EXPLANATORY NOTES

BY "TELELINK BUSINESS SERVICES GROUP" AD

as of the end of the FIRST QUARTER OF 2025 as per art. 100o[1], par. 2, with regard to art. 100o[1] , par. 4, p. 2 and par. 5 of the POSA and art.15, with regard to art. 14 of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission of securities to trading on a regulated market (Ordinance 2)

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Business profile

Telelink Business Services Group AD (TBS Group, the Company, the Issuer) was established on 31.07.2019 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 public reporting purposes in 2025:

- IT Infrastructure;
- Cybersecurity;
- Software Development, Data and AI;
- Internet of Things;
- End User Hardware and Software, Public Cloud and Other.

The correspondence of the above product categories with the technology groups applied in the Group's reporting in 2024 (IT Infrastructure, Digital Transformation, Cybersecurity, End User Hardware and Software, Internet of Things and Other) is shown in section V.1.1.1 of this Notification.

I.2 Share capital and ownership structure

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

As of 31.03.2025, 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 with regard to incentive programs for the employees and the MB and other investment purposes (including 6 shares available as of 31.12.2024 and a total of 200,000 shares purchased in March 2025 in accordance with the resolution adopted by an Extraordinary GMS on 13.02.2025), as of 31.03.2025, the Company held 200,006 own shares representing 1.60% of its registered capital.

I.3 Governance

The Company has a two-tier board system.

As of 31.03.2025, The Company's Managing Board (the MB) featured 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;
- Desislava Torozova – member of the MB.

As of 31.03.2025, the Company's Supervisory Board (the SB) featured five members, including:

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

I.4 Public Information

In accordance with the requirements of art. 27 and the subsequent provisions of Ordinance 2 of the FSC, with regard to art. 100t, par. 3 of the POSA, the Company discloses regulated information to the public through a selected media service. All of the information provided to that media, is available in full and unedited form on http://www.x3news.com/. The required information is presented to the FSC through the unified 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 Notification, are being traded on the Standard Equities Segment of the BSE under the ticker of TBS.

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

II INVESTMENT PORTFOLIO

Subsidiary	Country of incorporation and management	Capital share held by TBS Group
(direct)		
Telelink Business Services EAD	Bulgaria	100%
Comutel DOO	Serbia	100%
Telelink 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%

** In the process of merging with Sedam IT DOO.*

As of 31.03.2025, 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 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, whereas, notwithstanding the initiated process of merging into 7IT, the company continued to exist as a separate business entity as of the end of the reporting period;
- Telelink Business Services, LLC (USA) ("TBS USA"), established by the Company in January 2021;
- Telelink Business Services SRL (Romania) ("TBS Romania"), established by the Company in November 2021;
- Telelink Business Services Germany GmbH (Germany) ("TBS Germany"), established by the Company in January 2022;
- Sedam IT DOO (Croatia) ("7IT"), acquired by the Company by means of a share purchase in March 2024.

As of 31.03.2025, 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.

III IMPORTANT EVENTS DURING THE REPORTING PERIOD

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.

IV RISKS FACED BY THE COMPANY AND THE GROUP

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

IV.1 Systemic Risks

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

IV.1.1 Political risk

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

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

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

From the beginning of 2025, a potentially significant risk has also emerged in 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.

IV.1.2 Macroeconomic risk

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

In spite of the gradual slowdown of inflation since the end of 2023, the tariff policy implemented nu the USA from the beginning of 2025 has given rise to significant risks of its resurgence and/or the entry into a phase of recession both in the USA and all other national economies affected thereby, including the country members of the EU.

IV.1.3 Currency risk

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

Presently, Bulgaria maintains a currency board system, based on a fixed Euro / Lev exchange rate., and a course of accession to the Eurozone. The Euro has also been adopted as a benchmark for managed floating, fixing base or local currency in Croatia, Bosnia and Herzegovina, Montenegro and Slovenia. The above factors limit substantially the systemic currency risk relevant to the Group. However, the countries in which it operates, as well as European economies as a whole remain exposed to the effects of the exchange rate dynamics of other leading global currencies, including mostly the US dollar.

