from continuing operations		
Ordinary shares	0.93	0.76
Diluted shares	-	-

35. Dividends distributed

In 2023 and 2024, the General Meeting of Shareholders of Telelink Business Services Group AD decided that the profit for 2022 and 2023 to be transferred to retained earnings.

	2024 ***BGN'000***	***2023*** ***BGN'000***
At the beginning of the period	-	297
Final dividend for the year (2021: BGN 0.19 per share)	-	-
Interim dividend for the year (2022: BGN 0.62 per share)	-	-
Paid out	-	(297)
Tax withheld	-	-
At the end of the period	**-**	**-**

36. 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 2024	**Date of valuation**	**Total** *BGN'000*	**Quoted prices in active markets (Level 1)** *BGN'000*	**Significant observable inputs (Level 2)** *BGN'000*	**Significant unobservable inputs (Level 3)** *BGN'000*
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2024	526			526
Total assets measured at fair value		**526**	**-**	**-**	**526**

36. Fair value measurement (continued)

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**

37. 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 2024, amounted to BGN 45,619 thousand (at 31 December 2023: BGN 28,071 thousand).

Capital commitments: As of 31 December 2024 and 2023 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 2024.

Commitments to the benefit of related parties

As of 31.12.2024, the Telelink Business Services Group AD maintained its commitments of a guarantor, respectively pledgor under the following contracts with Unicredit Bulbank AD signed to secure the obligations of Telelink Business Services EAD (UIN 130545438) under the Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD from 10.10.2019:

- a Suretyship agreement from 10.10.2019, including a commitment to maintain the Parent Company's participation in the capital of Telelink Business Services EAD;
- a Share pledge agreement from 06.07.2023 over the Issuer's 100% stake in the capital of Telelink Business Services EAD and related receivables.

As of 31.12.2024, Telelink Business Services Group AD also maintained the following commitments undertaken thereby by way of guarantees issued in previous periods and extended and/or issued during the reported period:

- bank guarantees:

37. Commitments and contingencies (continued)

Commitments to the benefit of related parties (continued)

- o a counter-guarantee for the amount of EUR 664,163.28 securing the good performance of Telelink Business Services EAD (UIN 130545438) under a contract with NCI Agency – NATO with regard to a contract for the delivery of equipment and services valid until 15.11.2025, issued on 24.10.2023;
- o 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 31.03.2025, issued on 16.11.2023;
- o a bank guarantee for the amount of EUR 100,000 securing trade payables of Telelink Business Services Romania (UIN J40/19800/2021) towards MB DISTRIBUTION SRL valid until 15.02.2025, issued on 19.02.2024;
- o a counter-guarantee for the amount of EUR 300,000 securing the participation of Telelink Business Services EAD (UIN 130545438) in a tender procedure by NCI Agency – NATO valid until 30.04.2025, issued on 08.04.2024;
- • corporate guarantees:
- o 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 01.07.2020;
- o a corporate guarantee for the amount of EUR 56,554.95 securing the obligations of Telelink Business Services Croatia (UIN 081341811) from operating lease agreements with Unicredit Leasing Croatia d.o.o., issued on 15.02.2022;
- o 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 16.03.2022;
- o a corporate guarantee securing the obligations of Telelink Business Services Croatia (UIN 081341811) under Frame agreement for issuing bank guarantees № 0200126236 from 27.06.2022 with Zagrebacka Banka d.d. and the annexes thereto for the amount of EUR 900,000, issued on 07.04.2023;
- o 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 31.12.2024, issued on 20.11.2023;
- o a corporate guarantee, securing the obligations of Telelink Business Services Croatia (UIN 081341811) under a Frame overdraft agreement from 18.12.2023 with Zagrebacka Banka d.d. and the annexes signed thereto up to the amount of EUR 1,200,000, issued on 26.06.2024.

37. Commitments and contingencies (continued)

Commitments to the benefit of related parties (continued)

As of 31.12.2024, Telelink Business Services EAD had extended the following bank 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	Obligation/Type	Amount (BGN)	End Date
Consortium Telelink Group DZZD	177239104	performance bond	66,239	17.01.2025
Consortium Secure Borders Telesec DZZD	177158206	performance bond	151,277	27.02.2026
CONSORTIUM TELESEC DZZD	180851327	performance bond	781,454	01.04.2028
Consortium Technolink DZZD	177359593	performance bond	125,640	29.01.2027
Consortium Systel DZZD	177424500	performance bond	732,070	17.12.2026
TBS Macedonia	7385986	credit limit	586,749	31.05.2025
TBS Macedonia	7385986	counter-guarantee	606,307	31.01.2026
CONSORTIUM TELESEC DZZD	180851327	performance bond	258,791	30.10.2028
CNSys AD	121708078	performance bond	79,789	30.03.2030
CNSys AD	121708078	advance	1,429,023	06.02.2025
Consortium Systel DZZD	177424500	advance	2,969,168	09.12.2025
Consortium Systel DZZD	177424500	warranty support	615,335	30.07.2029
Consortium Systel DZZD	177424500	performance bond	2,461,341	30.06.2026
Kontrax AD	175415627	advance	2,278,776	30.04.2025

Besides the above commitments, throughout the reporting period, Telelink Business Services EAD:

- maintained its capacity of guarantor securing the obligations of Telelink Business Services Group AD from the agreement with United Bulgarian Bank AD;
- signed in the capacity of co-debtor the loan agreement between Telelink Business Services Group AD and UniCredit Bulbank AD;
- signed in the capacity of guarantor an Annex to the Guarantee agreement with Raiffeisen banka a.d. Beograd securing the obligations of Comutel;
- provided 2 corporate guarantees to the benefit of Cedo Djukic in his capacity of seller of the shares of Sedam IT securing Telelink Business Services Group AD's obligations for conditional deferred payments based on the results of Sedam IT for 2024 and 2025, in accordance with the terms of the Share purchase agreement.

38. 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 2024 and 2023, 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.

38. Financial risk management objectives and policies (continued)

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.

In connection with the overdraft and revolving credit agreements with United Bulgarian Bank AD, the investment loan and overdraft agreement with UniCredit Bulbank AD, the factoring agreement with RBA Croatia, and the overdraft agreement with Zagrebačka Banka Croatia, the Group is exposed to the risk of fluctuations in variable interest rate indices, namely the lender's reference interest rate — based on variable interest rates on individual deposits in Bulgaria — as well as the 3-month and 6-month EURIBOR.

During 2023–2024, the interest rate indices relevant to the Group showed mixed developments. The 3-month and 6-month EURIBOR, applicable to euro-denominated drawdowns under the overdraft agreement with United Bulgarian Bank AD, the investment loan with UniCredit Bulbank AD, the factoring agreement with RBA Croatia, and the overdraft agreement with Zagrebačka Banka Croatia, reflected significant volatility. In contrast, the reference interest rate of the lending banks, applicable to BGN-denominated drawdowns under the overdraft agreements with United Bulgarian Bank AD and UniCredit Bulbank AD, remained relatively insignificant, within the range of 0.0–0.1%. (Note 27).

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

	2024	*2023*
	BGN' 000	*BGN' 000*
Fixed rate instruments		
Financial assets	25,280	14,087
Loans granted (principal), (note 24)	303	-
Cash and cash equivalents, (note 25)	24,977	14,087
Financial liabilities	(1,271)	-
Interest-bearing loans and borrowings (principal), (note 27)	(1,271)	-
	24,009	**14,087**

	2024	*2023*
	BGN' 000	*BGN' 000*
Variable rate instruments		
Financial liabilities	(17,198)	(4,217)
Interest-bearing loans and borrowings (principal), (note 27)	(17,191)	(4,194)
Leases, (note 28)	(7)	(23)
	(17,198)	**(4,217)**

38. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The sensitivity analysis has been determined based on the exposure to interest rate risk for both the investment bank loan and the bank overdraft as at the end of the reporting period. For variable rate instruments, the analysis assumes that the amount of the liability outstanding at the reporting date had been in place throughout the entire period. An increase or decrease of 100 basis points is used in the internal reporting of interest rate risk to the Supervisory Board and represents management's assessment of a reasonably possible change in interest rates. The estimated impact is presented in the table below:

	Profit or loss	
Effect in thousands of BGN	**1.00% increase**	**-1.00% decrease**
31 December 2024		
Variable rate instruments	(106)	35
Cash flow sensitivity (net)	**(106)**	**35**
31 December 2023		
Variable rate instruments	(42)	18
Cash flow sensitivity (net)	**(42)**	**18**

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, 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, North Macedonia, and Romania.

38. Financial risk management objectives and policies (continued)

Currency risk (continued)

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:

	USD	*MKD*	*RSD*	*RON*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Trade and other payables	(13,008)	(984)	(370)	(20)
Contract liabilities	(4)	-	(6,149)	-
Trade and other receivables	1,787	487	2,595	-
Contract assets	572	-	-	-
Balance as at 31 December 2024	**(10,653)**	**(497)**	**(3,924)**	**(20)**

	Effect on profit before tax	
	+5%	**-5%**
	BGN' 000	BGN' 000
Change in USD rate	(533)	533
Change in MKD rate	(25)	25
Change in RSD rate	(196)	196
Change in RON rate	(1)	1
	(755)	**755**

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 statement of financial position as of 31 December 2024 and arises primarily from trade and other receivables, contract assets, and cash and cash equivalents (notes 23 and 25). The Group performed an impairment review of trade and other receivables and contract assets as of 31 December 2024 and concluded that no impairment provision was necessary.

38. Financial risk management objectives and policies (continued)

Liquidity risk

The Group manages liquidity risk and cash flow risk through systematic monitoring of the quality and maturity of its receivables and payables, as well as timely planning of incoming and outgoing cash flows. In the event of expected shortfalls in available funds within a given time horizon, and in order to address unforeseen deviations, the Group secures the necessary funding by arranging appropriately structured loans or revolving credit facilities through leading Subsidiaries.

Liquidity risk is maintained at a low level by holding sufficient cash and cash equivalents and by securing adequate credit facilities with the Group's relationship banks (see Note 25 "Cash and Cash Equivalents"). In addition, the ageing analysis of trade receivables (Note 23) is an indicator of expected incoming cash flows, which are anticipated to cover the Group's liabilities.

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

31 December 2024	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	31	2,037	11,184	5,210	-	18,462
Lease liabilities	4	622	2,015	4,705	-	7,346
Trade payables	3,415	59,218	5,687	-	-	68,320

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	945	2,821	-	4,049
Trade payables	2,272	41,705	10,895	-	-	54,872

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 2024 and 2023.

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, lease liabilities, trade and other payables, contract liabilities less cash and cash equivalents, excluding discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

38. Financial risk management objectives and policies (continued)

Capital management (continued)

	2024 *BGN'000*	*2023* *BGN'000*
Interest bearing loans and borrowings	18,462	4,194
Lease liabilities	7,346	4,049
Trade and other payables	86,879	64,471
Contract liabilities	20,825	34,394
Less cash and short term deposits	(24,979)	(14,091)
Net debt	108,533	93,017
Equity	39,059	27,549
Less other reserves	13,369	13,204
Adjusted Equity	52,428	40,753
Capital and net debt	**160,961**	**133,770**
Gearing ratio	67%	70%

39. 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 Management 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 shares were transferred to employees of the subsidiary in the Group.

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

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 in 2022, 2021 and 2020 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.

39. Share-based payments (continued)

In 2021 the Group establishes new identical share-based payment incentive Programme for management and key personnel and Scheme for members of the Management 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 in 2021 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 three-year period 2021-2023 in 2023 is BGN 114 thousand (2022: BGN 101 thousand).

In 2024, in accordance with the Scheme from 2021, 5,357 shares were transferred to members of the Management Board. In the same year, under the Programme from 2021, 15,899 shares were transferred to employees of Group companies. The cumulative expenses recognised under the Programme and the Scheme for the period 2021–2023 amounted to BGN 293 thousand and BGN 94 thousand, respectively. Upon transfer, the shares were measured at the closing price on the Bulgarian Stock Exchange (BSE) on the date of transfer, with a total value of BGN 209 thousand.

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

40. Events after the reporting period

In accordance with a respective invitation to convene published on 03.01.2025, an Extraordinary GMS of Telelink Business Services Group AD was held on 13.02.2025. The invitation to the meeting and all relevant materials have been published on http://www.x3news.com/ and on the Parent Company’s web page at https://www.tbs.tech/general-meetings-of-shareholders/. The minutes including the resolutions adopted by the assembly are available at https://www.tbs.tech/wp-content/uploads/2025/02/TBSG-protokol-%D0%95GMS-13022025_signed_all.pdf.

In accordance with the approval of the SB from 10.12.2024, on 31.01.2025, the MB approved the signing of Annex No3 to Overdraft Agreement No. 7138833-51457 from 15.02.2022 among Telelink Business Services Group AD (borrower), United Bulgarian Bank AD (lender) and Telelink Business Services EAD (guarantor), whereby the annual interest rate applicable to drawdowns in leva was changed to SIR + 1.95% but no less than 1.95%, and the agreement’s term – extended until 28.02.2029. The resolution of the Board of Directors of Telelink Business Services EAD for the latter to sign the Annex as guarantor was adopted on the same date. The Annex was signed on 11.02.2025.

On 27.02.2025, the MB approved the proposal of the Board of Directors of Telelink Business Services EAD to distribute a dividend to its sole owner (Telelink Business Services Group AD) in the amount of BGN 3,527,683.71, equivalent to EUR 1,803,676, from the profit of "TELELINK BUSINESS SERVICES" EAD for 2022.

In accordance with the resolution of the extraordinary GMS held on 13.12.2025, on 05.03.2025, the MB resolved upon initiating a procedure for the buyback of up to 200,000 own shares or 1.6% of the Parent Company’s registered capital. The respective buy order was placed with investment intermediary Elana Trading AD.

40. Events after the reporting period (continued)

As of 11.03.2025, the Parent Company had acquired within the share buyback procedure initiated on 05.03.2025 the maximum number of shares authorized by the GMS, i.e. 200,000 shares, at a price of up to BGN 11.50 per share, pursuant to which the number of own shares held by the Parent Company reached 200,006 or 1.6% of its registered capital.

On 18.03.2025, the SB approved the MB's proposal for the Parent Company to initiate a process of reorganization by merger of Telelink Business Services Croatia (Merging company) into Sedam IT (Acquiring company). The Reorganization agreement was approved by the Parent Company on 21.03.2025. The merger is being implemented without increasing the registered capital of the Acquiring company.

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

31.12.2024

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 44-47 of the Accountancy Act, Article 100n, Paragraph 5 of the Public Offering of Securities Act (POSA) and Appendix No 2 to Article 11, par. 1 of Ordinance No. 2 from 09.11.2021 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 view 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 is the Company's Corporate governance statement 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 POSA AND APPENDIX NO 2 TO ART. 11, PAR. 1 OF ORDINANCE NO 2 FROM 09.11.2021 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 (TBSG AD, the Company, the Issuer) was established in 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:

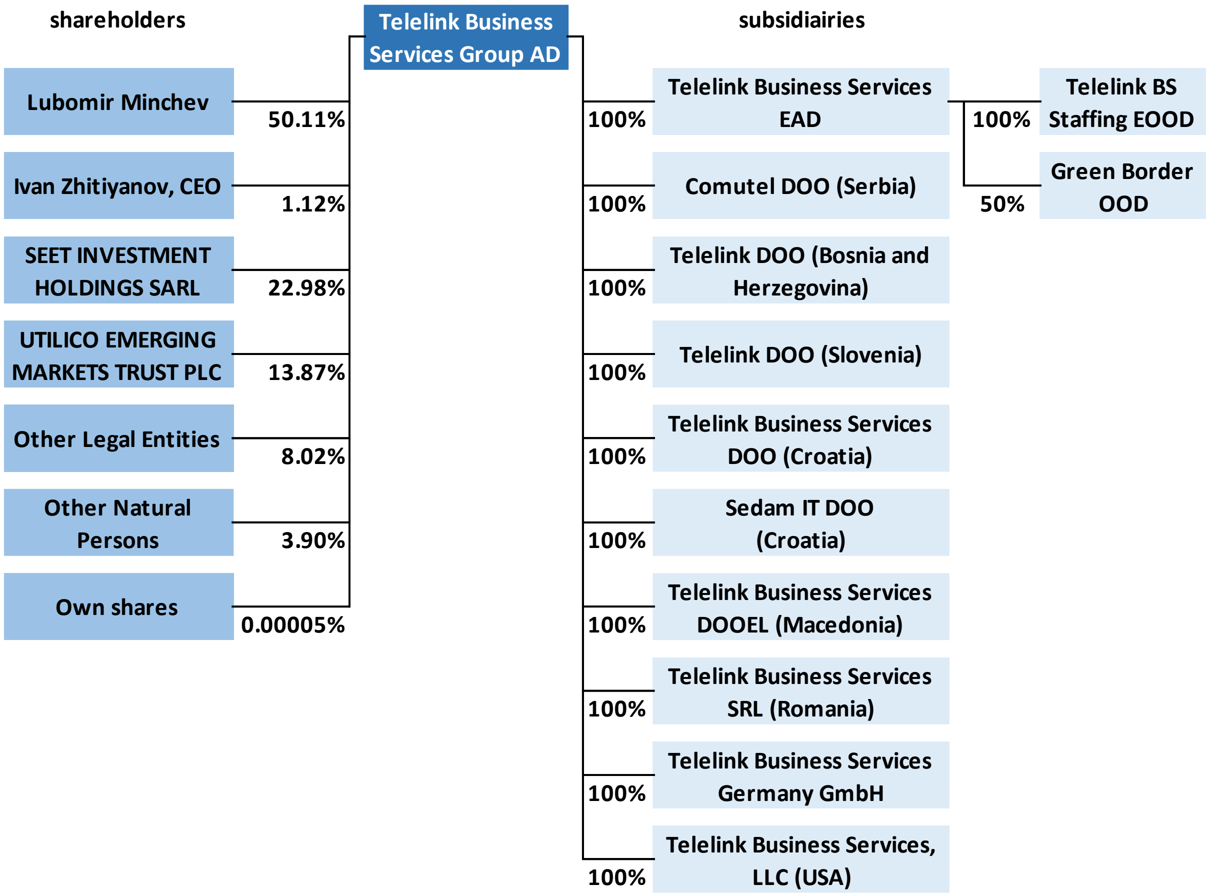
- delivery, warranty and post-warranty support of equipment and software produced by third-party technology suppliers, and applications and services developed at the client’s request;
- system integration covering system design, configuration, installation, setup and commissioning of the supplied equipment, 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.

The products and services offered by the Group cover a broad range of technologies organized in 5 product categories for reporting purposes in 2024 – 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 XII.1 of this Report.

I.2 Summarized shareholding structure of the Company and the Group



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 31.12.2024, 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 13.87%.

