EXPLANATORY NOTES

BY “TELELINK BUSINESS SERVICES GROUP” AD

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

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Business profile

Telelink Business Services Group AD (TBS Group, the Company, the Issuer) was established on 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 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 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 31.12.2024, 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 and a total of 20,700 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.3 Governance

The Company has a two-tier board system.

As of 31.12.2024, The Company's Managing Board (the MB) features five members, including:

- Ivan Zhitianov – Chairman of the MB and Executive Director;
- Teodor Dobrev – member of the MB;
- Orlin Rusev – member of the MB;
- Iordanka Klenovska – member of the MB (elected in this capacity in place of Nikoleta Stanailova by resolution of the SB from 25.03.2024);
- Desislava Torozova – member of the MB.

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

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

I.4 Public Information

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

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

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

The Company's issued shares have been registered with an ISIN code: BG1100017190 and, as of the date of this 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%

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 Company pursuant to a reorganization by means of spinoff of the Business Services activities of Telelink Bulgaria AD in August 2019;
- Telelink Business Services DOOEL (North Macedonia) ("TBS Macedonia"), established by the Company in September 2019;
- Telelink Business Services DOO (Croatia) ("TBS Croatia"), established by the Company in November 2020;
- Telelink Business Services, LLC (USA) ("TBS USA"), established by the Company in January 2021;
- Telelink Business Services SRL (Romania) ("TBS Romania"), established by the Company in November 2021;
- Telelink Business Services Germany GmbH (Germany) ("TBS Germany"), established by the Company in January 2022;
- Sedam IT DOO (Croatia) ("7IT"), acquired by the Company by means of a share purchase in March 2024.

As of 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.

III IMPORTANT EVENTS DURING THE REPORTING PERIOD

On 10.01.2024, the SB of TBSG AD approved the MB's proposal to act towards the voluntary liquidation TBS Montenegro.

On 18.01.2024, an annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. Telelink Slovenia with a limit of EUR 1,500,000, whereby the tenor was extended until 19.04.2024 and the annual interest rate was changed to 1.6% + 3 m. EURIBOR. The corporate guarantee provided by TBSG AD to secure Telelink Slovenia's obligations under the agreement remained in force.

On 25.01.2024, a Cash loan agreement was signed between TBSG (lender) and Comutel (borrower) with a limit of EUR 500,000, subject to revolving utilization and repayment, with a tenor of 31.12.2024 and an annual interest rate of 5.00%.

On 08.02.2024, the MB adopted a resolution proposing for approval by the SB the purchase of 100% of the shares in limited liability company Sedam IT, d.o.o., Croatia, the signing of a bank credit agreement for the purpose of financing the above deal and the establishment of securities as collateral to the latter agreement. The proposal was approved by the SB on 09.02.2024.

On 13.02.2024 г. an annex was signed to Frame agreement for issuing bank guarantees № 0200126236 between Zagrebačka banka d.d. and TBS Croatia with a limit of EUR 900,000, whereby the agreement's term was extended until 28.02.2025. A corporate guarantee by TBSG AD securing TBS Croatia's obligations under the agreement for the amount of EUR 900,000 was issued on 10.04.2023.

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., registered under the law of Republic of Croatia with a seat and place of governance in Zagreb, Koledovčina 2, OIB: 95661305069 ("7IT") – a provider of IT, communication and software solutions and services with a long-standing presence on the Croatian IT market. The counterparty (seller) in the purchase and sale of the company shares is an unrelated/non-interested third party. As of the date of signing the Agreement, the acquisition of the company's shares was subject to the fulfillment of pre-agreed conditions precedent, which had to be met within a mutually agreed period of time. The agreed enterprise value of the company was EUR 9,000,000. The final price for the acquisition of the shares of the company was to be paid to the seller in stages including an initial and subsequent payments, all of which, as of the date of signing the Agreement, were yet to be determined on the basis of the agreed enterprise value and depending on the financial indebtedness, cash, revenues for the last 12 months and net working capital of the company at the date of transfer of the company shares, as well as on its audited financial results for 2024 and 2025.

On 17.02.2024, a resolution was adopted to replace Helge Brummer as authorized representative of TBS USA with Teodor Dobrev.