IV.1.4 Interest risk

The Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions 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.

IV.1.5 Credit risk

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

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

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

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

IV.1.7 Risks related to imperfections of the legal system

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

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

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

IV.2.1 Risks relative to the business strategy and growth

IV.2.1.1 Inappropriate business strategy

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

IV.2.1.2 Insufficient management capacity and increased growth management costs

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

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

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

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

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

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

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

IV.2.1.5 Risks stemming from potential acquisitions

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

IV.2.2 Risks relative to human resources and managerial staff

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

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

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

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

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

IV.2.3 Risks relative to the market environment and competition

IV.2.3.1 Slowdown or unfavourable trends in demand

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

IV.2.3.2 Regulatory changes unfavourable to market demand

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

IV.2.3.3 Intense competition

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

IV.2.3.4 Unfair competition

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

IV.2.4 Risks relative to public procurement

IV.2.4.1 Delayed tendering and implementation

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

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

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

IV.2.4.2 Competition for public procurement

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

IV.2.5 Concentration risks

IV.2.5.1 Adverse changes in key client relationships

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

IV.2.5.2 Adverse changes in relationships with key technological partners

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

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

IV.2.6.1 Time and cost of adpating to new technologies

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

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

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

IV.2.6.3 Delayed adoption of new technologies by the clients

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

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

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

IV.2.7 Risks relative to long-term contracts

IV.2.7.1 Cost of commitments for regular service and support

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

IV.2.7.2 Early termination

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

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

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

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

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

IV.2.8 Financial risks

IV.2.8.1 Currency risk

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

IV.2.8.2 Interest rate risk

The Group is exposed to the risk of increase in market interest rates mainly with regard to the use of overdraft limits, 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 Notification, this risk continues to show a mixed evolution, with market interest rates reflecting substantially the significant dynamics described in section IV.1.4, while the interest rates of lending banks applicable to drawdowns in BGN remain in the range of 0.0-0.1%.

Considering the slowdown in inflation and economic growth and the reversal in interest rates growth in the EU starting from 2024, as of the date of this Notification, the Company's management deems the interest risk of investment bank loan exposures based on 3-month EURIBOR to be relatively limited and has not planned on the use of financial instruments for their hedging in the immediate term. Notwithstanding, it remains committed to the continuous monitoring of economic and credit market trends, maintaining its readiness for the potential hedging of exposures from tranches already utilized in their definitive amounts in case of an expected increase in this risk.

Interest risk can also manifest through increases in the contractual markups over the floating interest indexes making part of the total interest rates on utilized credit facilities subject to regular renewal, such as most of the overdraft limits and revolving credit lines used by the Group, at the initiative of the financing banks. Notwithstanding the efforts of the Company and relevant subsidiaries to negotiate and maintain most attractive terms with current creditors and the procurement of competitive offers from other banks, such increases are often inevitable within a certain period of time, in case of migration between incumbent and creditors, or as a whole, in case they reflect prevailing trends on the credit market. As of the date of this Notification, this risk also exhibits a mixed development, with interest margins on some contracts and limits increasing substantially, while others remain unchanged or minimally different from previous periods.

IV.2.8.3 Liquidity risk

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

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

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

IV.2.8.5 Credit risk

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

IV.2.8.6 Asset impairment risk

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

IV.2.9 Operational risks

IV.2.9.1 Deviations in processes and quality of service

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

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

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

IV.2.9.3 Assuring compliance with standards and norms

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

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

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

IV.2.10 Other risks

IV.2.10.1 Litigation risk

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

IV.2.10.2 Risks relative transactions with related parties

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

IV.2.10.3 Cyber attacks

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

IV.2.10.4 Force majeure

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

IV.3 Military conflict between Russia and the Ukraine

Consequent to the military conflict between Russia and Ukraine, which 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.