Pursuant to share buybacks and transfers for the purposes of incentive programs for the employees and the MB (including 2,078 shares available as of 31.12.2023, 20,700 shares bought back in 2024 and a total of 22,772 shares transferred to current and former employees and members of the MB during the year in accordance with plans from 2020 and 2021), as of 31.12.2024, the Company held 6 own shares representing 0.00005% of its registered capital.

I.4 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 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 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 31.12.2024, the Company held shares in 10 subsidiaries, including:

- Telelink Business Services EAD (Bulgaria) (TBS EAD), Comutel DOO (Serbia) ("Comutel"), Telelink DOO (Bosnia and Herzegovina) ("Telelink Bosnia") and Telelink DOO (Slovenia) ("Telelink Slovenia"), the shares in which were transferred into the 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) ("Sedam IT"), acquired by the Company by means of a share purchase in March 2024.

As of 31.12.2024, the Company was the sole owner of all of the above subsidiaries, all of which are governed in their respective countries of incorporation and conduct active commercial operations.

Beside the above direct shareholdings, the Company has held indirect interests in two more companies controlled by TBS EAD, Telelink BS Staffing EOOD and Green Border OOD. As of 31.12.2024, Telelink BS Staffing EOOD, which had been established with a view to potential cooperation with a leading financial advisory firm, has not conducted active commercial operations, while joint venture Green Border OOD 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 Governance

The Company has a two-tier management system.

As of 31.12.2024, The Company's Management 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 25.03.2024);
- Desislava Torozova – member of the MB.

As of 31.12.2024, the Company's Supervisory Board (the SB) features five members, including:

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

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 system https://eis.fsc.bg/ 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

II.1 Key financial indicators

Financials (BGN thousand)		2024	2023	change
Net sales revenue	*(1)*	**222,973**	**184,254**	**21%**
Cost of Sales	*(1)*	(175,329)	(147,750)	19%
Gross Profit	*(1)*	**47,644**	**36,504**	**31%**
Sales and Marketing Expenses	*(1)*	(19,068)	(14,046)	36%
General and Administrative Expenses	*(1)*	(15,073)	(10,748)	40%
Other Operating Income/(Expenses) (net)	*(1)*	1,379	355	288%
Operating Profit	*(1)*	**14,882**	**12,065**	**23%**
Financial Income/(Expenses) (net)	*(1)*	(1,424)	(1,116)	28%
Income Tax Expense	*(1)*	(1,834)	(1,452)	26%
Net Profit from Continuing Operations	*(1)*	**11,624**	**9,497**	**22%**
Result from Discontinued Operations	*(2)*	(9)	(53)	(83%)
Net Profit	*(2)*	**11,615**	**9,444**	**23%**
Depreciation & Amortization Expenses	*(1)*	(5,953)	(3,984)	49%
Interest Income/(Expenses) (net)	*(1)*	(1,152)	(478)	141%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	*(1)*	**20,563**	**15,411**	**33%**
Total Assets		**176,625**	**136,483**	**29%**
Non-current Assets		46,798	26,770	75%
Current Assets and Assets Held for Sale		129,827	109,713	18%
Equity		**38,500**	**27,013**	**43%**
incl. Retained Earnings and Profit for the Year		38,532	26,898	43%
Total Liabilities		**138,125**	**109,470**	**26%**
Non-current Liabilities		20,386	12,875	58%
Current Liabilities		117,739	96,595	22%
Cash and Cash Equivalents (CCE)		**24,979**	**14,091**	**77%**
Total Financial Debt	*(3)*	**18,469**	**4,217**	**338%**
Net Financial Debt / (Net Cash Position)	*(4)*	**(6,510)**	**(9,874)**	**3,365**
Net Cash Flow from Operating Activities and ForEx Differences	*(2)*	**20,421**	**3,798**	**16,623**
Net Cash Flow used in Investment Activities and Acquired CCE	*(2)*	**(16,272)**	**(3,499)**	**(12,773)**
Net Cash Flow from Financing Activities	*(2)*	**6,739**	**(1,036)**	**7,775**
incl. Dividends Paid		-	(297)	297
Number of Employees as of Period End		**475**	**346**	**37%**

(1) Continuing Operations (excl. Discontinued Operations)
(2) Incl. Discontinued Operations (TBS Montenegro, Telelink Albania)
(3) Borrowings and finance leases (excl. rentals and operating leases)
(4) Total Financial Debt minus Cash & Cash Equivalents

Ratios		2024	2023	change
Gross Margin	*(1)*	21.4%	19.8%	1.6%
Operating Margin	*(1)*	6.7%	6.5%	0.1%
Net Margin	*(1)*	5.2%	5.2%	0.1%
EBITDA margin	*(1)*	9.2%	8.4%	0.9%
Current Ratio*		1.10	1.14	(0.03)
Equity / Total Assets		22%	20%	2%
Financial Debt / Total Assets		10%	3%	7%
Average Return on Assets (ROA)	*(1)*	7%	-	-
Average Return on Equity (ROE)	*(1)*	35%	-	-

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

As of 31.12.2024, the Group continued to conduct active commercial operations through all directly owned subsidiaries of the Company and had a positive net assets worth of BGN 38,500 thousand.

The results and the cash flows from the activities of the Group are presented in the consolidated statement of comprehensive income and the consolidated statement of cash flows and analyzed in sections II.2-II.3 and II.5 below.

The financial position, the factors behind the formation and the observed changes in the value of the assets, liabilities and equity of the Group are presented in the consolidated statement of financial position and analyzed in section II.4 below.

II.2 Revenues

Growing 21% or BGN 38,719 thousand against 2023, consolidated net sales revenue for 2024 reached a new historical maximum of BGN 222,973 thousand.

The leading factor behind the achieved growth were sales recorded by TBS EAD, which registered an increase of 26% or BGN 32,472 thousand[1] mainly as a result of the positive development of revenues from corporate clients in the financial, energy and other sectors, the substantial revenues from public procurement tenders of NATO and the overall growth in revenues from international clients both in the public and private sector. Generally, the company maintained its leading role in the formation of Group revenues with a growing share of 71% (comparing to 68% in 2023).

Standing out as the second most important and particularly sizeable source of the Group's growth in 2024, business in Croatia registered 55% or BGN 9,653 thousand[1] of combined growth and a growing share of 12% (comparing to 10% in 2023) as a result of the acquisition of Sedam IT at the end of March.

Substantially less sizeable, but nonetheless positive contributions were also made by TBS Romania, TBS Germany and TBS USA, showing a more than double combined increase of BGN 2,211 thousand[1], taking into account the launch of business in these relatively new subsidiaries mostly in the later months of 2023.

Counterpointing to the above trends, the main factor limiting the Group's growth for the year were revenues realized by the business pool of Comutel, Telelink Bosnia and Telelink Slovenia, which registered an overall drop of 14% or BGN 4,542 thousand[1] and a decrease in its combined share from 17% to 12% of consolidated sales mostly as a result of the much lower complementary revenues from dealings with corporate accounts outside the telecom domain and public projects, while the pool maintained overall revenues from the Balkan telecom sector close to the levels recorded in 2023.

A negative contribution to the Group's growth was also made by TBS Macedonia, which registered an overall drop of 16% or BGN 1,073 thousand[1] and a decreasing share of 3% (comparing the 4% in 2023) mostly as a result of lower revenues from public projects, which remained the main source of the company's revenues in 2024.

II.3 Expenses and profitability

II.3.1 Gross profit

With the benefit of a 1.6% stronger gross margin of 21.4%, consolidated gross profit exhibited substantially faster relative growth as compared to revenues, growing by 31% or BGN 11,140 thousand to BGN 47,644 thousand.

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

Major factors for the improvement of the consolidated gross margin included the addition of Sedam IT, which stood out with the highest relative profitability among Group companies in 2024, the reduction of low-profit revenues in TBS Croatia and the improving margin on combined sales in Comutel, Telelink Bosnia and Telelink Slovenia, reflecting the higher added value of the narrower scope of sales realized by the three companies in 2024. The main contributors to the absolute increase in gross profit were the subsidiaries with the highest contribution to revenue growth (TBS EAD and Sedam IT).

II.3.2 Sales and marketing expenses

Reaching BGN 19,068 thousand, consolidated sales and marketing expenses registered a significant annual increase by 36% or BGN 5,022 thousand and a growing ratio of 8.6% of consolidated revenues for the period (as compared to 7.6% in 2023).

The main factors behind the observed increase included the continuing planned cost expansion in Bulgaria, where the Group continued to allocate further activities and human resources towards the generation and assurance of sales, the setup and improvement of innovative services and the technical academy of TBS in conjunction with its current trading and strategic business development goals, and the addition of Sedam IT.

II.3.3 General and administrative expenses

Reaching BGN 15,073 thousand, consolidated general and administrative expenses registered a significant annual increase by 40% or BGN 4,325 thousand and a growing ratio of 6.8% of consolidated revenues for the period (as compared to 5.8% in 2023).

Similarly to sales and marketing expenses, the observed increase also related mostly to the addition of Sedam IT and cost expansion in Bulgaria as a result of the planned expansion of personnel and supporting activities assuring the capacity to manage and service the current and planned growth of the Group, internal teams, processes and initiatives for environmentally and socially responsible governance and digital transformation, international business development and the due diligence and negotiation of potential company acquisitions.

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

With the benefit of higher absolute growth in gross profit as compared to sales, marketing, general and administrative expenses and the substantial increase in net other operating income (growing by BGN 1,024 thousand mainly in conjunction with grants from European innovation and development projects and extraordinary revenues from adjudicated receivables on civil litigations), consolidated operating profit grew by 23% or BGN 2,817 thousand, reaching BGN 14,882 thousand and marking a slight improvement of the operating margin from 6.5% to 6.7%.

Taking into account the growing operating expenses for depreciation and amortization (increasing by 49% or BGN 1,969 thousand as a result of the addition of Sedam IT, the significant investments in equipment provided as a service under contracts with customers, office furnishing and fit out works and the formation of new right-of-use assets on rental contracts) and the positive effect of BGN 479 thousand from the change in net gain/(loss) from foreign currency operations, consolidated EBITDA grew at a faster rate of 33% or BGN 5,152 thousand, reaching BGN 20,563 thousand and marking a respective margin improvement from 8.4% to 9.2%.

II.3.5 Financial income and expenses

Reflecting the growing average exposures under credit lines for overdraft, working capital and bank guarantees in conjunction with its expanding operating activities, the growing rights of use from rental and operating lease contracts as per IFRS 16 and the starting service of the investment loan for the acquisition of Sedam IT described in section XII.3.2, the Group recorded a more than double increase in the total of interest expenses and other bank charges and fees.

However, taking into account the positive change in the net gain/(loss) from foreign currency operations, net finance costs registered a much more limited increase of 28% or BGN 308 thousand to BGN 1,424 thousand, maintaining a stable ratio of 0.6% of consolidated revenues.

II.3.6 Net profit

In spite of the slight increase in the Group's effective tax rate from 13.3% to 13.6% of profit before tax from continuing operations, the similar growth rates in operating profit and net finance costs were reflected in a proportional increase in consolidated net profit from continuing operations by 22% or BGN 2,127 thousand to BGN 11,624 thousand at an unchanged net margin of 5.2%.

II.4 Assets, liabilities and equity

II.4.1 Assets

Reflecting both the acquisition of Sedam IT and their expansion across the rest of the Group, the consolidated assets reported as of 31.12.2024 registered a substantial increase of 29% or BGN 40,142 thousand from the end of 2023 as a result of similarly sizeable growth in current and non-current assets, reaching a total of BGN 176,625 thousand.

Reaching BGN 129,827 thousand, current assets increased by 18% or BGN 20,114 thousand mainly as a result of growth in trade receivables in conjunction with the record levels of monthly sales invoiced mostly in Bulgaria in December and the addition of Sedam IT, and the increase in cash and cash equivalents, the sources of which are analyzed in section II.5 below.

A similarly sizeable increase was also registered in consolidated non-current assets, which grew by BGN 20,028 thousand or 75% to BGN 46,798 thousand mostly as a result of the significant goodwill of BGN 15,922 thousand recorded on the acquisition of Sedam IT, as well as pursuant to the relatively intense purchases of equipment provided to clients under managed service agreements, furniture, improvements and fit-out works on new office areas and the recognition of right of use assets as per IFRS 16 from the respective rental agreements and other contracts.

II.4.2 Liabilities

In parallel with assets, consolidated liabilities registered a significant increase of 26% or BGN 28,655 thousand, reaching BGN 138,125 thousand both due to the acquisition of Sedam IT and as a result of their expansion across the rest of the Group.

The predominant part of this increase came from current liabilities, which increased by 22% or BGN 21,144 thousand to BGN 117,739 thousand mainly as a result of growing trade payables, VAT payables and accrued expenses on revenue-generating projects in parallel with trade receivables and the accelerated sales of the Group towards the end of 2024, the conditional deferred payment on the acquisition of Sedam IT due in 2025 as disclosed in section XII.3.1 and current loan obligations. Reaching BGN 13,252 thousand after an increase by BGN 9,058 thousand, the latter reflected the short-term repayment obligations arising from the investment loan on the acquisition of Sedam IT, the exposures added with the acquisition and the net drawdown of credit facility funds mostly pursuant to the utilization of short-term project financing in TBS EAD. Besides the latter, the Group also recorded growing short-term lease obligations including mostly liabilities recognized with regard to operating lease and rental contracts as per IFRS 16 and only BGN 7 thousand of outstanding obligations from finance lease agreements representing financial debt.

In parallel with long-term assets, non-current liabilities exhibited an overall increase by 58% or BGN 7,511 thousand, reaching BGN 20,386 thousand mostly with regard to the long-term component of the investment loan on the acquisition of Sedam IT (BGN 5,210 thousand) and the conditional deferred payment on the acquisition of Sedam IT due in 2026 as disclosed in section XII.3.1.

Besides the latter, non-current liabilities included growing long-term lease obligations consisting entirely of liabilities recognized with regard to operating lease and rental contracts as per IFRS 16, whereas, as of year-end, the Group had no long-term obligations from finance leases or other lease contracts representing genuine financial debt.

II.4.2.1 Financial debt

Summing the above loan obligations (BGN 18,462 thousand) and finance lease liabilities (totaling BGN 7 thousand), consolidated financial debt as of 31.12.2024 amounted to BGN 18,469 thousand, showing a more than fourfold increase by 338% or BGN 14,252 thousand and growing ratios of 10% of total assets and 13% of total liabilities (as compared to 3% and 4% at the end of 2023).

Accounting for the substantially higher value of BGN 24,979 thousand and significant increase by BGN 10,888 thousand of cash and cash equivalents, the Group's consolidated net cash position (the difference between cash and cash equivalents and financial debt) exhibited a much smaller decrease of BGN 3,365 thousand, retaining a significant value of BGN 6,510 thousand.

The lease liabilities accounted under the IFRS 16 in force since 01.01.2019 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 over current liabilities in the amount of BGN 12,088 thousand, showing a moderate decrease of 8% or BGN 1,030 thousand as compared to 31.12.2023.

Accounting for the faster growth in current liabilities as compared to current assets, the Group registered a slight decrease in current liquidity from 1.14 to 1.10. At the same time, the leading role of trade and other receivables and cash and cash equivalents in the growth of current assets and their faster growth as compared to current liabilities as a whole led to moderate improvements in quick and immediate liquidity ratios to 0.94 and 0.21 (comparing to 0.87 and 0.15 at the end of 2023).

II.4.4 Equity

In the absence of dividend distributions out of the Group, consolidated equity registered an increase by 43% or BGN 11,487 thousand from the end of 2023 reflecting mostly the current profit for 2024, reaching BGN 38,500 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), while, summing the latter and the corresponding subsidiary funds subject to consolidation, the Group accounted total legal reserves in the amount of BGN 1,374 thousand.

Showing a decrease by BGN 146 thousand, the rest of the Group's capital reserves and components of equity reached a total value of (13,347) thousand, which continued to include mostly the negative effect of BGN (13,717) thousand pursuant to the reporting of a business combination under common control upon the Company's Reorganization from 14.08.2019 and its adjustment for the impairment of its investment in TBS Montenegro in 2023, specialized currency translation reserves and effects from share-based incentive programs and plans, including such arising from the buyback of shares.

Together with retained earnings as of 31.12.2023, accumulated earnings from the current and previous years making part of equity as of 31.12.2024 reached BGN 38,532 thousand.

Accounting for the faster relative growth in equity as compared to assets, the Group registered a slight improvement in its balance sheet capitalization (ratio of equity to total assets) to 22% (comparing to 20% at the end of 2023).

II.5 Cash flows

II.5.1 Cash flow from operating activities

Exhibiting significant growth in cash-adjusted operating profit and a moderate decrease in net working capital net of the balances acquired with Sedam IT, the Group realized a more than five times stronger net cash flow from operating activities in the amount of BGN 20,336 thousand, comparing to the corresponding result of just BGN 4,151 thousand for 2023, when net proceeds were limited by a significant increase in net working capital.

II.5.2 Cash flow from investing activities

Accounting for the significant upfront payment of EUR 5,495 thousand on the acquisition of Sedam IT and the growing investments in equipment for clients under managed service agreements, the improvements and furnishing of a new office in TBS EAD and other assets for the assurance of its ordinary activities, the Group also registered a sharp increase in the net cash outflow from investing activities, which reached BGN (16,272) thousand, as compared to only BGN (3,499) thousand in 2023 when the Group did not make any company acquisitions.

II.5.3 Cash flow from financing activities

Favored by the funding of 70% of the upfront payment on the acquisition of Sedam IT with the long-term investment loan described in section XII.3.2, the drawdown of a significant revolving credit tranche on a large revenue-generating project of TBS EAD and the absence of dividend distributions and payments during the year, cash inflows from financing activities outweighed by far the payments on interest, leases and share buybacks. As a result, the Group realized a strongly positive net cash flow from financing activities in the amount of BGN 6,739 thousand, representing a significant improvement against the negative corresponding result of BGN (1,036) thousand for 2023.

II.5.4 Net cash flow

Overall, the strong operating cash flow and the utilization of appropriate sources of financing assured the coverage of growing capital expenditures with a significant surplus (net increase in cash and cash equivalents) of BGN 10,888 thousand, in strongly positive contrast with the moderate decrease of BGN (737) thousand registered in 2023.

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, tension 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.

From the beginning of 2025, a potentially significant risk has also emerged from the actual and potential steps of the government of the USA towards the implementation of a protectionist tariff policy and the decrease or withdrawal of political and military support for the member countries of NATO, the EU and Europe as a whole, having possibly significant consequences to the security and governmental spending related to defense and other sector of the economies of Bulgaria and the EU as a whole.

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 since the end of 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 and markets of the countries where Group companies operate, the world's leading economies the EU, 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, the period of 2022-2023 was marked by a general trend of significant increases in all main local and international interest indexes. In spite of their stabilization towards the end of 2023 and the reversal of the above trend towards a gradual decrease in EURIBOR and a cut in the main interest indexes in the USA towards in 2024, the attained levels remain high and the possibility of further raises in case of a new wave of accelerated inflation or downgrades of the credit ratings in Europe and the USA remains outstanding.

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 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 adapting 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 proprietary 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 notices 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 in Group subsidiaries. Accounting for the fixed exchange rates of the Bulgarian Lev and the Bosnia and Herzegovina Convertible Mark to the Euro and the adoption of the latter as the national currency in Slovenia and Croatia, the Group is exposed to a translation risk relative mainly to the floating rates of the Serbian Dinar, Macedonian Denar, 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, revolving credit lines and investment loans 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 Report, this risk continues to show a mixed evolution, with market interest rates reflecting substantially the significant dynamics described in section III.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 and the reversal in interest rates growth in the EU starting from 2024, as of the date of this Report, 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 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 clients 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 broke out in 2022 and reached a new phase in its development pursuant to the 2024 presidential elections in the USA, 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 significant increases in the 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.

As of now, the political debate and diplomatic efforts towards a ceasefire and the signing of a peace deal between Russia and Ukraine that started in 2025 remain highly controversial, of unclear outcome and multifaceted potential impact on the parties to the conflict, Europe and the USA.

Considering the above, the Company's management is of the opinion that the premises and conditions are still lacking to conduct 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 environment.

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 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 AND INTANGIBLE RESOURCES

V.1 Trends in the number and evolution of personnel

As of 31.12.2024, the total active personnel hired under employment and management contracts in Group companies reached 475, growing by 129 people or 37% from the end of 2023.

The main factor behind registered growth was the acquisition of Sedam IT, counting 112 employees as of the end of 2024. The rest of the observed consolidated growth related mainly to the continuing expansion of the personnel of TBS EAD, registered mostly along the lines of operational capacity and sales and marketing staff with regard to the resource assurance of the current and targeted growth of the Group.

Notwithstanding the significant growth in the personnel or Croatia, which attained a share of 26% as a result of the acquisition of Sedam IT, the majority of the Group’s total staff (68%) continued to consist of personnel employed on the territory of Bulgaria, which maintained its leading role in realized services and continued to concentrate the main functions relative to the Group’s management and 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 goals, the Group has continued to apply a matrix organizational structure with the goal of integrating the available human resources of Group companies into a seamless international service delivery organization.

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 TBSG AD has recognized 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 maintains 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.

V.3 Information on the main intangible resources and explanation of the dependence of the company's business model thereon, as well as of the way such resources generate value to the company

In accordance with the specialization of the operating subsidiaries making part of the Group in the provision of IT services, the main intangible resources underlying its business model represent combinations of the experience and qualification of its sales experts and technical engineering staff, the accumulated technical engineering and marketing data knowledge base, the implemented organizational structures and processes for direct and indirect business assurance and the recognition of the above factors based on formal certifications and/or informal impressions and relationships with clients and suppliers.

The main lines combining and reflecting the above combination of factors include the:

- technological partnerships with producers of IT equipment and software, including but not limited to the formal certifications and awards received from the respective vendors;
- pre-sales process experience, including but not limited to the participation (individually or in partnerships with other providers) in public procurement tenders and other structured processes of competitive bidding in accordance with good practices and applicable legislation;
- own service organization covering the lifecycle of consulting, implementation and support, combining the accordingly qualified human resources with the practices and processes adopted and developed internally by the Group;
- organization and processes of standardization and governance, risk and compliance, covering the requirements of clients, partners and suppliers;
- accumulated experience in the implementation and management of deliveries of goods, services and complex projects with a main emphasis on large and medium projects combining various technologies, systems and services.

As far as the Company's business activities include the acquisition of shares in subsidiaries and associates, part of the intangible resources underlying the Group's business model are also the management's and the personnel's experience in the consolidation of companies from different jurisdictions and the respective investment processes, including but not limited to the expertise in the field of IFRS, the due diligence, analysis and valuation of companies, transaction negotiations and documentation, capital structuring, investment funding and communication with consultants and intermediaries.

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

In accordance with a respective invitation to convene published on 03.01.2025, an Extraordinary GMS of the Company was held on 13.02.2025. The invitation to the meeting and all relevant materials have been published on http://www.x3news.com/ and on the Company's web page at https://www.tbs.tech/general-meetings-of-shareholders/. The minutes including the resolutions adopted by the assembly are available at https://www.tbs.tech/wp-content/uploads/2025/02/TBSG-protokol-%D0%95GMS-13022025_signed_all.pdf.

In accordance with the approval of the SB from 10.12.2024, on 31.01.2025, the MB approved the signing of Annex No3 to Overdraft Agreement No. 7138833-51457 from 15.02.2022 among TBSG AD (borrower), United Bulgarian Bank AD (lender) and TBS EAD (guarantor), whereby the annual interest rate applicable to drawdowns in leva was changed to SIR + 1.95% but no less than 1.95%, and the agreement's term – extended until 28.02.2029. The resolution of the Board of Directors of TBS EAD for the latter to sign the Annex as guarantor was adopted on the same date. The Annex was signed on 11.02.2025.

On 27.02.2025, the MB approved the proposal of the Board of Directors of TBS EAD to distribute a dividend to its sole owner (TBSG AD) in the amount of BGN 3,527,683.71, equivalent to EUR 1,803,676, from the profit of TBS EAD for 2022.

In accordance with the resolution of the extraordinary GMS held on 13.12.2025, on 05.03.2025, the MB resolved upon initiating a procedure for the buyback of up to 200,000 own shares or 1.6% of the Company's registered capital. The respective buy order was placed with investment intermediary Elana Trading AD.

As of 11.03.2025, the Company had acquired within the share buyback procedure initiated on 05.03.2025 the maximum number of shares authorized by the GMS, i.e. 200,000 shares, at a price of up to BGN 11.50 per share, pursuant to which the number of own shares held by the Company reached 200,006 or 1.6% of its registered capital.

On 18.03.2025, the SB approved the MB's proposal for the Company to initiate a process of reorganization by merger of TBS Croatia (Merging company) into Sedam IT (Acquiring company). The Reorganization agreement was approved by the Company on 21.03.2025. The merger is being implemented without increasing the registered capital of the Acquiring company.

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 250 thousand, increasing substantially over the corresponding amount of BGN 492 thousand allocated to developments in the same domain in 2023, but remained rather limited in proportion to the Group's overall balance sheet and capital expenditures.

Except for the above, the Group did not conduct any other research and development activities during the period of 2023-2024.

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 orientation towards complex integration projects and professional services 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 equipment and software.

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

- Products, resources and processes:

    - use of existing capabilities as a basis to expand into high-value segments driving innovation and creating export-ready solutions for developed Western markets, with a special focus on Data and AI, Productivity and IT Automation and Cybersecurity;
    - continuous development and investment in human resources ensuring the scalability, quality and cost efficiency of technological expertise, with a special focus on the Group's own TBS Academy;
    - optimizing efficiency through digital transformation, streamlining workflows and automating key processes;
- Accelerating growth in Eastern Europe, including but limited to market demand driven by the EU, by complementing the existing activities with acquisitions of companies sharing the Group's focus on IT Infrastructure and creating opportunities for additional expansion of the Group's portfolio of technological partnerships and solutions, including the vertical solutions and software services domains;
- Accelerating growth in Western Europe and the USA on the basis of:
    - a streamlined offering of solutions with proven utility and demand from large and medium organizations in the developed economies, combining at-a-point service delivery on a "time and material" basis with advanced support and managed services with a view to attaining high levels of profitability and recurring revenues;
    - partnerships with established software and digital transformation vendors oriented towards the offering of augmented solutions based on their products;
    - acquisitions of local companies with material own resources and positioning on the relevant markets.

VIII.2 Potential acquisitions

As of the date of this Report, the Company is in the process of negotiations for the acquisition of a company conducting business activities in the field of IT similar to the Group's on the territory of the Western Balkans, but the premises and conditions to the potential transaction and the sufficiently accurate determination of the potential expenditures on the acquisition are yet to be fulfilled.

Beside the above process, the Company has also continued to monitor possibilities for the acquisition of other companies in accordance with the strategy described in section VIII.1.

As of the date of this Report, the Company has not signed any agreements including binding commitments for the purchase of the above and/or other subsidiaries.

VIII.3 Expected trends in financial results

Taking into account the above initiatives and according to the latest published forecasts as of the date of this Report, 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 2024 include:

- territorial development:
    - continuing growth in the revenues realized on the territory of Bulgaria and on a cross-border basis by TBS EAD, based on the company's leading position in the local IT sector and its positive track record with clients on the international market, save for a temporary slowdown relating to the transition between the program cycles of the EU in 2027;

  - consistent growth in revenues from Croatia, reflecting the positive prospects for the development of the local market and the gradual deployment of synergies between Sedam IT and TBS EAD;
  - further decline, followed by a gradual recovery of revenues in the Comutel business pool in conjunction with the ongoing reorganization of the group of key accounts from the telecom sector in Serbia, Bosnia and Herzegovina and Slovenia;
  - moderate growth in Macedonia, reflecting the positive prospects in view of the accession processes related to the country's application for EU membership;
  - accelerated growth in revenues stemming from the local business development in Western Europe and the USA, reflecting the high demand and attractive offering of the Group on these markets;
- development by key sectors:
  - continued growth in revenues from the public sector on all relevant Eastern European markets, save for the above-mentioned temporary slowdown in 2027;
  - temporary slowdown from the exceptionally strong 2024, followed by accelerated growth in revenues from the enterprise sector, relating to the expected further expansion in TBS EAD< Sedam IT, Western Europe and the USA;
  - continuing slowdown and subsequent recovery of revenues from the telecom sector, relating mostly to the above-mentioned expected development in the Comutel business pool;
- gradual improvement of the consolidated gross margin from 2026 on, favored by the growing share of software services, Cybersecurity and Data and AI, as well as of the typically more profitable sales in Bulgaria and Croatia and as a whole, and the expansion of sales in Western Europe and the USA;
- moderate additional growth in depreciation expenses related to the investments made in 2024 and new purchases of equipment under managed services contracts, followed by their stabilization in the longer run, given that the targeted mid-term and long-tern sales of managed services to new clients in Western Europe and the USA are not expected to include substantial proportions of equipment as a service;
- accelerated growth in operating profit and EBITDA (except for a relative slowdown in 2027), in the context of growing sales and gross margins and the gradual relative slowdown of growth in sales and marketing and general and administrative expenses against their faster growth as compared to revenues in 2022-2024;
- moderate additional growth in net finance costs in relation to financing utilized on the consideration payments from the acquisition of Sedam IT and other factors in 2025, followed by their relative stabilization from 2026 on;
- accelerated growth in net profit over the whole forecast period except 2027.

Similarly to the effects of the acquisition of Sedam IT in 2024, the potential new acquisitions as per section VIII.2 would lead to:

- significant further growth in the Group's revenues and profit scale in Eastern Europe and as a whole and/or accelerated achievement and/or augmentation of the goals set in relation to business development in Western Europe and the USA;
- significant increases in financial debt and net finance costs, taking into account that the Company expects to complement its own participation in the sizeable capital expenditures for such acquisitions with new credit agreements similar to the Investment bank loan agreement signed with UniCredit Bulbank AD for the acquisition of Sedam IT.

As of the date of this Report, no such new investment loan agreements have been signed.

VIII.4 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, including but not limited to acquisition-related risks, 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 a GMS resolution from 19.06.2024 authorizing the MB for the buyback of up to 25,000 shares within a price range of BGN 7.40-20.00 per share with regard to the implementation of employee and MB incentive plans and/or other investment purposes by the end of 2024, in 2024, the Company bought back a total of 22,700 shares with a nominal value of BGN 1 each or 0.166% of its registered capital at an average price of BGN 8.79 per share.

Share buybacks and transfers	31.12.2024	%*	31.12.2023	%*
Own shares bought back (number)	20,700	0.166%	23,500	0.188%
Average buyback price (BGN per share)	8.79	-	9.50	-
Total value of share buybacks (BGN)	182,001	-	223,250	-
Transferred shares (number)	22,772	0.182%	27,452	0.220%
Average price at the date of transfer (BGN per share)	8.86	-	9.57	-
Total value of transferred shares (BGN)	201,740	-	262,730	-
Own shares held as of period end (number)	**6**	**0.00005%**	**2,078**	**0.017%**

** % of the registered capital*

Implementing a Plan for the long-term stimulation of employees with TBSG AD shares from 2021 and Schemes for providing remuneration based on Company shares to members of the MB from 2020 and 2021, in 2024, the Company transferred to employees and members of the MB a total of 22,772 shares with a nominal value of BNG 1 each or 0.182% of its registered capital, of which 1,516 shares transferred to a former member of the MB on 22.02.2024 in accordance with an MB resolution from 30.11.2023, 15,899 shares transferred to employees on 04.11.2024 in accordance with an MB resolution from 16.07.2024 and 5,357 shares transferred to current and former members of the MB on 27.12.2024 in accordance with an SB resolution from 12.11.2024. The average price of the shares transferred during the year as of the date of their transfer was BGN 8.86 per share.

No Group subsidiaries acquired or transferred any own shares in 2024.

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 31.12.2024, the Company held a total of 6 own shares with a nominal value of BGN 1 each, representing 0.00005% 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 31.12.2024 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, 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 in inflation and economic growth and the reversal in interest rates growth in the EU starting from 2024, as of the date of this Report, 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 and intends to maintain the same approach 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 substantial 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.

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 sufficient to secure the current operating and the ordinary 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 № 2 TO ORDINANCE № 2 OF THE FSC

XII.1 Revenues by main categories of products and services

Product Group	Correspondence with Product Group 2022-2023	Net Sales Revenue (BGN thousand)				
		31.12.2024	31.12.2023	change	share 31.12.24	share 31.12.23
IT Infrastructure	Service Porivder Solutions, Enterprise Connectivity, Private Cloud, Public Cloud, part of Modern Workplace	175,230	125,376	40%	79%	68%
Digital Transformation	Application Services, Hyperautomation	3,786	4,945	-23%	2%	3%
Cybersecurity	Information Security, part of Enterprise Connectivity	15,764	21,162	-26%	7%	11%
End User Hardware and Software	Computer & Peripherals, Modern Workplace	23,459	31,245	-25%	11%	17%
IoT	no change	2,095	526	298%	0.9%	0.3%
Other	no change	2,639	1,000	164%	1.2%	0.5%
Total		**222,973**	**184,254**	**21%**	**100%**	**100%**

Favored mostly by the positive developments in local and cross-border sales from public and enterprise projects of TBS EAD (including but not limited to deliveries made to NATO) and the addition of Sedam IT (which led to a radical shift of sales in Croatia comparing to the product mix realized by TBS Croatia in 2023), revenue from the IT Infrastructure category grew by 40% or BGN 49,854 thousand, reaching a total of BGN 175,230 thousand and a growing share of 79% of consolidated revenues (comparing to 68% in 2023).

While remaining of relatively marginal importance with a share of 1% of consolidated revenues, sales in the Internet of Things category (BGN 2,095 thousand) stood out as the other product line of the Group's core operations to support its growth in 2024 with a nearly fourfold increase of BGN 1,569 thousand owing to the implementation of a new project in the field of STEM (Science, Technology, Engineering and Mathematics) in Bulgaria.

Reflecting specific projects related to non-core hardware deliveries in Bulgaria and the digitalization of data in the Macedonian public sector, a similar increase of BGN 1,639 thousand was also registered in revenues from Other products and services (BGN 2,639 thousand), which nevertheless also remained in the vicinity of 1% of consolidated sales.

Standing out as the biggest product factor limiting the group's growth in 2024 mostly as a result of their significant contraction in Croatia against the big volume deals made with regard to the initial positioning of the Group on this market in 2023 and the lack of projects comparable to those realized in the Macedonian public sector in 2023, the sales of End User Hardware and Software registered a drop of 25% or BGN 7,786 thousand to BGN 23,459 thousand or 11% of consolidated revenues (comparing to 17% in 2023).

In spite of their significant increase in the Bulgarian enterprise sector, the substantial revenues added with the consolidation of Sedam IT, and their participation in the cross-border deliveries on projects with NATO, sales in the Cybersecurity domain also registered a substantial overall drop against the larger number of big public projects realized in Bulgaria in 2023, decreasing by 26% or BGN 5,398 thousand to BGN 15,764 thousand or 7% of consolidated revenues (comparing to 11% in 2023).

A substantial drop was also registered in revenues from the Digital Transformation domain, where the growth in recurring sales in Germany and the acquisition of Sedam IT in Croatia compensated only in part the lack of big projects comparable to 2023 in the Bulgarian public sector. Overall, sales in this category decreased by 23% or BGN 1,159 thousand to BGN 3,786 thousand or 2% of consolidated revenues (comparing to 3% in 2023).

XII.2 Revenues by geographic market and significant counterparties

XII.2.1 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.12.2024	31.12.2023	change	share 31.12.2024	share 31.12.2023
Bulgaria	134,056	116,742	15%	60%	63%
Croatia	27,385	19,392	41%	12%	11%
Serbia	14,056	16,882	-17%	6%	9%
North Macedonia	5,565	5,875	-5%	2%	3%
Slovenia	5,066	7,397	-32%	2%	4%
Germany	4,814	3,143	53%	2%	2%
Bosnia and Herzegovina	3,531	3,559	-1%	2%	2%
United States of America	3,428	2,786	23%	2%	2%
Romania	1,144	553	107%	1%	0%
Other	23,927	7,926	202%	11%	4%
Bulgaria	134,056	116,742	15%	60%	63%
Western Balkans	55,949	53,993	4%	25%	29%
Other Balkan Markets	4,406	2,370	86%	2%	1%
Central & Eastern Europe	25,034	8,191	206%	11%	4%
Other Markets	3,526	2,958	19%	2%	2%
Total	**222,973**	**184,254**	**21%**	**100%**	**100%**

** By registration of the client.*

Taking into account the significant contribution of international sales to the increase in the revenues of TBS EAD referred to in section XII.2, the Group's sales on the Bulgarian market for 2024 (BGN 134,056 thousand) registered a comparatively lower yet nonetheless positive growth of 15% or BGN 17,314 thousand and a decreasing but still predominant share of 60% of consolidated revenues (comparing to 63% in 2023).

Compensating the slowdown of revenues from Serbia and Slovenia (which led to an overall decrease in local sales at the business pool of Comutel, Telelink Bosnia and Telelink Slovenia by 19% or BGN 5,185 thousand), Macedonia and Kosovo (decreasing by 16% or BGN 1,047 thousand), the increase in sales to Croatia (growing by 41% or BGN 7,993 thousand) as a result of the acquisition of Sedam IT led to an increase in overall revenues from the Western Balkans by 4% or BGN 1,957 thousand to BGN 55,949 thousand and a limited decrease in the region's share from 29% to 25% of consolidated sales.