V PRESENTED INFORMATION ON THE GROUP'S ACTIVITIES WITH IMPACT ON FINANCIAL RESULTS AS OF 31.03.2025

Financials (BGN thousand)		(period end)		change
		31.3.2025	31.3.2024	
Net sales revenue	*(1)*	**31,588**	**40,351**	**-22%**
Operating Expenses	*(1)*	-34,199	-37,326	-8%
Other Operating Income/(Expenses) (net)	*(2)*	-1	61	-62
Operating Profit	*(2)*	**-2,612**	**3,086**	**-5,698**
Financial Income/(Expenses) (net)	*(1)*	-605	-250	142%
Income Tax Expense	*(1)*	-57	-508	-89%
Net Profit	*(2)*	**-3,274**	**2,328**	**-5,602**
Depreciation & Amortization Expenses	*(1)*	-1,751	-1,032	70%
Interest Income/(Expenses) (net)	*(1)*	-262	-103	154%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	*(2)*	**-1,204**	**3,971**	**-5,175**
		31.3.2025	31.12.2024	
Total Assets		**145,897**	**176,625**	**-17%**
Non-current Assets		45,683	46,798	-2%
Current Assets		100,214	129,827	-23%
Equity		**32,940**	**38,500**	**-14%**
incl. Retained Earnings and Profit for the Year		35,264	38,532	-8%
Total Liabilities		**112,957**	**138,125**	**-18%**
Non-current Liabilities		19,276	20,386	-5%
Current Liabilities		93,681	117,739	-20%
Cash and Cash Equivalents (CCE)		**23,530**	**24,979**	**-6%**
Total Financial Debt	*(3)*	**19,710**	**18,463**	**7%**
Net Financial Debt / (Net Cash Position)	*(4)*	**-3,820**	**-6,516**	**2,696**
		31.3.2025	31.3.2024	
Net Cash Flow from Operating Activities and ForEx Differences		**1,402**	**-18,099**	**19,501**
Net Cash Flow from Investment Activities and Acquired CCE		**-1,006**	**-10,970**	**9,964**
Net Cash Flow from Financing Activities		**-1,845**	**18,834**	**-20,679**
incl. Purchase of Own Shares		-2,307	0	-2,307

(1) Results as of 31.3.2024 shown net of (excluding) the operations dicontinued with the voluntary liquidation of TBS Montenegro and the sale of Telelink Abania in 2024

(1) Results as of 31.3.2024 including the net result of discontinued operations (TBS Montenegro, Telelink Abania)

(3) Borrowings and finance leases (excl. rentals and operating leases)

(4) Total Financial Debt - Cash & Cash Equivalents

Ratios	(period end)		change
	31.3.2025	31.3.2024	
Operating Margin	-8.3%	7.6%	-15.9%
Net Margin	-10.4%	5.8%	-16.1%
EBITDA Margin	-3.8%	9.8%	-13.7%
	31.3.2025	31.12.2024	
Current Ratio	1.1	1.1	0.0
Equity / Total Assets	23%	22%	1%
Financial Debt / Total Assets	14%	10%	3%

V.1 Revenue, costs and profitability

V.1.1 Revenues

Comparing to a particularly strong first quarter of 2024, which nearly equaled the Group's historical maximum for the period from 2021, consolidated revenues for the current quarter registered a substantial decrease by 22% or BGN 8,763 thousand to BGN 31,588 thousand, maintaining a size comparable to the same result for 2022 and significantly higher than the same for 2023.

The biggest factor behind the registered drop were sales recorded by TBS EAD, which declined by 34% or BGN 9,442 thousand[1] mainly due to delays in the renewal of service contracts and the significantly lower number of large and medium projects completed during the period in the Bulgarian public sector and in spite of the moderate growth achieved in the corporate sector and revenues from cross-border clients. Notwithstanding this decline, the company maintained its leading part in the formation of Group revenues with a lower but nonetheless predominant share of 59% (comparing to 69% in the first quarter of 2024).

Substantially less sizeable, but notable sales drops were also registered in TBS Romania, where the Group proceeded towards discontinuing business development efforts from the end of 2024 and realized immaterial current revenues as compared to the substantial sales of BGN 805 thousand for the same period of 2024, the business pool of Comutel, Telelink Bosnia and Telelink Slovenia, which registered an overall drop of 10% or BGN 797 thousand[1] in the context of the current change in ownership in a key account in Serbia, and TBS Germany , which registered a 66% or BGN 467 thousand decrease related to former clients, which accounted for a substantial part of revenues for the previous first quarter, discontinued in the later months of 2024.