In itself, Croatia remained the Group's second largest single national market with revenues of BGN 27,385 thousand and a growing share of 12% (comparing to 11% in 2023).

In contrast with overall revenues from the other traditional clients making part of the leading regional telecom group serviced by the business pool of Comutel, Telelink Bosnia and Telelink Slovenia, sales to subsidiaries of that group in Greece registered significant growth as compared to their temporary slowdown in 2023. Together with growing sales in Romania, the above development led to a nearly twofold increase of 86% or BGN 2,036 thousand of total sales to Other Balkan Markets, which reached BGN 4,406 thousand or 2% of consolidated revenues (comparing to 1% in 2023).

Favored mostly by the growing cross-border sales of TBS EAD (including but not limited to deliveries for NATO) and the developing local sales of TBS Germany, revenues from Central Western Europe registered a more than threefold increase of BGN 16,843 up to BGN 25,034 thousand or 11% of consolidated revenues (comparing to just 4% in 2023).

Adding sales to clients on Other markets (growing by 19% to BGN 3,526 thousand at a maintained share of 2% of consolidated revenues mostly as a reflection of local and cross-border deliveries by TBS USA and TBS EAD to the USA), the Group registered accelerated growth in revenues generated from deliveries outside the Balkan region, which reached BGN 28,560 thousand or 13% of consolidated sales (comparing to just 6% in 2023).

XII.2.2 Significant clients

In 2024, there were no direct clients accounting for more than 10% of the consolidated annual revenues 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.

In 2024, The Group identifies only one counterparty from the above categories as a significant supplier with purchases (credit turnovers on trade payables accounts) exceeding 10% of the consolidated annual cost of sales, i.e. Cisco International Limited (United Kingdom), a leading global manufacturer and technology partner of the Group in the IT Infrastructure and Cybersecurity lines and in the field of Managed Services (including Equipment as a service) with a share of 15%.

XII.3 Information on material transactions

XII.3.1 Acquisition of Sedam IT

On 13.02.2024, 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. (“Sedam IT”), registered under the law of the Republic of Croatia with a seat and management address in Zagreb, 2, Koledovčina St. under 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’s shares is an unrelated/non-interested third party. As of the date of signing the Agreement, the acquisition was pending on the realization of pre-agreed conditions precedent, which had to be fulfilled within a mutually agreed period of time, and was yet to be closed.

On 29.03.2024, TBSG AD acquired 100% of the shares in the capital of Sedam IT 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 29.02.2024, and procured 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 19.03.2024 in the amount of EUR 3,568,730.

Pursuant to the preparation of financial statements of Sedam IT as of the date of acquisition of 100% of the shares in its capital by TBSG AD (29.03.2024), on 29.04.2024 the parties established:

- a final amount of the upfront payment due to the seller under the transaction of EUR 5,494,743, according to which TBSG AD was to transfer in addition to the payment of 5,098,186, which had been calculated on the basis of Sedam IT’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, besides the above upfront payment and in accordance with the Share purchase agreement:
  - EUR 698,994 of this amount was undertaken in the form of obligations of the Company towards Sedam IT;
  - EUR 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 Sedam IT for 2024 and 2025, and which represent the maximum total amount of these payments.

Pursuant to closing the acquisition, Sedam IT was included in the consolidated statement of financial position of the Company effective from 29.03.2024 and in the consolidated statement of comprehensive income and statement of cash flows of the Company effective from 01.04.2024.

XII.3.2 Investment Loan Agreement with UniCredit Bulbank AD

With regard to the acquisition of Sedam IT, on 19.03.2024, 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, 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 31.07.2030. 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 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;
- Pledge over 100% of the company shares in the capital of Sedam IT 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 TBS EAD.

On April 10 2024, Annex № 1 to the agreement was signed, establishing a schedule for the repayment of the amount of EUR 3,568,730 utilized on 28.03.2024 with the purpose of financing the provisional upfront payment for the acquisition of 100% of the shares in the capital of Sedam IT in 65 equal monthly instalments from 01.05.2024 to 01.09.2029.

With regard to the additional financing of EUR 277,590 utilized to fund the equalization amount paid upon the final determination of the upfront payment for the acquisition, on 30.04.2024, TBSG AD signed Annex № 2 to the agreement, whereby the total amount and the amount of the monthly principal instalments in the repayment schedule were updated to reflect the amount of utilized credit attained as of 30.04.2024 (EUR 3,846,320).

As of 31.12.2024, the Company’s outstanding principal and interest obligations from the agreement were equivalent to a total of BGN 6,628 thousand, BGN 1,418 thousand of which represented short-term and BGN 5,210 thousand – long-term financial debt.

XII.3.3 Commercial Transactions

In accordance with Ordinance № 2 of the FSC, the Company identified the following material transactions accounting for 5% or more of its consolidated revenues and/or net profit for 2024:

- On 12.11.2024, the SB approved the signing of a Contract for the execution of a public procurement order with the subject matter of "Providing a system of solutions in the field of cyber security, contributing to the achievement of a cyber-safe and secure infrastructure of SE NRIC, including staff training and warranty support for a minimum of 3 years" between TBS EAD and National Railway Infrastructure Company SE, Bulgaria with a total value of BGN 12,504,445, net of VAT;
- On 09.12.2024 and 10.12.2024, the MB and, respectively, the SB approved the signing of a contract qualifying as a deal under art. 114, par. 3, p. 1 of the POSA for the delivery of goods and services between TBS EAD and Consortium “SYSTEL” DZZD with regard to the execution of a procurement order with the subject matter of “Upgrade and replacement of devices for the Unified Electronic Communications Network in a DWDM backbone network, aggregating MPLS network and equipment at existing locations” (Lot No. 2 of a public procurement order with the subject matter of "Replacement of devices for the Unified Electronic Communications Network in DWDM/Core/Aggregation layers and equipment at existing locations in separate lots") assigned by Executive Agency “Electronic Government Infrastructure” with a total value of up to BGN 44,348,103, net of VAT;
- On 10.12.2024, the SB approved the signing of an Equipment Delivery Agreement between TBS EAD and CNSYS AD for the delivery of communication equipment with a total value of up to BGN 14,505,403, net of VAT.

XII.3.4 Other

The relevant transactions with related parties made by the Company in 2024 are listed in section XII.4 of this Report.

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

On 25.01.2024, a Cash loan agreement was signed between TBSG AD (lender) and Comutel (borrower) with a limit of BGN 500,000 subject to revolving utilization and repayment, a tenor until 31.12.2024, extended automatically in accordance with the agreement’s terms until 31.12.2025 in the absence of statements to the opposite effect, and an interest rate of 5% p.a.

On 30.12.2024, annexes were signed, whereby the tenors of the loan agreements described in sections XII.9.1.1, XII.9.1.3-XII.9.1.4 and XII.9.1.6, bullet a. of this Report were extended until 31.12.2025 г. Annexes to the same effect were also signed to the loan agreements, where TBS EAD is creditor, described in sections XII.9.3.2 and XII.9.3.3 of this Report.

Besides the above agreements signed or amended during the reporting period, during the latter, the Company also maintained the following contracts with related parties signed in previous periods:

- agreements 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 the activities of subsidiaries valid until 31.12.2024 between the Company and TBS EAD, Comutel, TBS Montenegro (in force until the subsidiary’s voluntary liquidation in March), Telelink Bosnia, Telelink Slovenia, TBS Croatia, TBS Macedonia, Telelink Albania (in force until the subsidiary’s disposal in July), TBS Romania, TBS Germany and TBS USA;

- contract for the rental of equipped workplaces between the Company and TBS EAD from 31.12.2023 valid until January 16 2028.

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

By resolutions of the GMS from 19.06.2024, the following changes were made to the scope of authorization of the MB for entering into dealings with regard to related parties:

- extending the authorization of the MB for the signing of agreements with subsidiaries for the provision of corporate and business development and management services for a period of up to 3 years from the date of signing and up to a total amount of the receivables generated from provided services under all agreements of BGN 3,000,000;
- extending the authorization of the MB to provide guarantees by the Company for the due performance of obligations of subsidiaries towards third parties in the amount of up to BGN 20,000,000 for each guarantee and in total for all guarantees up to 3 years from the date of issuance.

On 09.04.2024, a contract qualifying as a deal under art. 114, par. 3, p. 1 of the POSA and approved by the MB on 08.04.2024 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 10.12.2024, the SB approved the signing of a contract for the delivery of goods and services between TBS EAD and Consortium “SYSTEL” DZZD, described in detail in section XII.3.3.

Except for those designated in section XII.5, 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

XII.5.1 Voluntary liquidation of TBS Montenegro

In accordance with the respective proposal of the MB approved by the SB on 10.01.2024, in March 2024, TBSG AD adopted a resolution on the voluntary liquidation of TBS Montenegro and filed the applicable documentation for its entry into 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 24.04.2024.

As of 31.12.2024, the Company has written off in full its investment in TBS Montenegro in the amount of BGN 123 thousand. The proceeds from the liquidation, which were paid back to TBSG AD as a positive difference after the collection and settlement of all receivables and payables of TBS Montenegro, amounted to BGN 95 thousand.

XII.5.2 Disposal of Telelink Albania

In accordance with the respective proposal of the MB approved by the SB on 30.04.2024, on 25.06.2024, a Share purchase agreement for the sale of 100% of the shares in the capital of Telelink Albania was signed between the Company (seller) and Erton Graceni (purchaser) (administrator of Telelink Albania as of the same date, who did not represent a related / interest party vis-à-vis the shareholders / members of the MB and SB of TBSG), for a committed consideration of EUR 10 thousand.

In accordance with the Agreement, simultaneously with its signing, an annex was signed to the Cash loan agreement between TBS EAD (lender) and Telelink Abania (borrower) from 15.02.2021 with a revolving limit of EUR 500,000, tenor until 31.12.2024 and an annual interest rate of 5%, whereby the loan's availability term was reduced to 30.06.2024, the accrual of interest from the agreement was ceased effective from the date of signing the annex, the obligations of Telelink Albania from the agreement were established in the amount of the outstanding principal of EUR 292 thousand and outstanding interest payables of EUR 15 thousand and the right of revolving utilization and repayment of the limit was replaced with a fixed repayment schedule, according to which the outstanding interest of EUR 15 thousand and EUR 137 thousand of the outstanding principal shall be repaid no later than 31.07.2025 and the remainder of the outstanding principal (EUR 154 thousand) – in a proportion in 20% until 31.03.2025, 30% until 31.03.2026 and 50% until 31.12.2026.

The transfer of all shares in the capital of Telelink Albania to Erton Graceni was entered in the National Business Register of the Republic of Albania on 12.07.2024.

As of 31.12.2024, the Company has written off fully its investment in Telelink Albania in the amount of BGN 20 thousand. The proceeds from the sale paid to TBS as consideration for the transaction were equivalent to the same amount.

XII.5.3 Other

In 2024, the Company proceeded to the impairment of its receivables from loans granted by the Company to TBS Romania, the premises and the effects of which have been described in the separate Annual Management Report of the Company for 2024, published on the http://www.x3news.com/ internet platform on 31.03.2025.

Excluding those mentioned above in this section and in sections XII.5.1 and XII.5.2, the dealings related to the acquisition of Sedam IT described in sections XII.3.1 and XII.3.2, there were no other events occurring in 2024 or indicators of an extraordinary nature describing results of the Issuer's and the Group's activities during the year.

XII.6 Off-balance sheet items

The contingent commitments undertaken by the Company and Group subsidiaries as of 31.12.2024 are disclosed in sections XII.9.2 and XII.9.4 of this Report, as well as in Note 37 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 31.12.2024, the Company reported total investments in directly owned subsidiaries in the amount of BGN 32,896 thousand, including:

- BGN 15,170 thousand transferred to the Company by virtue of its reorganization from 14.08.2019 as a part of the assets attributable to the Business Services activity separated from Telelink Bulgaria AD (TBS EAD, Comutel, TBS Bosnia and TBS Slovenia);
- BGN 271 thousand stemming from the establishment of TBS Macedonia in 2019, TBS Croatia in 2020, TBS USA and TBS Romania in 2021 and the establishment and capital increase of TBS Germany in 2022 and 2023;
- BGN 17,305 thousand recorded pursuant to the acquisition of Sedam IT, as disclosed in section XII.3.1;
- BGN 150 thousand, representing the difference 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 plans from 2020 and 2021 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 31.12.2024 is shown in Note 12 of the notes to the Company's separate annual financial statements.

As of 31.12.2024, 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 carrying amount. 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 31.12.2024, the Group reported consolidated intangible assets in the amount of BGN 1,081 thousand, reflecting mostly investments by TBS EAD, Sedam IT and TBSG AD.

The intangible assets reported by the TBSG AD included an externally developed branding concept transferred to the Company by means of the Reorganization from 14.08.2019 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 carrying amount as of 31.12.2024 – to BGN 67 thousand.

The intangible assets reported by TBS EAD are related mainly to development activities in the fields of Information Security and the Internet of Things and design and improvements of the new office of the company. The initial value of the company's capital expenditures for the acquisition or formation of the present intangible assets totalled BGN 4,771 thousand, and their carrying amount as of 31.12.2024 – to BGN 838 thousand.

The intangible assets reported by Sedam IT are related mainly to development activities in the fields of digital learning and electronic services and improvements of the company's office. The initial value of the company's capital expenditures for the acquisition or formation of the present intangible assets totalled BGN 5,291 thousand, and their carrying amount as of 31.12.2024 – to BGN 151 thousand.

XII.7.3 Real estate investments

As of 31.12.2024, the Group reported as a part of its consolidated non-current assets investment properties in the amount of BGN 526 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.

Pursuant to the sale of all apartments acquired by TBS EAD in previous periods as collateral to trade receivables in 2024, as of the end of the reporting period, the Group no longer held properties classified as assets held for sale.

XII.7.4 Investments in financial instruments and other companies

As of 31.12.2024, 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 United Bulgarian Bank AD

During the period, the Company (borrower) maintained its Overdraft agreement № 7138833-51457 with Raiffeisenbank (Bulgaria) EAD (now United Bulgarian Bank AD) and TBS EAD (guarantor) from 15.02.2022.

On 28.02.2024, Annex №2 to the agreement was signed, whereby the utilization and repayment terms of the credit limit were extended until 28.01.2028 for utilization under issued guarantees and until 28. 02.2028 for the utilization of overdraft and the repayment of utilized amounts from the credit 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.

During the reporting period, 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 from the agreement for 2024 amounted to BGN 15 thousand. As of 31.12.2024, the Company's obligations from the agreement amounted to BGN 712 thousand.

Although its signing was approved by the SB on 10.12.2024, the next Annex to the agreement, whereby the annual interest rate applicable to drawdowns in leva was changed to the short-term interest rate of the bank (SIR) + 1.95% but no less than 1.95%, and all terms under the agreement were extended by another 12 months, was signed on 11.02.2025 and did not have an effect on the Company's financial results for 2024.

XII.8.1.2 Agreement with UniCredit Bulbank AD

On 19.03.2024, Investment bank loan agreement № 00044/730/19.03.2024 was signed between TBSG AD (borrower), TBS EAD (co-debtor) and UniCredit Bulbank AD (lender). The purpose, terms and conditions and the obligations of the Company under the agreement as of 31.12.2024 are described in section XII.3.2 of this Report.

The interest expenses from the agreement for 2024 were equivalent to BGN 317 thousand.

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

During the period, TBS EAD maintained its Agreement for undertaking credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 with Unicredit Bulbank AD.

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

- Annex №13 from 06.03.2024, whereby the bank approved the utilization of the revolving credit sublimit of the agreement for the financing of 80% of the value of a contract between the company and Consortium TELESEC DZZD from 06.03.2023 for the performance of activities with a value of EUR 5,000,000 pursuant to a Public Procurement Contract № 5785mpd-14/ 28.02.2023 г. with the subject matter of “Deployment of a National intelligent security system by upgrading the Integrated automated security system“ between the consortium and the Ministry of Interior, secured with a special pledge agreement over the company’s respective receivables from the same date;
- Annex №14 from 31.05.2024, whereby agreement’s term was extended until 30.06.2024;
- Annex №8 from 31.05.2024 to the Suretyship agreement from 10.10.2019 among TBSG AD, TBS EAD and UniCredit Bulbank AD, reflecting the above amendment;
- Annex №15 from 30.06.2024:
    - increasing the overall credit limit available for utilization in the form overdraft credit, revolving credit and bank guarantees in BGN, EUR or USD from EUR 18,000,000 to EUR 20,000,000, including an unchanged overdraft sublimit of EUR 4,000,000, an increase in the revolving credit limit from EUR 5,000,000 to EUR 6,000,000 and an increase in the contingent credit limit securing the issuance of bank guarantees from EUR 18,000,000 to EUR 20,000,000 but not more than difference between the overall credit limit and outstanding principal obligations under the overdraft and revolving credit limits;
    - extending the main availability period until 31.05.2025 and the repayment deadlines until 31.07.2025 for overdraft and 31.05.2026 for revolving credit;
- Annex №9 from 28.06.2024 to the Suretyship agreement from 10.10.2019 and Annex №2 to the Share pledge agreement between from 06.07.2023 among TBSG AD, TBS EAD and UniCredit Bulbank AD reflecting the above amendments.

All limits remained 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%, regardless of the utilization currency.

Security provided and subject to undertaking under the agreement 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 a suretyship by TBSG AD, including a commitment to maintain its participation in the capital of TBS EAD.

Interest expenses from the agreement for 2024 amounted to BGN 219 thousand. As of 31.12.2024, the outstanding principal and interest obligations from the agreement amounted to BGN 7,303 thousand.

XII.8.2.1.2 AGREEMENT WITH UNITED BULGARIAN BANK AD

During the period, TBS EAD maintained its Revolving bank credit agreement №23F-10092889-95625 from 18.12.2023 with United Bulgarian Bank AD with a limit of EUR 4,000,000, 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%, and utilization and repayment deadlines until 29.11.2025 and 30.11.2025.

Security provided and subject to undertaking under the agreement continued to include a pledge and an agreement under the Law on Financial Collateral Agreements over the receivables from all of TBS EAD's accounts with the bank and first-ranking special pledges over all current and future receivables of TBS EAD approved for financing by the bank under the agreement.

Interest expenses from the agreement for 2024 amounted to BGN 78 thousand. As of 31.12.2024, there were no outstanding principal and interest obligations from the agreement.

Notwithstanding the approvals of the SB from 12.11.2024 and 10.12.2024 for the signing of annex(es) to the agreement for the extension of the availability and repayment terms by 12 months and the change of the annual interest rate applicable to drawdowns in BGN to the lending bank's short-term interest rate (SIR) + 1.95%, but no less than 1.95%, no such annex(es) have been signed as of the date of this Report.

XII.8.2.1.3 AGREEMENT WITH TBSG AD

During the period, TBS EAD (UIN 130545438) (borrower) maintained its Cash loan agreement with TBSG AD (UIN 205744019) (lender) from 05.07.2023. The terms and conditions of the agreement and the income and receivables of TBSG AD, representing reciprocally the expenses and obligations of TBS EAD under the agreement for and as of the end of the reporting period, are provided in section XII.9.1.1 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.8.2.2 Agreements signed by Comutel

XII.8.2.2.1 AGREEMENT WITH RAIFFEISEN BANKA AD BEOGRAD

On 18.06.2024, an Annex signed to the Credit Agreement between Comutel and Raiffeisen banka a.d. Beograd from 21.01.2016, establishing changes in the revolving credit limit for working capital financing from USD 4,000,000 to USD 2,500,000 and in the interest rate applicable for drawdowns in RSD from 1m. BELIBOR + 2.8% to 1m. BELIBOR + 3.0% of 3m., adding the option for utilization in EUR at a respective interest rate of 3m. EURIBOR + 2.6% and extending the agreement's term until 27.01.2025 with a repayment deadline until 28.02.2025.

The interest rates applicable for drawdowns in USD was maintained at 3m. SOFR + 2.6%.

The obligations from the agreement are secured with the undertaking to maintain pledged receivables from a key account of the company in the amount of at least 50% of the utilized and outstanding credit, blank bills of exchange with a “non-protest” clause and a guarantee agreement with TBS EAD.

As of 31.12.2024 and during the year a whole, Comutel did not utilize any funds and had no interest expenses or outstanding principal or interest obligations under the agreement.

XII.8.2.2.2 AGREEMENT WITH TBSG AD

On 25.01.2024, a Cash loan agreement was signed between Comutel (UIN 07554133) (borrower) and TBSG AD (UIN 205744019) (lender). The terms and conditions of the agreement and the income and receivables of TBSG AD, representing reciprocally the expenses and obligations of Comutel under the agreement for and as of the end of the reporting period, are provided in section XII.9.1.2 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.8.2.3 Agreements signed by Telelink Bosnia

During the period, Telelink Bosnia (UIN 4201745520006) (borrower) maintained its Cash loan agreement with TBSG AD (UIN 205744019) (lender) from 29.12.2023. The terms and conditions of the agreement and the income and receivables of TBSG AD, representing reciprocally the expenses and obligations of Telelink Bosnia under the agreement for and as of the end of the reporting period, are provided in section XII.9.1.3 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.8.2.4 Agreements signed by Telelink Slovenia

On 18.01.2024, an Annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. and Telelink Slovenia from 22.03.2022, whereby the agreement’s term was extended until 19.04.2024. On 26.04.2024, another Annex to the agreement was signed for the additional extension of the its term until 18.04.2025.

The limit available for utilization in the form of revolving credit and/or bank guarantees was maintained at EUR 1,500,000. The annual interest rate was maintained at 3 m. EURIBOR + 1.6%.

Telelink Slovenia’s obligations under the agreement continued to be secured with a corporate guarantee provided by TBSG AD.

Interest expenses from the agreement for 2024 were equivalent to BGN 66 thousand. As of 31.12.2024, the company had no outstanding principal and interest obligations under the agreement.

XII.8.2.5 Agreements signed by TBS Croatia

XII.8.2.5.1 AGREEMENT WITH ZAGREBACKA BANKA D.D.

On 10.04.2024, an Annex was signed to the Frame overdraft agreement №1102903942 from 18.12.2023 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 updated corporate guarantee was issued by TBSG AD on 26.06.2024.

The applicable interest rate under the agreement was maintained at 3m. EURIBOR + 1.5%.

Interest expenses from the agreement for 2024 were equivalent to BGN 12 thousand. As of 31.12.2024, the outstanding principal and interest obligations under the agreement were equivalent to BGN 518 thousand.

XII.8.2.5.2 AGREEMENT WITH TBSG AD

During the period, TBS Croatia (UIN 081341811) (borrower) maintained its Cash loan agreement with TBSG AD (UIN 205744019) (lender) from 21.09.2021. The terms and conditions of the agreement and the income and receivables of TBSG AD, representing reciprocally the expenses and obligations of TBS Croatia under the agreement for and as of the end of the reporting period, are provided in section XII.9.1.4 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.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 20.07.2021 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 15.07.2031.

TBS Macedonia’s obligations under the agreement continued to be secured with a bank guarantee provided by TBS EAD.

As of 31.12.2024 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

During the period, TBS Macedonia (UIN 7385986) (borrower) maintained its Cash loan agreement with TBSG AD (UIN 205744019) (lender) from 15.02.2021. The terms and conditions of the agreement and the income and receivables of TBS EAD, representing reciprocally the expenses and obligations of TBS Macedonia under the agreement for and as of the end of the reporting period, are provided in section XII.9.3.2 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.8.2.7 Agreements signed by TBS Romania

During the period, TBS Romania (UIN J40/19800/2021) (borrower) maintained its Cash loan agreement with TBSG AD (UIN 205744019) (lender) from 21.02.2022. The terms and conditions of the agreement and the income and receivables of TBSG AD, representing reciprocally the expenses and obligations of TBS Romania under the agreement for and as of the end of the reporting period, are provided in section XII.9.1.5 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.8.2.8 Agreements signed by TBS Germany

During the period, TBS Germany (UIN 299685098) (borrower) maintained its Agreement for a cash loan subject to revolving utilization and repayment from 10.07.2023 and its Agreement for a cash loan subject to one-time utilization for the purpose of equipment purchasing from 24.08.2023 with TBSG AD (UIN 205744019) (lender). The terms and conditions of the agreements and the income and receivables of TBSG AD, representing reciprocally the expenses and obligations of TBS Germany under the agreements for and as of the end of the reporting period, are provided in section XII.9.1.6 of this Report.

The agreements are 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 USA

During the period, TBS USA (UIN 87-3162431) (borrower) maintained its Cash loan agreement with TBS EAD (UIN 130545438) (lender) from 28.04.2022. The terms and conditions of the agreement and the income and receivables of TBS EAD, representing reciprocally the expenses and obligations of TBS USA under the agreement for and as of the end of the reporting period, are provided in section XII.9.3.3 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.8.2.10 Agreements signed by Sedam IT

XII.8.2.10.1 AGREEMENT WITH ERSTE & STEIERMARKISCHE BANK DD

On 09.07.2024, an annex was signed to Loan Agreement № 5302097953 from 01.07.2022 between Sedam IT and Erste & Steiermarkische Bank dd, Rijeka with a limit of EUR 1,300,000, establishing an interest rate of 5.25% and a repayment deadline extension until 01.07.2025.

Obligations from the agreement continued to be secured up to the full amount of the limit with a promissory note issued by Sedam IT.

Interest expenses from the agreement for 2024 were equivalent to BGN 63 thousand. As of 31.12.2024, the outstanding principal and interest obligations under the agreement were equivalent to BGN 1,271 thousand.

XII.8.2.10.2 CREDIT AGREEMENT WITH RAIFFEISENBANK AUSTRIA DD

On 23.08.2024, a Revolving credit agreement № 6500378003 was signed between Sedam IT and Raiffeisenbank Austria dd, Zagreb with a total credit limit for cash drawdown and guarantees of EUR 800,000 and a cash sublimit of 400,000 available for utilization as a revolving loan up to the latter amount and/or overdraft up to EUR 170,000, annual interest rate of 1m. EURIBOR + 1.85% on the revolving loan and 1m. EURIBOR + 2.00% on overdraft obligations, repayment deadlines of 3 months for revolving loan and 12 months for overdraft obligations and a general cash drawdown and repayment tenor of 31.07.2025.

Obligations from the agreement are secured up to the full amount of the credit limit with a promissory note issued by Sedam IT.

Interest expenses from the agreement for 2024 were equivalent to BGN 21 thousand. As of 31.12.2024, the company had no outstanding principal and interest obligations under the agreement.

XII.8.2.10.3 REVERSE FACTORING AGREEMENT WITH RAIFFEISENBANK AUSTRIA DD

On 23.08.2024, an Agreement for the reverse factoring of obligations towards suppliers № 6500378003 was signed between Sedam IT and Raiffeisenbank Austria dd, Zagreb with a revolving credit limit of EUR 1,100,000, annual interest rate of 6m. EURIBOR + 1.80%, financing term up to 180 days from the date of payment to the supplier, availability period until 31.07.2025 and repayment deadline for all obligations arising from the agreement until 27.01.2026.

Obligations from the agreement are secured up to the full amount of the credit limit and all collateral receivables of the bank with a promissory note issued by Sedam IT.

Interest expenses from the agreement for 2024 were equivalent to BGN 55 thousand. As of 31.12.2024, the outstanding principal and interest obligations under the agreement were equivalent to BGN 2,030 thousand.

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) maintained its Cash loan agreement with TBS EAD (UIN 130545438) (borrower) from 05.07.2023 with a limit of BGN 3,000,000 subject to revolving utilization and repayment, a tenor until 31.12.2024, extended until 31.12.2025 by an annex from 30.12.2024, and an interest rate of 4% p.a. over the utilized part of the loan. The obligations of TBS EAD from the agreement are not secured. Interest income from the agreement for 2024 was equivalent to BGN 10 thousand. As of 31.12.2024, TBS EAD had no outstanding obligations under the agreement.

XII.9.1.2 Agreement signed with Comutel

On 25.01.2024, the Company (lender) signed with Comutel (UIN 07554133) (borrower) a Cash loan agreement with a limit of BGN 500,000 subject to revolving utilization and repayment, a tenor until 31.12.2024, extended automatically in accordance with the agreement's terms until 31.12.2025 in the absence of statements to the opposite effect, and an interest rate of 5% p.a. The obligations of Comutel from the agreement are not secured. During and as of the end of the reporting period, the Company did not realize any interest income and had no outstanding receivables from the agreement.

XII.9.1.3 Agreement signed with Telelink Bosnia

During the reporting period, the Company (lender) maintained its Cash loan agreement with Telelink Bosnia (UIN 4201745520006) (borrower) from 29.12.2023 with a limit of BGN 500,000 subject to revolving utilization and repayment, a tenor until 31.12.2024, extended until 31.12.2025 by an annex from 30.12.2024, and an interest rate of 5% p.a. The obligations of Telelink Bosnia from the agreement are not secured. During and as of the end of the reporting period, the Company did not realize any interest income and had no outstanding receivables from the agreement.

XII.9.1.4 Agreement signed with TBS Croatia

During the reporting period, the Company (lender) maintained its Cash loan agreement with TBS Croatia (UIN 081341811) (borrower) from 21.09.2021 with a limit of BGN 2,000,000 subject to revolving utilization and repayment, a tenor until 31.12.2024, extended until 31.12.2025 by an annex from 30.12.2024, and an interest rate of 5% p.a. The obligations of TBS Croatia from the agreement are not secured. Interest income from the agreement for 2024 was equivalent to BGN 119 thousand. As of 31.12.2024, the Company's outstanding receivables from the agreement were equivalent to BGN 2,392 thousand.

XII.9.1.5 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 21.02.2021 with a limit of BGN 1,000,000 subject to revolving utilization and repayment, a tenor until 31.12.2024 and an interest rate of 5% p.a. The obligations of TBS Romania from the agreement are not secured. Interest income from the agreement for 2024 was equivalent to BGN 70 thousand. As of 31.12.2024, the Company's outstanding receivables from the agreement were equivalent to BGN 1,651 thousand, which were fully impaired.

XII.9.1.6 Agreements signed with TBS Germany

During the reporting period, the Company (lender) maintained the following agreements with TBS Germany (UIN 299685098) (borrower):

- a Cash loan agreement from 10.07.2023 with a limit of EUR 500,000 subject to revolving utilization and repayment, a tenor of 31.12.2024, extended until 31.12.2025 by an annex from 30.12.2024, and an interest rate of 5% p.a.
  The obligations of TBS Germany from the agreement are not secured. As of 31.12.2024, the Company's outstanding receivables from the agreement were equivalent to BGN 528 thousand.
- a Cash loan agreement from 24.08.2023 with a limit 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, a tenor of 5 years from the date of drawdown and an interest rate of 5% p.a., subject to change in case of significant variance in EURIBOR.
  The obligations of TBS Germany from the agreement are not secured. As of 31.12.2024, the Company's outstanding receivables from the agreement were equivalent to BGN 567 thousand.

In total, interest income from the two agreements for 2024 was equivalent to BGN 62 thousand.

All agreements presented in this section XII.9.1 are 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 security and undertaking of liabilities by the Company

As of 31.12.2024, the Company maintained its commitments of a guarantor, respectively pledgor under the following contracts with Unicredit Bulbank AD signed to secure the obligations of TBS EAD (UIN 130545438) under the Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD from 10.10.2019 described in section XII.8.2.1.1 of this Report and the annexes thereto:

- a Suretyship agreement from 10.10.2019, including a commitment to maintain the Company's participation in the capital of TBS EAD;
- a Share pledge agreement from 06.07.2023 over the Issuer's 100% stake in the capital of TBS EAD and related receivables.

As of 31.12.2024, the Company also maintained the following commitments undertaken thereby by way of guarantees issued in previous periods and extended and/or issued during the reported period:

- bank guarantees:
  - 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 15.11.2025, issued on 24.10.2023;
  - 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 31.03.2025, issued on 16.11.2023;
  - a bank guarantee for the amount of EUR 100,000 securing trade payables of TBS Romania (UIN J40/19800/2021) towards MB DISTRIBUTION SRL valid until 15.02.2025, issued on 19.02.2024;

  - a counter-guarantee for the amount of EUR 300,000 securing the participation of TBS EAD (UIN 130545438) in a tender procedure by NCI Agency – NATO valid until 30.04.2025, issued on 08.04.2024;
- corporate guarantees:
  - 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 01.07.2020;
  - 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 15.02.2022;
  - 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 16.03.2022;
  - a corporate guarantee securing the obligations of TBS Croatia (UIN 081341811) under Frame agreement for issuing bank guarantees № 0200126236 from 27.06.2022 with Zagrebacka Banka d.d. and the annexes thereto for the amount of EUR 900,000, issued on 07.04.2023;
  - 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 31.12.2024, issued on 20.11.2023;
  - a corporate guarantee, securing the obligations of TBS Croatia (UIN 081341811) under a Frame overdraft agreement from 18.12.2023 with Zagrebacka Banka d.d. and the annexes signed thereto up to the amount of EUR 1,200,000, issued on 26.06.2024.

XII.9.3 Loans granted by subsidiaries

XII.9.3.1 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 15.02.2021. Until 25.06.2024, the agreement’s terms and conditions continued to include a limit of EUR 500,000 subject to revolving utilization and repayment, tenor until December 31, 2024 and an annual interest rate of 5%. The obligations of TBS Albania from the agreement are not secured.

Simultaneously with the signing of a Share Purchase Agreement for the sale of 100% of the shares in the capital of Telelink Albania referred to in section XII.5.2 of this Report, on 25.06.2024, an annex was signed to the above Cash loan agreement, whereby the limit’s availability period was reduced to 30.06.2024, the accrual of interest from the agreement was ceased effective from the date of signing the annex, the obligations of Telelink Albania from the agreement were established in the amount of outstanding principal as of the same date (EUR 292 thousand) and outstanding interest payables (EUR 15 thousand) and the right of revolving utilization and repayment of the limit was replaced with a fixed repayment schedule, according to which the outstanding interest of EUR 15 thousand and EUR 137 thousand of the outstanding principal should be repaid no later than 31.07.2025 and the remainder of the outstanding principal (EUR 154 thousand) – in a proportion in 20% until 31.03.2025, 30% until 31.03.2026 and 50% until 31.12.2026.

Interest income from the agreement recorded for the period until the cessation of its accrual was equivalent to BGN 11 thousand. As of 31.12.2024, outstanding principal and interest receivables from the agreement were equivalent to BGN 303 thousand.

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 15.02.2021 with a limit of EUR 2,000,000 subject to revolving utilization and repayment, tenor until 31.12.2024, extended until 31.12.2025 by an annex from 30.12.2024, and an annual interest rate of 5%. The obligations of TBS Macedonia from the agreement are not secured. Interest income from the agreement for 2024 was equivalent to BGN 22 thousand. As of 31.12.2024, outstanding receivables from the agreement were equivalent to BGN 544 thousand.

XII.9.3.3 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 28.04.2022 with a limit of USD 2,000,000 subject to revolving utilization and repayment, a tenor until 31.12.2024, extended until 31.12.2025 by an annex from 30.12.2024, and an annual interest rate of 5%. The obligations of TBS USA from the agreement are not secured. Interest income from the agreement for 2024 was equivalent to BGN 141 thousand. As of 31.12.2024, outstanding receivables from the agreement were equivalent to BGN 3,192 thousand.

All agreements presented in this section XII.9.3 are 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 security and undertaking of liabilities by subsidiaries

As of 31.12.2024, TBS EAD had extended the following bank 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	Obligation/Type	Amount (BGN)	End Date
Consortium Telelink Group DZZD	177239104	performance bond	66,239	17.01.2025
Consortium Secure Borders Telesec DZZD	177158206	performance bond	151,277	27.02.2026
CONSORTIUM TELESEC DZZD	180851327	performance bond	781,454	01.04.2028
Consortium Technolink DZZD	177359593	performance bond	125,640	29.01.2027
Consortium Systel DZZD	177424500	performance bond	732,070	17.12.2026
TBS Macedonia	7385986	credit limit	586,749	31.05.2025
TBS Macedonia	7385986	counter-guarantee	606,307	31.01.2026
CONSORTIUM TELESEC DZZD	180851327	performance bond	258,791	30.10.2028
CNSys AD	121708078	performance bond	79,789	30.03.2030
CNSys AD	121708078	advance	1,429,023	06.02.2025
Consortium Systel DZZD	177424500	advance	2,969,168	09.12.2025
Consortium Systel DZZD	177424500	warranty support	615,335	30.07.2029
Consortium Systel DZZD	177424500	performance bond	2,461,341	30.06.2026
Kontrax AD	175415627	advance	2,278,776	30.04.2025

Besides the above commitments, throughout the reporting period, TBS EAD:

- maintained its capacity of guarantor securing the obligations of TBSG AD from the agreement with United Bulgarian Bank AD, described in section XII.8.1.1;
- signed in the capacity of co-debtor the loan agreement between TBSG AD and UniCredit Bulbank AD as per section XII.8.1.2;
- signed in the capacity of guarantor an Annex to the Guarantee agreement with Raiffeisen banka a.d. Beograd securing the obligations of Comutel from the agreement described in section XII.8.2.2.1;
- provided 2 corporate guarantees to the benefit of Cedo Djukic in his capacity of seller of the shares of Sedam IT securing TBSG AD's obligations for conditional deferred payments based

on the results of Sedam IT for 2024 and 2025, in accordance with the terms of the Share purchase agreement described in section XII.3.1.