On a positive note, the Group exhibited more than double growth of BGN 2,146 thousand in the combined revenues of TBS Croatia and 7IT against the results generated only by TBS Croatia (preceding the acquisition of 7IT on 29.03.2024) in the first quarter of 2024, and a 74% or BGN 408 thousand of growth in period sales at TBS Macedonia, with latter's contribution to consolidates revenues remaining relatively low but marking a substantially earlier development of sales as compared to the same periods of 2023 and 2024.

V.1.1.1 Revenues by main categories of products and services

Technology Group	Correspondence with Technology Group 2024	Net Sales Revenue (BGN thousand)				
		31.3.2025	31.3.2024	change	share 31.3.25	share 31.3.24
IT Infrastructure	IT Infrastructure except Public Cloud	20,615	25,230	-18%	65%	63%
End User Hardware and Software, Public Cloud and Other	End User Hardware and Software, IT Infrastructure - part Public Cloud, Other	6,381	11,145	-43%	20%	28%
Cybersecurity	no change	3,188	3,049	5%	10%	8%
Software Development, Data and AI	Digital Transformation	1,131	883	28%	4%	2%
IoT	no change	274	44	516%	1%	0%
Total		**31,588**	**40,351**	**-22%**	**100%**	**100%**

Affected to the largest extent by the delayed renewal of a large contract for software subscriptions and services in Bulgaria, which has shifted the expected annual revenues from this contract from the first to the second quarter of 2025, End User Hardware and Software, Public Cloud and Other sales depleted by 43% or

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

BGN 4,764 thousand, amounting to just BGN 6,381 thousand or 20% of consolidated revenues, comparing to a corresponding share of 28% in the first quarter of 2024.

Reflecting the significantly higher negative impact of the interim drop of sales in Bulgaria and Serbia as compared to the positive effect of revenue additions from 7IT, IT Infrastructure revenues also registered a material decrease by 18% or BGN 4,615 thousand, but nevertheless maintained its leading position in the Group's product mix with a significant amount of BGN 20,615 thousand and a dominant share of 65% (similar to the corresponding ratio of 63% for the first quarter of 2024).

In all other technology groups, consolidated sales registered moderate growth above the first quarter of 2024, stemming to a large extent from the revenues added in Cybersecurity and Software Development by 7IT.

V.1.1.2 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.3.2025	31.3.2024	change	share 31.3.2025	share 31.3.2024
Bulgaria	15,890	25,201	-37%	50%	62%
Croatia	4,679	2,446	91%	15%	6%
Bosnia and Herzegovina	1,945	1,234	58%	6%	3%
Serbia	1,575	4,723	-67%	5%	12%
Germany	1,218	1,316	-7%	4%	3%
North Macedonia	954	531	80%	3%	1%
Slovenia	791	856	-8%	3%	2%
United States of America	713	676	6%	2%	2%
Romania	2	809	-100%	0%	2%
Other	3,820	2,558	49%	12%	6%
Bulgaria	15,890	25,201	-37%	50%	62%
Western Balkans	10,032	9,822	2%	32%	24%
Other Balkan Markets	2,361	1,726	37%	7%	4%
Central & Western Europe	2,582	2,915	-11%	8%	7%
Other Markets	723	686	5%	2%	2%
Total	**31,588**	**40,351**	**-22%**	**100%**	**100%**

** By receiving country.*

Reflecting the slowdown in revenues from the Bulgarian public sector noted in section V.1.1, the Group's interim sales on the Bulgarian market decreased by 37% or BGN 9,311 thousand, amounting to just BGN 15,890 thousand or 50% of consolidated revenues, comparing to their substantially higher share of 62% in the first quarter of 2024.