XII.10 Utilization 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.11 Analysis of the ratio between achieved financial results reflected in the financial statements for the year and previously published forecasts for these results

On 24.04.2024, the Issuer published a "Financial Overview – Preliminary Results 2023 and Outlook 2024-2028" featuring a budget of the consolidated financial results for the full financial year 2024 shown in column "Budget 2024" of the table below ("Budget 2024").

The deviations of the actually achieved consolidated results from Budget 2024 are shown in section "Final Results for 2024" of the same table.

Financials	Budget 2024		Final Results for 2024		
	EUR'M	BGN'000	EUR'M	BGN'000	% dev.
Net sales revenue	**125.5**	**245,457**	**114.0**	**222,973**	**-9%**
Gross Profit	**25.0**	**48,896**	**24.4**	**47,644**	**-3%**
Sales and Marketing Expenses	-11.5	-22,492	-9.7	-19,068	-15%
General and Administrative Expenses	-7.5	-14,669	-7.7	-15,073	3%
EBITDA	**8.8**	**17,211**	**10.5**	**20,563**	**19%**
Operating Profit	**6.5**	**12,713**	**7.6**	**14,882**	**17%**
Net Profit from Continuing Operations	**5.0**	**9,779**	**5.9**	**11,624**	**19%**
Revenue by Invoicing Country/Region:					
Bulgaria	82.9	162,138	80.9	158,310	-2%
Serbia, Montenegro*, Bosnia i Herzgovina and Slovenia	14.4	28,164	14.1	27,522	-2%
Croatia	20.2	39,508	14.0	27,285	-31%
Macedonia and Albania*	4.3	8,410	2.9	5,586	-34%
Romania	1.6	3,129	0.6	1,131	-64%
Germany, UK and USA	2.1	4,107	1.6	3,139	-24%
Revenue by Technology Group					
IT Infrastructure	98.0	191,671	89.6	175,230	-9%
Digital Transformation	4.8	9,388	1.9	3,786	-60%
Cybersecurity	8.4	16,429	8.1	15,764	-4%
End User Hardware and Software	11.8	23,079	12.0	23,459	2%
Other	2.5	4,890	2.4	4,734	-3%

** Budgeted as continuing operation but accounted as discontinued (excluded from consolidated revenue) in the audited financial statements for 2024.*

As evidenced by the above ratios, actual consolidated revenues came 9% short of Budget 2024 at a substantially lower negative deviation of 3% on the level of gross profit, implying a 1.4% stronger than budgeted gross margin. At the same time, the Group realized significant economies from the 15% lower than budgeted sales and marketing expenses, which outweighed both the registered 3% 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 17% stronger than budgeted operating profit and 19% higher net profit and EBITDA.

In territorial perspective, the biggest negative deviation from forecasted revenues stemmed from the development of sales in Croatia, where the Group achieved its budgeted revenues in the newly acquired Sedam IT but lagged significantly in TBS Croatia pursuant to the abandonment of its policy of aggressive positioning on the local market with low-margin high-volume sales. Budget deviations were also registered across the rest of invoicing countries and regions, including Bulgaria, where TBS EAD realized lower than targeted revenues from the local public sector, Macedonai and Albania, where TBS Macedonia also fell short of forecasted public procurement revenues and the disposed Telelink Albania was excluded from consolidated revenues as a discontinued operation, and Germany, UK and the USA, where the Group fell behind in the expected formation of new sales and marketing teams and respective revenue from new clients in 2024, and Romania, where towards year end, the Group proceeded to the abandonment of locally based business development.

In technology perspective, the main factors behind the fallback from forecasted revenues were IT Infrastructure, where the Group fell behind mostly along the lines of lower revenues in Bulgaria and, TBS Croatia and Romania, and Digital Transformation, reflecting the substantially lower revenues from expected public projects in Bulgaria and Sedam IT.

XII.12 Financial 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 arising from ordinary business activities with limits under credit lines 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;
- cofinancing the obligations arising from the acquisition of other companies with long-term investment loans amortizing according to predefined repayment schedules from leading regional banks.

In the management’s estimation, the sources of the above-mentioned kind available as of the date of this Report provide sufficient coverage of the working capital requirements and investments in non-current assets for the purposes the ordinary activities of Group companies, the buyback of own shares authorized by the GMS for investment and other purposes and the Company’s residual obligations for conditional deferred payments on the acquisition of Sedam IT. 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 is not preauthorized to sign new credit agreements. With this regard and without prejudice to the activities directed towards potential new acquisitions as per section VIII.2, the Company's management does intend to proceed with or allow for the agreement of capital expenditures exceeding the financial resources available and/or contracted at the time before the approval of actions towards the signing of new credit agreements or the procurement of other sources for their funding.

XII.13 Assessment 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 contemplates decreasing but nonetheless substantial continuing investments in equipment provided to clients under long-term managed service agreements by TBS EAD. 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.

As of the date of this Report, the Group does not contemplate material capital expenditures on development activities. To the extent such may still arise, in line with the usual practices, these activities would still be assured predominantly or entirely with the internal resources of Group.

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.

Against the backdrop of the significant investments in the fit-out and furnishing of extended office areas in 2023 and 2024, the Group expects a relative slowdown in expenditures on the acquisition and formation of tangible and intangible non-current assets of a general nature in 2025. It is expected that available funds and future cash generation will provide sufficient coverage of such capital expenditures, without recourse to credit instruments for their financing.

Based on the financing procured with the Investment bank loan agreement described in section XII.3.2, the significant cash funds of the Group as of 31.12.2024 and the financial prospects described in section VIII of this Report, the management is confident that the residual obligations for conditional deferred payments on the acquisition of Sedam IT will be covered with the internal and external 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 XII.12 of this Report.

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

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

XII.15 Information 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 II of the Corporate governance statement as per art. 100n, par. 8 of the POSA, which is a separate document published together with this Report.

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

On 25.03.2024, the SB released Nikoleta Stanailova as member of the MB and elected Iordanka Klenovska in place thereof.

On 19.02.2024, a resolution was adopted to replace Helge Brummer as authorized representative of TBS USA with Teodor Dobrev.

On 01.03. 2024, a resolution was adopted to replace Harald Ehrl as authorized representative of TBS Germany with Vesela Lukarska.

On 03.05.2024, resolutions were adopted to the effect of revoking Tomislav Kosanovic and appointing Ante Jurisic as director of TBS Croatia.

On 17.05.2024, 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.

During the reporting period, there were no other changes in the composition or prerogatives of the Company's MB and SB and the governing bodies of the companies making part of the Group.

XII.17 Information 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 separate annual report of the Company for 2024 published on the internet platform http://www.x3news.com/ on 31.03.2025.

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	Owned as of				Movements during the period				
by members of the MB	31.12.24	%*	31.12.23	%*	Received	Transf.	Membership	Change	%*
Ivan Zhtiyanov	140,019	1.12%	137,084	1.10%	2,935	0	-	2,935	0.02%
Teodor Dobrev	7,700	0.06%	6,526	0.05%	1,174	0	-	1,174	0.01%
Orlin Rusev	3,048	0.02%	1,924	0.02%	1,124	0	-	1,124	0.01%
Desislava Torozova	880	0.01%	611	0.00%	269	0	-	269	0.00%
Iordanka Klenovska**	2,567	0.02%	-	-	674	0	1,893	2,567	0.02%
Nikoleta Stanailova***	-	-	4,882	0.04%	0	0	-4,882	-4,882	-0.04%
Total	**154,214**	**1.23%**	**151,027**	**1.21%**	**6,176**	**0**	**-2,989**	**3,187**	**0.03%**

** % of the registered share capital*

*** not a member as of 31.12.2023*

**** not a member as of 31.12.2024*

As of 31.12.2024, members of the MB as of the same date held a total of 154,214 shares representing 1.23% of the Company's registered capital.

During the reporting period, the persons having the status of members of the MB as of 31.12.2024 acquired a total of 6,176 shares representing 0.05% of the Company's capital in accordance with a Schemes for providing remuneration based on Company shares to members of the MB and a Plan for the long-term stimulation of employees with TBSG AD shares from 2021. Adding the effect of the replacement of Nikoleta Stanailova in her capacity of a member of the MB with Jordanka Klenovska, the net increase in the number of shares owned by members of the MB against 31.12.2023 amounted to 3,187 shares or 0.03% of the Company's capital.

No member of the MB sold or otherwise transferred any Company shares owned thereby during their MB membership in 2024.

Number of shares held	Owned as of				Movements during the period				
by members of the SB	31.12.24	%*	31.12.23	%*	Received	Transf.	Membership	Change	%*
Wolfgang Ebberman	0	0.00%	0	-	0	0	-	0	0.00%
Florian Huth	0	0.00%	0	-	0	0	-	0	0.00%
William Russell	0	0.00%	0	-	0	0	-	0	0.00%
Hans van Houvelingen	0	0.00%	900	0.01%	0	-900	-	-900	-0.01%
Ivo Evgeniev	0	0.00%	0	-	0	0	-	0	0.00%
Total	**0**	**0.00%**	**900**	**0.01%**	**0**	**-900**	**0**	**-900**	**-0.01%**

** % of the registered share capital*

Pursuant to the Transfer of all 900 shares held by Hans van Houvelingen as of 31.12.2023, as of 31.12.2024 no members of the SB held any Company shares.

Except for the above, no members of the SB held, acquired or transferred any Company shares in 2024.

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 31.12.2024, 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:

- Ivo Rusev, member of the Board of Directors of TBS EAD, holding a stake of 3,001 shares or 0.02%;
- Bobi Cvetkovski, Manager of TBS Macedonia and Director of Comutel, Telelink Bosnia and Telelink Slovenia, holding a stake of 1,778 shares or 0.01%;
- Vesela Lukarska, Director of TBS Germany, holding a stake of 3,634 shares or 0.03%.

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 holding 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 31.12.2024 and the date of this Report, there are no pending court cases, administrative or arbitration proceedings to which the Company or other Group companies are party concerning receivables or payables thereof equal or greater than 10% of the Company's separate or consolidated 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.22 Sustainability report as per art. 41 of the AA

In accordance with disposition § 30, par. 1 of the Transitory and final provisions of the Law on the amendment and extension of the AA, the mandatory inclusion of a sustainability report in the report on the activities of the companies as per chapter 7 of the AA does not apply to the Company and the Group for the reporting year 2024.

XII.23 Additional 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 Corporate governance statement 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.

30.04.2025

Sofia

IVAN KRASIMIROV ZHITIYANOV

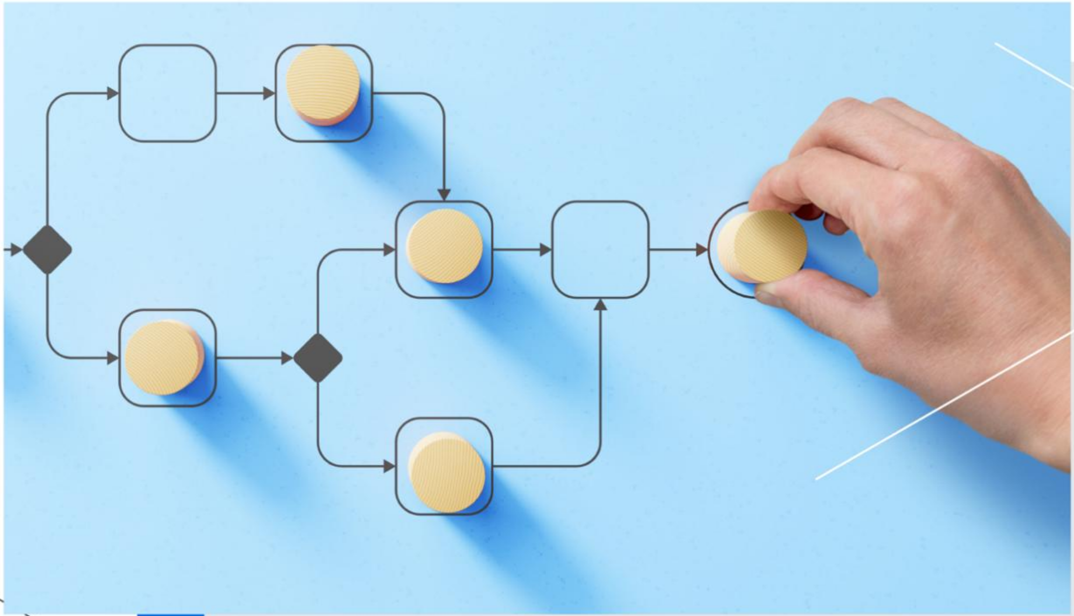
Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2025.05.21 09:38:59 +03'00'

Ivan Zhitiyanov

Executive Director

TELELINK BUSINESS SERVICES GROUP AD

telelink business services



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

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Information on the application of the National Code of Corporate Governance

"TELELINK BUSINESS SERVICES GROUP" AD (the "Parent Company") **,** after its registration as a public company by decision of the Financial Supervision Commission dated 28.11.2019, complies, as appropriate, with **the National Code of Corporate Governance** 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 November 28, 2019, "TELELINK BUSINESS SERVICES GROUP" AD did not have the status of a public company, therefore its activities were carried out in accordance with the provisions of the Commerce Act, the Accountancy Act, and good corporate practices applicable to the industry in which it operates.

After its registration as a public company, respectively after its shares were admitted to trading on a regulated market organized and maintained by the Bulgarian Stock Exchange AD, the activities of the Management and Supervisory Board of TELELINK BUSINESS SERVICES GROUP AD are carried out in accordance with the regulatory requirements set forth in the Public Offering of Securities Act (POSA) and its implementing acts, in the Parent Company's Articles of Association, as well as in the National Corporate Governance Code.

The corporate management of "TELELINK BUSINESS SERVICES GROUP" AD has taken all necessary legal and factual actions in 2024 to fully implement all recommendations of the Code.

The corporate management of "TELELINK BUSINESS SERVICES GROUP" AD realizes that sustainable development is achieving a balance between social and environmental principles, as socially justified and environmentally friendly economic development, and is therefore committed to establishing specific actions and policies regarding the sustainable development of the Parent Company, including, but not limited to, the disclosure of information related to social and environmental aspects of its activities.

As a technology company, TELELINK BUSINESS SERVICES GROUP AD strives to provide "technology with a purpose" that makes production cleaner and infrastructure more energy efficient. In this way, we help clients, cities and countries achieve their individual sustainability goals to create diverse benefits for employees, people and society as a whole.

Parent Company's continuous efforts in the field of environmental protection follow and implement the guidelines and requirements of the international standard ISO 14001:2015 "Environmental management systems. Requirements with guidance for implementation"

The corporate management of "TELELINK BUSINESS SERVICES GROUP" AD, in performing 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 organization of the activity and the overall concept of corporate governance of the Parent Company. The non-applicability of the recommendations is described in a declaration with the respective grounds for the non-applicability.

The Code is applied on the basis of **the “comply or explain” principle.** This means that the Parent Company complies with the Code, and in case of deviation, its management should explain the reasons for this.

The subsidiaries of Telelink Business Services Group AD (the “Group”) are not public companies and do not apply the principles and provisions of the National Corporate Governance Code in their operations, except for the provisions related to internal control and risk management systems, which are applied at the Group level.

I. Corporate governance

"TELELINK BUSINESS SERVICES GROUP" AD is a company with a two-tier management system.

The Parent Company is managed and represented by a Management Board, under the control of a Supervisory Board.

As of the date of preparation of this document, members of the Management Board (“MB”) are:

- Ivan Zhitiyanov – Chairman of the Management and Executive Director;
- Teodor Dobrev – member of the Management;
- Orlin Rusev – member of the Management;
- Yordanka Klenovska – member of the Management (elected in this capacity to replace Nikoleta Stanailova by decision of the Supervisory Board of March 25, 2024) ;
- Desislava Torozova – member of the Management

As of the date of preparation of this document, the Supervisory Board of the Parent Company ("SB") consists of five members:

- Wolfgang Ebermann – Chairman of the Supervisory Board;
- Florian Huth – Deputy Chairman of the Supervisory Board;
- Hans van Huvelingen – independent member of the Supervisory Board;
- William Anthony Bowater Russell – Independent Member of the Supervisory Board;
- Ivo Evgeniev – member of the Supervisory Board.

Functions and duties of the Management Board

The Management Board manages the Parent Company under the control of the Supervisory Board, exercising its rights and obligations in accordance with the requirements of the law, the Articles of Association and the Rules of Procedure. The Management Board of the Parent Company makes decisions, as its exclusive competence, for:

1. closure or transfer of businesses of the Parent Company's subsidiaries or significant parts thereof;
2. significant change in the Parent Company's activities;
3. significant organizational changes;
4. opening and closing branches and representative offices of the Parent Company in the country and abroad;

5. acquisition, cancellation or other disposal of shares, other securities, shares or equity participation in commercial companies in the country and abroad, as well as in non-profit legal entities;
6. formation of monetary funds and the procedure for their collection and expenditure;
7. carrying out transactions under Article 236 of the Commercial Act;
8. acquisition and alienation of real estate and property rights thereon;
9. preparation, acceptance and signing of a prospectus for public offering of securities issued by the Parent Company;
10. appointment and release of investment intermediaries to underwrite and/or administer an issue of securities issued by the Parent Company, which will be subject to public offering;
11. acceptance and presentation of the Parent Company's annual financial statements, the annual activity report and the report of the registered auditors to the Supervisory Board;
12. acceptance of the annual consolidated financial statements of the Parent Company;
13. adoption of the annual budget and business plan of the Parent Company and/or its subsidiary, as well as amendments to the annual budget and business plan;
14. taking decisions on transactions or actions that do not fall within the normal course of business of the Parent Company, and transactions that are not concluded under market conditions;
15. taking out bank loans;
16. transfer of the rights to carry out the expanded activities of the Parent Company and its directly related parties to a person who is not the exclusive property of the Parent Company or to a person directly related to the Parent Company;
17. any transfer, lease or establishment of a usufruct right, rent, pledge, mortgage or other encumbrances on the property of the Parent Company and persons directly related to the Parent Company;
18. proposal to the General Meeting of Shareholders to separate individual areas of activity of the Parent Company and the persons directly related to it, so that one or more of these areas of activity are transferred to a company or companies that are not related to the Parent Company, regardless of the form of separation of the relevant area of activity;
19. conclusion or amendment of management contracts for the Executive Director of the Parent Company;
20. all other issues related to the management of the Parent Company that are not within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board.

The Management Board shall adopt decisions if at least half of its members are present in person or represented by another member of the Board. A member who presents, may not represent more than one absent member. Decisions shall be taken by simple majority.

The Management Board may take written resolutions if all members of the Board agree in writing to these decisions.

The Management Board reports on its activities to the Supervisory Board at least once quarterly.

Election and dismissal of members of the Management Board

The Supervisory Board elects and dismisses the members of the Management Board in accordance with the law and the Articles of Association of the Parent Company, as well as in accordance with the principles of continuity and sustainability of the work of the Management Board.

In case of proposals for election of new members of the Management Board, the principles of compliance of the competence of the candidates with the nature of the activity of the Parent Company are observed.

All members of the Management Board meet the legal requirements for holding 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 management, concluded with the members of the Management Board, determine their obligations and tasks, their duty of loyalty to the Parent Company and the grounds for dismissal.

At the time of preparation of this Corporate Governance Statement, the Parent Company does not plan to change the composition of the Management Board, as the mandate of its members expires at the end of 2026. If it is necessary to elect new members, the Parent Company will take into account the recommendations of the Corporate Governance Code.

Structure and competence of the Management Board

The number of members and the structure of the Management Board are determined in accordance with the provisions of the Parent Company's Articles of Association. The Management Board of the Parent Company consists of five members, which is an optimal number in order to guarantee the effective operation of the Parent Company.

The Management Board is composed of professionals with various competencies, including those with financial and accounting experience, 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 Parent Company. 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 Management Board ensures a proper division of tasks and duties among its members to achieve efficiency in the Parent Company's activities, in accordance with the interests and rights of the shareholders.

The competences, rights and obligations of the members of the Management Board follow the requirements of the law, the organizational acts and the standards of good professional and management practice. The members of the Management Board are committed to informing themselves about new trends in the field of corporate governance and sustainable development.

The members of the Management Board have professional experience and knowledge in the fields of management, finance, law, trade and technology, as well as knowledge of the impact of climate on the development of the Parent Company, which are required for holding such a position.

Improving the qualifications of the members of the Management Board is their constant commitment, as they undergo various training courses, attend international exhibitions and seminars, and trade fairs.

The members of the Management Board have the necessary time to fulfill their tasks and obligations, although the Parent Company's articles of association do not determine the number of companies in which the members of the Management Board may hold management positions. This circumstance is observed when proposing and electing new members of the Management Board.

Conflict of interest

The members of the Management Board avoid and do not allow any real or potential conflict of interest.

The members of the Management Board shall immediately disclose conflicts of interest, if any, and shall provide access to information on transactions between the Parent Company or its subsidiaries on the one hand and members of the Management Board or persons related to them on the other hand, by submitting a declaration under Art. 114b of POSA. The Parent Company's Articles of Association expressly provide that, at the latest by the start of the meeting, a member of the Management Board shall be obliged to notify its chairman in writing that he/she or a person related to him/her has a conflict of interest on an issue put on the agenda and shall not participate in making the decision.

In 2020, the Management Board developed a procedure for avoiding conflicts of interest, which procedure will also apply in 2024.

Functions and duties of the Supervisory Board

The Supervisory Board of the Parent Company makes decisions, as its exclusive competence, for:

1. election and dismissal of the members of the Management Board and determination of the remuneration of the members of the Management Board and the executive directors;
2. approval of the consolidated three-year business plan and the consolidated annual budget of the Parent Company and its subsidiaries, as well as of significant changes thereto in the event of a decrease in the consolidated EBITDA of the Parent Company from the annual budget by more than 20% (twenty percent) for the last two completed calendar quarters;
3. approves the following decisions of the Management Board with a qualified majority of 4/5 (four fifths) of all votes:
   - 3.1. distribution of functions among the members of the Management Board, and the authorization of a member/s of the Management Board to represent the Parent Company (executive director);
   - 3.2. opening and closing branches and representative offices of the Parent Company or its subsidiary in the country and abroad;
   - 3.3. acquisition, cancellation or other disposals of the Parent Company or its subsidiary with shares, other securities, shares or equity participation in commercial companies in the country and abroad, as well as in non-profit legal entities;
   - 3.4. for carrying out transactions under Article 236 of the Commerce Act;
   - 3.5. a significant change in the commercial activities of the Parent Company or its subsidiaries;
   - 3.6. granting or receiving loans by the Parent Company or its subsidiary to/from third parties (excluding loans between the Parent Company and its subsidiary) that exceed 15% of the Parent Company's consolidated total assets as of the end of the last completed calendar quarter;

3.7. entering into convertible loan agreements, future capital agreements (simple agreement for future equity), bonds or other investment instruments from the Parent Company or its subsidiary or a change in material terms thereof;

3.8. any proposal for a substantial amendment to the Statute;

3.9. a proposal to the General Assembly to adopt a decision on each of the above issues.

4. The Supervisory Board approves, by a qualified majority of 4/5 (four fifths) of all votes, the conclusion of the following transactions, except when authorization by the General Meeting is required by law:

4.1. conclusion or amendment of agreements for one or more transactions with a total value exceeding one million euros per year between the Parent Company or its subsidiary and: (i) a shareholder holding directly or indirectly more than 25% (twenty-five percent) of the capital of the Parent Company (ii) a company in which a shareholder under item (i) holds more than 50% of the capital, with the exception of subsidiaries of the Parent Company and consortia in which they participate;

4.2. conclusion by the Parent Company or its subsidiary of an expense 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 Parent Company or its subsidiary of a revenue transaction exceeding 5 (five) million euros for a period of 12 months from the last transaction;

4.4. establishment of a lien, pledge or other encumbrance on assets of the Parent Company or its subsidiary (shares, movable and immovable assets) to secure obligations of third parties (other than subsidiaries of the Parent Company) that are not related to the activities of the Parent Company;

4.5. disposal (transfer or provision as collateral) of assets (shares in subsidiaries, fixed assets) of the Parent Company or its subsidiary in the amount of more than 5% of the consolidated total assets of the Parent Company as of the end of the last completed calendar quarter.

4.6. approves the Rules of Procedure of the Management Board and any proposed amendments or additions thereto.

4.7. has the right to request at any time from the Management Board to submit information, reports or draft decisions on all issues affecting the Parent Company.

The Supervisory Board has the right to inspect all documents, books and reports concerning the activities of the Parent Company and to request written and oral information on all issues from all members of the Managing Board and from all employees of the Parent Company.

The Supervisory Board shall meet at least once every three months. The meetings shall be convened by the Chairman of the Supervisory Board on his own initiative or at the request of a member of the Supervisory Board or at the request of a member of the Management Board, made through the Chairman of the Management Board.

The Supervisory Board shall adopt decisions if more than half of its members are present in person or by proxy. A member present may not represent more than one absent member. Decisions shall be taken by simple majority.

The Supervisory Board may make decisions in absentia if all members of the board express their consent to these decisions in writing.

Election and dismissal of members of the Supervisory Board

The members of the Supervisory Board are elected and dismissed by the General Meeting of Shareholders, in accordance with the law and the Articles of Association of the Parent Company, as well as in accordance with the principles of continuity and sustainability of the work of the Supervisory Board.

When considering proposals for the election of new members of the Supervisory Board, the principles of compliance with the competence of the candidates are observed, as required by the National Code of Corporate Governance, applied in the activities of the Parent Company.

All members of the Supervisory Board meet the legal requirements for holding their positions. The functions and obligations of the Supervisory Board, as well as its structure and competence, are in accordance with the requirements of the Code.

The management delegation agreements concluded with the members of the Supervisory Board define their duties and tasks, their loyalty obligations to the Parent Company and the grounds for dismissal.

Structure and competence of the Supervisory Board

The number of members and the structure of the Supervisory Board are determined in the Articles of Association of the Parent Company. The Supervisory Board of the Parent Company consists of five members, which is an optimal number, in order to exercise effective control over the activities of the Parent Company.

The composition of the Supervisory Board is structured in a way that guarantees the professionalism, impartiality and independence of its decisions. 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 main function of the independent members is to control the actions of the supervisory body and to participate effectively in its work in accordance with the interests and rights of the shareholders. Independent members should guarantee impartiality and independence in the decision-making of the collective body.

The competencies, rights and obligations of the members of the Supervisory Board follow the requirements of the law, the organizational acts and the standards of good professional and management practice, and they are committed to being informed about new trends in the field of corporate governance and sustainable development.

The members of the Supervisory Board have the appropriate knowledge and experience required for the position they hold. Among them are specialists with more than 20 years of experience in the fields of investment and finance, high technologies and telecommunications.

Improving the qualifications of the members of the Supervisory Board is their ongoing commitment.

The members of the Supervisory Board have the necessary time to perform their tasks and obligations, although the Parent Company's articles of association do not specify the number of companies in which the members of the Supervisory Board may hold management positions. This circumstance is observed in the proposals and election of new members of the Supervisory Board.

The election of the members of the Supervisory Board of the Parent Company takes place through a transparent procedure, which provides, among other things, timely and sufficient information about the personal and professional qualities of the candidates for members. As part of the materials for the general meeting, at which the election of a new member of the Supervisory Board is proposed, all declarations required by POSA and the Commercial Act, a criminal record certificate and a professional biography of the candidate for elected office are presented.

When electing members of the Supervisory Board, the candidates confirm by declaration or in person before the shareholders, the accuracy of the data and information presented. The election procedure is carried out by open voting and counting the votes "For", "Against" and "Abstain". The results of the vote are announced through the minutes of the General Meeting of Shareholders.

At the time of preparation of this Corporate Governance Statement, the Parent Company does not plan any changes in the composition of the Supervisory Board.

Conflict of interest

The members of the Supervisory Board avoid and do not allow any real or potential conflict of interest.

The members of the Supervisory Board shall immediately disclose conflicts of interest and provide access to information on transactions between the Parent Company or its subsidiaries, on the one hand, and members of the Supervisory Board or persons related to them by submitting the declaration under Article 114b of the POSA.

The Parent Company's Articles of Association explicitly provide that, at the latest by the start of the meeting, a member of the Supervisory Board is obliged to notify its Chairman in writing that he/she or a person related to him/her has a conflict of interest on an issue on the agenda and does not participate in making the decision.

Remuneration of the members of the Supervisory and Management Boards

The remuneration of the members of the Management and Supervisory Boards of Telelink Business Services Group AD is determined by the General Meeting of Shareholders, and their payment is in accordance with the remuneration policy adopted by the shareholders.

The remuneration policy for the members of the Supervisory and Managing Boards of "TELELINK BUSINESS SERVICES GROUP" AD", developed by the members of the Supervisory Board, was adopted by their decision on 03.08.2020 and was approved by the General Meeting of Shareholders of the Parent Company, held on 10.09.2020.

The Policy has entered into force from the date of approval by the General Meeting of Shareholders of the Parent Company. Since its adoption, until the date of preparation of this document, there have been two amendments and supplements to the adopted policy, developed by the members of the Supervisory Board and adopted by decisions of the General Meeting of Shareholders, held on 10.12.2020 and 14.09.2021, respectively.

The Parent Company has accrued and paid remuneration in accordance with the remuneration policy adopted by the General Meeting.

Information on the principles for forming the remuneration of the members of the Management and Supervisory Boards of the Parent Company, as well as on their amount, are disclosed in a report on the implementation of the remuneration policy for the members of the Supervisory and Managing Boards, prepared in accordance with the requirements of Art. 12 of Regulation No. 48 of the Financial Supervisory Commission of 20.03.2013 on the requirements for remuneration. In accordance with the requirements of the regulation, the report on the implementation of the remuneration policy is part of the written materials when conducting a regular annual General Meeting, and shareholders are given the opportunity to make recommendations on the content and manner of presenting the information in the report. Shareholders have easy access to information on the remuneration paid to the members of the Supervisory and Management Boards of "TELELINK BUSINESS SERVICES GROUP" AD" through the Parent Company's website, where it is published annually the report on the implementation of the remuneration policy, immediately after its adoption by the General Meeting of Shareholders.

The Parent Company intends to initiate a process to update the remuneration policy, in accordance with applicable legislation.

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 2024. 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 in relation to the financial reporting process

The Parent Company has an Audit Committee elected by the General Meeting of Shareholders. The procedures for selecting members of the Audit Committee, its functioning, reporting and mandate are described in the "Statute of the Audit Committee" dated 10.09.2020.

At the Extraordinary General Meeting of Shareholders held on 28.08.2023, Yordanka Klenovska, Anelia Angelova - Tumbeva and Todor Stefanov were elected as members of the Audit Committee with a three-year mandate, starting from the date of expiration of the mandate of the previous audit committee, namely 10.09.2023.

The Parent Company have established and operate an internal control and risk management system, which provides the Parent Company with a holistic management approach, by implementing preventive (risk assessment and treatment), control (internal control) and corrective actions (internal audit), which provide a mechanism for continuous improvement of the processes in the Parent Company and ensure the effective functioning of the reporting and information disclosure systems.

When describing the main characteristics of the internal control and risk management systems, it is taken into account that POSA and the National Corporate Governance Code do not define an internal control framework that public companies in Bulgaria should follow. Therefore, for the purposes of fulfilling the Parent Company's obligations under Art. 100n, para. 8, item 4 of POSA, when describing the main characteristics of the systems, the frameworks of:

- International Standard on Auditing 315
- International standard ISO 31000:2018 “Risk management. Guidance”

- International standard ISO 31010:2019 "Risk management. Risk assessment methods"

The management adheres to the following basic principles in establishing, managing and maintaining the internal control and risk management system:

- Provides a basis for making informed decisions
- Feasibility and applicability to the Parent Company's activities
- An integral part of the Parent Company's processes
- Takes into account human, cultural and organizational factors
- Competence: The Parent Company's Management Board and the persons involved in the internal control and risk management process possess the necessary knowledge and skills.
- Contributes to the continuous improvement of the Parent Company's processes
- Contributes to achieving the goals of the Parent Company

Internal control

The purpose of internal control in the Parent Company and the Group companies is to monitor the functioning of processes, the implementation of adopted rules, compliance with applicable legislation and standards, determination of processes / areas for auditing, as well as risk indicators for monitoring. The internal control system of financial reporting is based on the previous experience of the management, studies of good reporting and control practices, compliance with legal requirements to ensure the effective functioning of the reporting and disclosure systems. It is in a constant process of monitoring and continuous improvement.

Internal control is conducted on an ongoing basis and provides the Parent Company's Management Board with data for making informed decisions regarding the functioning of processes, the management of risks and opportunities, improvement of controls and operations, as well as reliable information regarding compliance with applicable legislation and standards.

Internal control is exercised over all activities, regardless of whether they are financial or not.

Internal control is implemented through constant monitoring of indicators built into the Parent Company's operational and management processes and does not interfere with operational work.

The Group companies' management is responsible for preparing an annual activity report, as well as financial statements that give a true and fair view of the financial position of the enterprise, in accordance with the applicable accounting policies.

Management's responsibility also includes implementing a system of internal control to prevent, detect and correct errors and misstatements arising from the operations of the accounting system, based on the following basic principles:

- Compliance with accounting policies, completeness and accuracy of accounting information disclosed in the financial statements;
- Recording all operations in accordance with legal and regulatory acts;
- Timely recording of transactions and events, with their exact amount, in the preparation of financial statements;
- Compliance with the principle of prudence in the valuation of assets, liabilities, income and expenses; identification and elimination 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 Risk Management is to create a mechanism for making informed and consistent decisions by the Management of the companies in the 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 in line with the dynamic changes that may occur in this context. The process is implemented using historical and current information, future forecasting and the influence that the human factor can have.

"TELELINK BUSINESS SERVICES GROUP" AD constantly monitors and adapts its risk management approach, and monitors and develops its operational processes to ensure continuous improvement.

The Parent Company has implemented an Integrated Business Process Management System, which is certified according to the requirements of 8 Management ISO standards, which guarantees the effectiveness of the implemented processes regarding information security management, including cybersecurity, supplier management and supply chain risk assessment and risk assessment related to sustainability aspects.

A detailed description of the risks characteristic of the activities of "TELELINK BUSINESS SERVICES GROUP" AD is presented in the section "Main risks faced by the Group" of the management report.

On 17.06.2024, a Corporate Risk Management Committee was established under the Supervisory Board, whose role is to advise the Management Board on the Parent Company's overall risk management strategy. The functions, organization and working methods of the Committee are described in detail in specific rules adopted by the Supervisory Board.

Information system and related business processes essential to financial reporting and communication

The information system, essential for the purposes of financial reporting, management of the Group companies' and communication, represents an integrated whole of systems, platforms and procedures that are used to:

- initiating, recording, processing and reporting the Group companies' transactions and operations (as well as events and conditions) and maintaining records of related assets, liabilities and equity;
- resolving problems with incorrect processing of transactions and operations;
- transfer of information from transaction and operation processing systems to the general ledger;
- covering information relevant to the financial reporting of events and conditions other than transactions and operations.

The accounting team experts working with the Group companies' Information System and performing the related business processes have the necessary competence and a clear understanding of the individual roles and responsibilities related to internal control – their own and those of management personnel and understand how their activities in the financial reporting information system relate to the work of others and the means for reporting exceptions to corporate management. Open channels of communication help ensure that exceptions are reported and acted upon.

Ongoing monitoring of controls

Ongoing monitoring of controls is the process of evaluating the effectiveness of the performance of internal controls over time. It involves assessing the effectiveness of controls in a timely manner and taking 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 normal recurring activities of the Croup companies and include regular management and oversight activities.

III. Protection of shareholders' rights

The corporate management ensures equal treatment of all shareholders, including minority and foreign shareholders, protects their rights, and facilitates their exercise within the limits permitted by applicable law and in accordance with the provisions of the Parent Company's articles of association.

The invitation to the General Meeting contains the information required under the Commercial Act and POSA, as well as additional information regarding the exercise of voting rights and the possibility of adding new items to the agenda pursuant to Article 223a of the Commerce Act.

The corporate management ensures that all current and future investors are informed by publishing on the Parent Company's website, as well as on the information agency selected by the Parent Company for providing regulated information (X3 News), information about the Parent Company's financial results, as well as upcoming corporate events (such as holding a general meeting, distributing dividends, etc.).

General Meeting of Shareholders

All shareholders are informed of the rules under which general meetings of shareholders are convened and held, including voting procedures, through the Articles of Association of the Parent Company, as well as through an invitation to each specific General Meeting of Shareholders.

The corporate management provides sufficient and timely information regarding the date and venue of the General Meeting, as well as complete information regarding the issues that will be considered and resolved at the meeting.

The invitation and materials for the General Meeting of Shareholders are announced through X3 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 Parent Company provides the Central Depository with notices of upcoming corporate events. After submission of the invitation and materials for the General Meeting of Shareholders, they are also available on the Parent Company's website.