Compensating the slowdown of revenues from Serbia (which led to an overall decrease in local sales at the business pool of Comutel, Telelink Bosnia and Telelink Slovenia by 37% or BGN 2,502 thousand in spite of relatively stable revenues in Slovenia and significant growth in Bosnia and Herzegovina), growing sales to Croatia (augmented by 91% or BGN 2,233 thousand as a result of the acquisition of 7IT) and Macedonia led to a slight increase in overall revenues from the Western Balkans by 2% or BGN 210 thousand to BGN 10,032 thousand. In the context of slowing revenues from Bulgaria and other countries, the region also accounted for a substantially higher share of 32% of consolidated sales, comparing to the corresponding ratio of 24% for the first quarter of 2024.

Individually, Croatia continued to assert itself more and more sustainably as the Group's second largest single national market with revenues of BGN 4,679 thousand and a growing share of 15% (comparing to only 6% in the first quarter of 2024).

Balancing fading sales in Romania with continued momentum in deliveries to a key account of Comutel and Telelink Slovenia in Greece, total sales to Other Balkan Markets increased by 37% or BGN 635 thousand, reaching BGN 2,361 thousand or 7% of consolidated revenues (comparing to just 4% in the first quarter of 2024).

Reflecting the partial compensation of former clients in TBS Germany and the lack of material revenues from NATO in the ended quarter with growing sales to other clients and markets, revenues from Central and Western Europe registered a moderate decrease by 11% or BGN 333, thousand to BGN 2,852 thousand, but nevertheless maintained a share of 8% of consolidated revenues close to the corresponding ratio of 7% for the first quarter of 2024.

Continuing to consist almost entirely of local and cross-border deliveries of TBS USA, TBS EAD and Comutel to the USA, sales to clients on Other Markets registered an immaterial increase by 5% or BGN 37 thousand, maintaining a relative contribution of 2% of consolidated revenues for the period.

V.1.2 Expenses and profitability

In parallel with revenue growth, consolidated operating expenses (operating expenses by nature) decreased by 8% or BGN 3,127 thousand, reaching BGN 34,199 thousand. The main factors behind this decrease were the cost of externally purchased services and the net book value of assets sold, which, by their nature, are correlated to the highest extent to the cost of sales of the decreasing revenues from services and goods, with the sum of their decreases exceeding by far the negative effect of the contraction in the stocks of production and work in progress during the period against their increase in the first quarter of 2024. Besides the above, changes in operating expenses were related mostly to the increases in depreciation and amortization costs and remuneration and social security expenses, which reflected mostly the addition of 7IT.

In the context of a nearly 3 times bigger decrease in revenues as compared to operating expenses, the Group ended the reporting period with an operating loss of BGN (2,612) thousand, representing a negative change of BGN (5,698) thousand from the significant operating profit realized in the same period of 2024.

Taking into account growing depreciation and amortization costs (increasing by 70% or BGN 719 thousand as a result of the addition of 7IT and the significant investments in equipment provided as a service under client contracts, office furnishing and fit out works and the formation of new right-of-use assets on rental contracts by TBS EAD in 2024), consolidated EBITDA for the period (loss in the amount of BGN (1,204) thousand) registered a smaller (comparing to operating profit) but nonetheless sizeable decrease by BGN (5,175) thousand.

Comparing to the first quarter of 2024, when the loan and lease obligations of the newly acquired 7IT and the investment loan drawn on the acquisition were consolidated, respectively utilized only at the end of March, and did not have a material impact on financial expenses for the period, during the current quarter, the Group registered a more than double increase in interest costs. Adding to the negative change in foreign exchange differences, the above led to a total increase in net finance costs by 142% or BGN (355) thousand to BGN (605) thousand or 1.9% of consolidated revenues (comparing to just 0.6% for the same period of 2024).

On the other hand, in the context of predominant interim losses across subsidiaries for the current period, the Group also registered a significant reduction in income tax expenses by BGN 451 thousand between the two periods, outweighing the growth in net finance costs.

As a result, the Group ended the first quarter of 2025 with a net loss of BGN (3,274) thousand, showing a similar, albeit slightly lower as compared to operating profit, negative change by BGN (5,602) thousand from the same period of 2024.

V.2 Assets, liabilities and equity

V.2.1 Assets

In conjunction with the typical slowdown of sales between the last quarter of the previous and the first quarter of the current year, consolidated assets registered a significant decrease of 17% or BGN 30,728 thousand from 31.12.2024, ending the period at BGN 145,897 thousand.