Shareholders with voting rights have the opportunity to exercise their right to vote at the General Meeting of the Parent Company in person or through representatives and by correspondence.

As part of the materials for the General Meeting of Shareholders, the corporate management provides a sample proxy, Rules for Voting by Proxy, a declaration for voting by correspondence and Rules for Voting by Correspondence.

The Managing Board exercises effective control by creating the necessary organization for voting by correspondence or through authorized persons in accordance with the instructions of the shareholders and in the ways permitted by law. By order of the Executive Director, the composition of a mandate commission is determined, which registers the shareholders for each specific general meeting.

The management of the General Meeting strictly monitors the legal conduct of the General Meeting, including the manner of voting of the authorized persons. If differences are found in the will of the principal and the vote of the authorized person, this circumstance is entered in the minutes and the will of the principal is respected accordingly.

The Managing Board organizes the procedures and order for conducting the General Meeting of Shareholders in a manner that does not unnecessarily complicate or increase the cost of voting.

In order to maximally facilitate the exercise of shareholders' voting rights, an additional method for exercising voting rights by correspondence was introduced in the Parent Company's articles of association.

In addition, the Parent Company provides an opportunity for its shareholders who cannot attend the general meeting in person, nor exercise their right to vote by correspondence or proxy, to observe the meeting in real time, without having the opportunity to exercise their right to vote. The aim is for the information on the decisions taken by the shareholders, as well as the management's answers to questions raised during the meeting regarding the financial condition of the Parent Company, to reach all persons who have acquired shares in the capital 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 to convene it in the Commercial Register and the Register of Non-Profit Legal Entities and are published on the Parent Company's website. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for the distribution of profit.

The Management Board, in accordance with the current legislation, assists shareholders who have the right to include additional issues and propose resolutions on issues already included in the agenda of the General Meeting, by taking all necessary legal and factual actions to disclose the additional issues added to the agenda of an already convened General Meeting.

The Management Board guarantees the right of shareholders to be informed about the decisions taken at the General Meeting of Shareholders by disclosing the Minutes of the General Meeting of Shareholders through the selected media agency.

Equal treatment of shareholders of one class

According to the POSA, the Articles of Association of the Parent Company and the internal acts of the Parent Company, all shareholders of one class are treated equally, and all shares within one class grant equal rights to shareholders of the same class.

The Managing Board ensures that sufficient information is provided to investors regarding the rights conferred by all shares of each class prior to their acquisition through the information published on the Parent Company's website, as well as through conversations and personal meetings with the management and/or the Investor Relations Director.

Consultations between shareholders on basic shareholder rights

The Management Board shall not prevent shareholders, including institutional shareholders, from consulting each other on matters relating to the exercise of their fundamental shareholder rights in a manner that does not allow for abuse.

Shareholder' transactions with controlling rights and abusive transactions

The Management Board does not allow transactions with shareholders with controlling rights that violate the rights and/or legitimate interests of the other shareholders, including under the terms of negotiation with itself. When carrying out this type of transaction, an explicit decision of the Management Board is required, and interested parties are excluded from voting. In case of indications of exceeding the statutory thresholds under Art. 114, para. 1 of the POSA, the Management Board prepares a reasoned report and initiates the convening and holding of a General Meeting of Shareholders, at which the transactions are to be put to a vote.

IV. Disclosure of information

The Management Board has developed "Rules for Disclosure of Inside Information and Regarding Insiders" for "Telelink Business Services Group" AD, which are in force from 14.05.2024.

The document has been developed in accordance with the legal requirements and the Parent Company's organizational acts. In accordance with the adopted rules, the corporate management has created and maintains a system for disclosing information.

As of the date of this document, the requirement to disclose non-financial information through the preparation and submission of a sustainability report is not applicable to Telelink Business Services Group AD.

The information disclosure system guarantees equality of the recipients of the information (shareholders, stakeholders, investment community) and does not allow abuse of inside information.

Inside information is disclosed in the legally established forms, order and deadlines through the selected media agency. The Parent Company uses a single point for electronic disclosure of information, thus the information reaches the public, the FSC and the regulated securities market simultaneously and in an uncorrected form. Information in an uncorrected form and in the same volume is also published on the Parent Company's website. In this way, the Parent Company guarantees that the information disclosure system provides complete, timely, accurate and understandable information, which enables objective and informed decisions and assessments.

The Management Board shall promptly disclose the Parent Company's capital structure and agreements that result in the exercise of control in accordance with its disclosure rules.

The Management Board ensures that the rules and procedures under which acquisitions of control and extraordinary transactions such as conversions and sales of significant parts of the assets are carried out are clearly and promptly disclosed.

The Management Board approves and controls the process of preparing the annual and interim reports, as well as the interim financial notifications, as well as the procedure for their disclosure.

The Parent Company maintains a website with approved content, scope and periodicity of the information disclosed through it. The content of the Parent Company's website fully covers the recommendations of the National Corporate Governance Code.

The Parent Company periodically discloses information about corporate governance.

The Managing Board believes that with its activities in 2024, it has created the prerequisites for sufficient transparency in its relationships with investors, financial media and capital market analysts.

In 2024, the Parent Company disclosed all regulated information within the deadlines and in accordance with the procedure provided for in the POSA and its implementing acts.

The Management and Supervisory Boards ensure that all transactions with related parties will be approved and implemented in a manner that ensures reliable management of the conflict of interest and protection of the interests of the Parent Company and its shareholders. The Parent Company has implemented rules for avoiding conflicts of interest in transactions with persons related to the Parent Company or them and disclosing information when such arise.

V. Stakeholders

The Parent Company has a stakeholder policy in place, 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. At a meeting held on 11.03.2022, the Supervisory Board reviewed and approved the policy.

"TELELINK BUSINESS SERVICES GROUP" AD regularly communicates with stakeholders both financial and non-financial information in connection with the corporate policy adopted by the Management Board.

VI. Information under Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (Information under Article 10(1)(c), (d), (f), (h) and (i))

1. Information under 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 31.12.2024, the shareholders holding 5 percent or more of the capital and voting rights in the General Meeting of the Parent Company are :

- Lyubomir Minchev directly owns 6,263,624 shares with a nominal value of 1 leva each, representing 50.11 % of the total capital of the Parent Company;
- SEET INVESTMENT HOLDINGS SARL (Luxembourg) with a share of 2,872,380 shares or 22.98%
- UTILICO EMERGING MARKETS TRUST PLC directly owns 1,733,837 shares with a nominal value of 1 BGN each, representing 13.87% of the total capital of the Parent Company.

Information on individuals who reached, exceeded or fell below one of the following thresholds of 10%, 20%, 1/3, 50% and 2/3 in 2024:

During the reporting period, there were no persons who reached, exceeded or fell below the limits of 10%, 20%, 1/3, 50% and 2/3 of the share capital of Telelink Business Services Group AD.

2. Information under 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 rights of control and description of those rights

"TELELINK BUSINESS SERVICES GROUP" AD has no shareholders with special control rights.

3. Information under Article 10(1)(e) 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 exercising voting rights or systems by which, through cooperation with the Parent Company, the financial rights attached to the securities are separated from the ownership of the securities

There are no restrictions on the voting rights of the shareholders of "TELELINK BUSINESS SERVICES GROUP" AD.

4. Information under 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 board members and the amendment of the memorandum 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 Management 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 Management Board, and the members of the boards may be re-elected without restriction. A member of the Supervisory and Management Boards may be a capable individual or a legal entity that meets the requirements of the law and possesses the necessary professional qualifications in connection with the Parent Company's activities.

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.

5. Information under 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 board members, in particular the right to issue or buy back shares

The Management Board cannot adopt decisions on the issuance and redemption of shares of the Parent Company. These decisions are within the powers of the General Meeting of Shareholders.

In 2024, the Management Board is authorized to carry out a share buyback under certain conditions and terms, according to a decision of the General Meeting of Shareholders held on 19.06.2024.

VII. Description of the diversity policy applied to the Administrative, Management and Supervisory bodies of "TELELINK BUSINESS SERVICES GROUP" AD

"TELELINK BUSINESS SERVICES GROUP" AD and its subsidiaries are committed to maintaining compliance with the highest ethical and legal standards in the areas of human rights, labor law, environmental protection and the fight against corruption.

The Parent Company has developed a number of internal documents that can be classified as a diversity policy regarding management and supervisory bodies in relation to aspects such as age, gender or education and professional experience.

Such internal documents are:

- Code of Ethical and Professional Conduct of "TELELINK BUSINESS SERVICES GROUP" AD, which aims to establish the moral and ethical norms, principles and standards for employee behavior in accordance with corporate principles such as legality, professionalism, confidentiality, teamwork, responsibility and accountability, mutual respect, respect for personal dignity and exchange of knowledge.
- General policy for processing personal data

Each of the above documents, individually and collectively with the others, constitute the Parent Company's policy for diversity of the management and supervisory bodies in relation to aspects such as age, gender or education and professional experience. The Parent Company applies a balanced policy for nominating members of the corporate management who possess education and qualifications that correspond to the nature of the Parent Company's work, its long-term goals and business plan.

The Group companies 's internal regulations encourage the pursuit of gender balance at all management levels.

The Group companies do not discriminate against members of corporate management and administrative bodies based on age or gender.

The Group companies prohibit and do not allow in any way direct or indirect discrimination based on race, nationality, ethnicity, human genome, citizenship, gender, origin, 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 characteristics established by law or in an international treaty to which the Republic of Bulgaria is a party, and complies with all applicable laws on discrimination in the field of employment.

The prohibition of direct or indirect discrimination applies to all activities of the Group companies and is consciously applied in the selection of personnel, including in relation to their participation in administrative, management or supervisory bodies of the Group companies, as well as in relation to working conditions and determination of employee remuneration.

The Group companies expressly prohibits any manifestation of discriminatory behavior by the companies' employees towards other persons, as well as incitement to discrimination or harassment on this basis. Any report or complaint of discrimination or harassment is subject to investigation and verification.

Date issued:

30.04.2025

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2025.05.21 09:38:17 +03'00'

Ivan Zhitiyanov

Executive Director

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 consolidated annual financial statements as of 31 December 2024 of TELELINK BUSINESS SERVICES GROUP AD,

hereby DECLARE that to the best of our knowledge,

1. The consolidate financial statements as of 31 December 2024, 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 31 December 2024 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.

30 April 2025

Sofia

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2025.05.21 09:37:40 +03'00'

Ivan Krasimirov Zhitiyanov

Executive Director

YORDANKA LYUBCHOVA KLENOVSKA

Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA
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Jordanka Lyubchova Klenovska

Financial Director

Deloitte.

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This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Telelink Business Services Group AD

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Telelink Business Services Group AD (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAASRA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue from contracts with customers

The Group’s disclosures about revenue from contracts with customers are included in Notes 4 Accounting policy – summary of significant accounting policies: Revenue from contracts with customers, 5 Accounting policy - Significant accounting judgements, estimates and assumptions: Revenue from contracts with customers and 9 Revenue from contracts with customers to the consolidated financial statements.</td></tr>
<tr><td>In the consolidated financial statements for the year ended December 31, 2024, the Group has recognized revenue from contracts with customers amounting to BGN 222,973 thousand. This revenue includes revenue from sale of goods/equipment, services and combination of sale of goods/equipment and additional services. As a result of the Group’s business model contracts with customers are of a various nature and contain customer-specific terms and performance obligations.

In accordance with the requirements of IFRS 15 “Revenue from Contracts with Customers” and as disclosed in Notes 4, 5 and 9, the Group has developed a policy for recognizing revenue from contracts with customers. In preparing and applying the policy, the Group's management has applied accounting estimates to determine the separate performance obligations under contracts with customers that significantly affect the amount of revenue recognized for the reporting period.

Key judgements include an analysis of the economic nature and commercial context of contracts with customers to identify separate 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, principal versus agent considerations, significant financing components, as well as the risks under the contracts, including technical, regulatory and legal risks.

The management of the Group analyses every year the necessity for review of the previously applied judgments. During 2024 the assessment of the Group is that no changes to judgments are necessary.</td><td>In this area our audit procedures, among others, included:

• Performing walkthrough and understanding the process for revenue recognition including the Group's internal methods and control mechanisms for agreeing, concluding and executing contracts with customers.
• Testing of the design, implementation and operating effectiveness of selected key controls related to the processes for recognizing revenue.
• Review of the significant accounting judgements of the Group’s management and determination of their reasonableness based on the IFRS Accounting Standards requirements for recognition and measurement of revenue from contracts with customers.
• Assessment of the conclusions of the significant accounting judgements made by the Group’s management by assessing the audit evidence received in the course of understanding and testing the design, implementation and operating effectiveness of key controls over the revenue process and through performing substantive procedures.
• Analytical procedures and tests of details as appropriate in order to gain sufficient and appropriate audit evidence that revenue from contracts with customers is presented fairly, in all material respects.
• Assessment of the appropriateness of the Group’s disclosures regarding revenue presented in the consolidated financial statement to determine whether these are in accordance with IFRS 15 Revenue from contacts with customers.</td></tr>
</table>

Because of the significance of revenue from contracts with customers and the significant accounting judgements and assumptions made by the Group's management, we have identified this area as a key audit matter.	

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2024.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Management Board of the Parent Company (Management) is responsible for the other information. The other information comprises the consolidated annual management report and the corporate governance statement, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditor's report and to the extent it is specifically stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee (Those charged with governance) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting in relation to the compliance with the electronic format of the consolidated financial statements, included in the annual consolidated financial report on activities under Art. 100m, para 5 of the Public Offering of Securities Act (POSA) with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement regarding the compliance of the electronic format of the Group's consolidated financial statements for the year ended December 31, 2024 attached in the electronic file "894500RSIIEY6BQP9U56-20241231-BG-CON.zip", with the requirements of Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards to define the European Single Electronic Format for reporting (ESEF Regulation). Our opinion is only with respect to the electronic format of the consolidated financial statements and does not cover the other information included in the annual consolidated financial report on activities under Art.100m, para 4 of the POSA.

Description of the subject and applicable criteria

The management has prepared electronic format of the consolidated financial statements of the Group for the year ended December 31, 2024, in accordance with the ESEF Regulation to comply with the requirements of the POSA. The rules for preparing consolidated financial statements in this electronic format are set out in the ESEF Regulation and, in our opinion, have the characteristics of appropriate criteria for forming a reasonable assurance opinion.

Responsibilities of Management and Those Charged with Governance

The Group's management is responsible for the application of the requirements of the ESEF Regulation in preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and implementation of appropriate iXBRL tags using the taxonomy of the ESEF Regulation, and the introduction and implementation of such internal control system as management determines is necessary to prepare the electronic format of the Group's annual consolidated financial statements, so that it does not contain significant inconsistencies with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the process of preparation of the annual consolidated financial statements of the Group, including the application of the ESEF Regulation.

Auditor's responsibility

Our responsibility is to express a reasonable assurance opinion as to whether the electronic format of the consolidated financial statements complies with the requirements of the ESEF Regulation. For this objective we performed "Guidelines on the issuing of audit opinion with respect to the application of the European Single Electronic Format (ESEF) to the financial statements of companies which securities are admitted to trading on a regulated market in the European Union (EU)" by the Professional Organization of the Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA) and we have performed and a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (revised)). This standard requires us to comply with ethical requirements, plan and perform appropriate procedures to obtain reasonable assurance whether the electronic format of the Group's consolidated financial statements has been prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and scope of the procedures chosen depend on our professional judgement, including the assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect non-compliance with requirements, when it exists.

Requirements on quality control

We apply the requirements of International Standard on Quality Management (ISQM) 1, and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements applicable to registered auditors in Bulgaria.

We are independent in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) adopted by ICPA by IFAASRA.

Summary of work performed

The objective of the procedures planned and performed by us was to obtain reasonable assurance that the electronic format of the consolidated financial statements has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation. As part of assessing the compliance with the requirements of the ESEF Regulation regarding the electronic (XHTML) reporting format of the Group's consolidated statements, we maintained professional skepticism and used professional judgement. We also:

- obtained an understanding of the internal control and processes related to the application of the ESEF Regulation in relation to the Group's consolidated financial statements and including the preparation of the Group's consolidated financial statements in XHTML format and its tagging in machine-readable language (iXBRL);
- checked whether the applied XHTML format is valid;
- checked whether the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;
- assessed the completeness of the tags in the Group's consolidated financial statements when using machine-readable language (iXBRL) in accordance with the requirements of the ESEF Regulation;
- assessed the appropriateness of the used iXBRL tags selected from the basic taxonomy, as well as the creation of an element of the extended taxonomy in accordance with the ESEF Regulation, when a suitable element in the basic taxonomy is missing;
- assessed the appropriateness of the correlation (fixation) of the elements of the extended taxonomy in accordance with the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, based on the procedures performed, the electronic format of the consolidated financial statements of the Group for the year ended December 31, 2024, contained in the attached electronic file “894500RSIIEY6BQP9U56-20241231-BG-CON.zip”, is prepared in all material respects in compliance with the requirements of the ESEF Regulation.

Additional Matters Required to be Reported by the Accountancy Act and Public Offering of Securities Act (POSA)

In addition to our reporting responsibilities according to ISAs described in section *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon*, with respect to the consolidated annual management report and the corporate governance statement, we have also performed the procedures, together with the required under ISAs, in accordance with the Guidelines regarding new extended reports and communication by the auditor of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100m, paragraph 10 of POSA in relation to Art. 100m, paragraph 8, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion under Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the consolidated annual management report for the financial year for which the consolidated financial statements have been prepared, is consistent with the consolidated financial statements.
- The consolidated annual management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, paragraph 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the consolidated financial statements have been prepared.

Opinion under Art. 100m, paragraph 10 in relation to Art. 100m, paragraph 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Group and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process as part of the consolidated annual management report (as element of the content of the corporate governance statement) and the information under Art. 10, paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids do not contain cases of material misrepresentations.

Reporting in Accordance with Art. 10 of Regulation (EU) No 537/2014 in Connection with the Requirements of Art. 59 of the Independent Financial Audit and Assurance of Sustainability Reporting Act

In accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Deloitte Audit OOD was appointed as a statutory auditor of the consolidated financial statements of the Group for the year ended December 31, 2024 by the General Meeting of Shareholders held on September 18, 2024 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended December 31, 2024 represents first total consecutive statutory audit engagement for that group carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Parent Company's Audit Committee on April 30, 2025, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.

- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.
- For the period to which our statutory audit refers, we have not provided other services to the Group in addition to the statutory audit.

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Deloitte Audit OOD
Registration number: 033

Desislava Dinkova Peneva
Digitally signed by Desislava Dinkova Peneva
Date: 2025.05.21 16:11:55 +03'00'

Desislava Dinkova
Statutory Manager
Registered Auditor, in charge of the audit

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