For the most part, the above change stemmed from current assets, which decreased by 23% or BGN 29,613 thousand to BGN 100,214 thousand mainly as a result of decreasing receivables from clients and suppliers, reflecting to the highest extent the typical slowdown sales over the reporting period. Maintaining a significant value of BGN 23,530 thousand, cash and cash equivalents registered a moderate decrease by 6% or BGN 1,449 thousand as a result of the buyback of 200,000 shares by TBSG AD for a total amount of 2,307 thousand carried out in March.

Showing a much less significant decrease by 2% or BGN 1,114 thousand mostly as a result of depreciation outweighing expenditures on the purchase of tangible and intangible fixed assets during the period, the non-current assets of BGN 45,683 thousand recorded as of 31.03.2025 continued to consist mostly of machinery and equipment, including assets for internal use, equipment provided to clients under managed service agreements, furniture, improvements and fit-out works on office areas, right of use assets recognized on rental and operating lease contracts as per IFRS 16 and the significant positive goodwill recognized on the acquisition of 7IT.

V.2.2 Liabilities

Along with total assets, consolidated liabilities registered a significant decrease of 18% or BGN 25,168 thousand to BGN 112,957 thousand mainly as a result of contracting current liabilities in conjunction with the seasonal cycle of the Group's operations.

Ending the period at BGN 93,681 thousand, current liabilities decreased by 20% or BGN 24,058 mainly due to the contraction of payables to suppliers and clients and VAT payables from the peak levels attained with the acceleration of sales towards the end of 2024. Increasing moderately by 12% or BGN 1,593 thousand in conjunction with credit line utilization in Bulgaria and Croatia, current loan obligations reached BGN 14,845 thousand and continued to include both utilized working capital financing and the short-term part of the investment loan on the acquisition of 7IT. At the same time, the group continued to account relatively stable short-term lease obligations including mostly liabilities recognized on operating lease and rental contracts as per IFRS 16 and only BGN 4 thousand of outstanding obligations from finance lease agreements representing genuine financial debt.

Showing a much less significant decrease by 5% or BGN 1,110 thousand mostly due to the current principal repayments of the investment loan for the acquisition of 7IT and the amortization of lease obligations recognized on rental and operating lease contracts as per IFRS 16, the BGN 19,276 thousand of non-current assets recorded as of 31.03.2025 continued to consist mostly of residual obligations from the latter two lines (including a long-term component of the investment loan in the amount of BGN 4,861 thousand) and the obligations for future payments on the acquisition of 7IT outlined below. As of period end, the Group still had no long-term obligations from finance leases or other lease contracts representing genuine financial debt.

Overall consolidated liabilities also continued to include significant obligations for conditional future payments on the acquisition of 7IT in the amount of BGN 5,191 thousand (including a short-term component of BGN 2,595 thousand due in 2025 and a long-term port in the same amount due in 2026), the balance sheet values of which were carried over without changes from 31.12.2024.

V.2.2.1 Financial Debt

Summing the above loan obligations (a total of BGN 19,706 thousand) and finance lease liabilities (BGN 4 thousand), consolidated financial debt as of 31.03.2025 amounted to BGN 19,710 thousand, showing a moderate increase by 7% or BGN 1,247 thousand and growing ratios of 14% of total assets and 17% of total liabilities (as compared to 10% and 13% at the end of 2023).

Accounting for the substantially higher value of BGN 23,530 thousand and moderate decrease by BGN 1,449 thousand of cash and cash equivalents, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) exhibited an overall increase of BGN 2,696 thousand, in spite of which the Group remained in a sizeable net cash position (a surplus of cash and cash equivalents over financial debt) of BGN 3,820 thousand.

The lease obligations 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.

V.2.3 Equity

In the absence of dividend distributions out of the Group, changes in consolidated equity (registering a moderate decrease by 14% or 5,560 thousand to BGN 32,940 thousand) reflected mostly the interim loss recorded for the reporting period and effects from the buyback of own shares by TBSG AD.

As of period end, the Company maintained unchanged its registered share capital of BGN 12,500 thousand and its Reserve Fund of BGN 1,250 thousand, while, summing the latter and the corresponding subsidiary funds subject to consolidation, the Group accounted total general reserves of BGN 1,390 thousand.

Showing a decrease by BGN 2,308 thousand mainly as a result of the buyback of shares, the rest of the Group's capital reserves and components of equity reached a total negative value of (16,214) 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.

Reduced with the registered interim loss of BGN (3,274) thousand, accumulated earnings making part of equity as of 31.03.2025 reached BGN 35,264 thousand.

Reflecting the bigger relative decrease in assets as compared to equity, the Group registered a slight improvement in its balance sheet capitalization (ratio of equity to total assets) to 23% (comparing to 22% at the end of 2024).

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

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

As of 31.03.2025, Group companies have made the following transactions with related parties outside the Group:

Operating Activities (BGN thousand)	Sales to related parties	Purchases from related parties
Other related parties (under common control)	331	4
Operating Activities (BGN thousand)	**Receivables from related parties**	**Payables to related parties**
Other related parties (under common control)	2,036	1

Joint operations

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

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

Operating Activities (BGN thousand)	Sales	Purchases
Participation in joint operations (consortia)	997	3
Operating Activities (BGN thousand)	**Receivables**	**Payables**
Participation in joint operations (consortia)	2,596	0

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

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

VIII IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 30.04.2025, the SB approved the audited annual consolidated financial statements and annual management reports of the Company for 2024 certified by Deloitte Audit OOD.

On 30.04.2025, the SB approved the MS's proposal for entering into a transaction for the acquisition of 70% of the shares in the capital of Actual I.T., information technologies, d.d. (Slovenia) ("Actual IT"), a company specialized in IT infrastructure services, the integration of ERP solutions and the development and implementation of sector-specific business solutions, from DBA IT d.o.o. Slovenia and DBA Group S.p.A., Italy under the following main parameters and terms:

- total purchase price equal to 70% of the difference between a predetermined Enterprise Value (“EV”) of EUR 22,500,000 and Net Debt derived as Indebtedness minus Cash plus Working Capital Adjustment as of the date of closing;
- signing of a Shareholders Agreement regulating the terms of management of the Target Company, appointment of Board of Directors members, the veto rights of the minority shareholder, deadlock procedure, as well as reciprocal rights for the acquisition and disposal of the remaining 30% equity stake, including call and put options exercisable by either party following the third year after closing;
- funding the purchase price with a combination of at least 30% of own Company funds and up to 70% of investment bank loan, the terms and conditions of which shall be subject to separate approval by the SB;
- authorizing the executive director of the Company to take all legal and factual actions necessary for the signing and closing of the deal.

In accordance with the Reorganization Agreement approved by the Company on 21.03.2025, on 01.05.2025, the Commercial Court of Zagreb, R. Croatia published Resolution No. Tt-25/37538-2 from 30.04.2025 entering the liquidation by way of merger of TBS Croatia into 7IT.

On 19.05.2025, TBSG AD announced that it reached an agreement on the substantial contractual terms and conditions for the acquisition of 70% of the share capital of Actual IT. The disclosed terms and conditions are in line with the approval resolutions of the SB from 30.04.2025 and the above-listed parameters. As of the announcement date, the finalization of certain schedules to the Share Purchase Agreement, the signing of the latter, which is expected by the end of May 2025, and the fulfillment of the conditions precedent to closing the transaction, including but not limited to receiving the required approvals from the competent antitrust authorities, which is expected by the end of 2025, were still outstanding, with the Company’s management remaining committed to ensure timely and transparent communication to investors regarding all material developments or changes relevant to the signing and subsequent implementation of the transaction. The cash consideration due at closing will be established by adjusting EV for the amount of Actual IT’s Net Debt at the end of the latest month preceding the transfer of the shares, and the final price – on the basis of the actual Net Debt as of the date of transfer, whereupon the difference from the consideration paid at closing shall be settled accordingly between the parties.

Sofia, 28.05.2025

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
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