On 19.02.2024, the Company procured a bank guarantee for the amount of EUR 100,000 securing the trade payables of TBS Romania (UIN J40/19800/2021) towards MB DISTRIBUTION SRL, valid until 15.02.2025.

In accordance with the resolution of the SB from 30.11.2023 and the Schedule for providing remuneration based on Company shares to the members of the MB from 2020, 1,516 shares in the capital of TBSG AD were transferred to Gojko Martinovic on 22.02.2024.

On 28.02.2024, an annex was signed to the overdraft agreement between the Company and Raiffeisenbank (Bulgaria) EAD (now UBB AD), whereby terms were extended as follows:

- Overdraft credit with a repayment deadline until 28.02.2028;
- Contingent bank credit securing the issuance of guarantees available for utilization until 28.01.2028.

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

On 14.03.2024, TBSG AD announced that, pursuant to the SB resolution from 10.02.2024, it took concrete action towards the liquidation of TBS Montenegro, i.e. the adoption of a resolution to liquidate and filing of applicable documents for the registration of the liquidation in the Central Register of economic entities of the Republic of Montenegro. The actual entry of the subsidiary's deletion from the register was disclosed by the Company on 24.02.2024.

On 18.03.2024, the MB approved a proposal by the Board of Directors of TBS EAD to distribute a dividend in the amount of BGN 2,933,745, equivalent to EUR 1,500,000, out of the company's profit for 2022 towards its single shareholder, TBSG AD.

On 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 7IT, with a total limit of EUR 7,000,000 but not more than 70% of the consideration paid, available for 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 if and while there is a substantial breach or default declared by the Bank under the agreement;
- Pledge over all current and future receivables of the Company from 7IT;
- Pledge over 100% of the company shares in the capital of 7IT d.o.o. and respective dividend receivables;
- Pledge under the Law on financial collateral agreement (LFCA) over all receivables from accounts opened with the lending bank by the Company and TBS EAD.

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

On 29.03.2024, TBSG AD acquired 100% of the shares in the capital of 7IT, Croatia against a provisional upfront payment to a special (escrow) account in the amount of EUR 5,098,186, established on the basis of interim financial statements of 7IT as of 29.02.2024, and provided guarantees securing subsequent consideration payments. The effected payment was financed with a combination of own funds and long-term debt under the Investment bank loan agreement with Unicredit Bulbank AD from 19.03.2024 in the amount of EUR 3,568,730. As of the date of the acquisition, the final amount of the upfront payment was to be determined and paid out to the seller on the basis of and pursuant to the provision of financials statements as of 29.03.2024, which were yet to be prepared.

On 08.04.2024, the Company procured 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.

On 09.04.2024, a deal was signed between TBS EAD as contractor and Consortium TELESEC" DZZD with partners TBS EAD and "Sectron" OOD as contracting party for the performance of deliveries and provision of services as per a Public Procurement Contract between the Ministry of Interior of the Republic of Bulgaria and "Consortium TELESEC" DZZD with the subject matter of "Modernization and expansion of the video surveillance system of the SDVR" with a total value up to BGN 3,041,673 and an implementation term up to 18 months from the date of signing the Public Procurement Contract.

On 10.04.2024, TBSG AD signed Annex № 1 to the Investment bank loan agreement № 00044/730 with UniCredit Bulbank AD from 19.03.2024, 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 7IT in 65 equal monthly instalments from 01.05.2024 to 01.09.2029.

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.

On 26.04.2024, an annex was signed to the Frame loan agreement № 5074/2022 between UniCredit Banka Slovenija d.d. Telelink Slovenia with a limit of EUR 1,500,000, whereby the tenor was extended until 18.04.2025. The corporate guarantee provided by TBSG AD to secure Telelink Slovenia's obligations under the agreement remained in force.

Pursuant to the preparation of financial statements of 7IT as of the date of acquisition of 100% of the shares in its capital by TBSG AD (29.03.2024), the following determinations were made on 29.04.2024:

- 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 7IT's interim statements as of 29.02.2024, 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 long-term obligations of the Company towards 7IT;
    - 2,654,458 of this amount are subject to conditional deferred payments, the final amount of which will be established in 2025 and 2026 depending on the financial results of 7IT for 2024 and 2025, and which represent the maximum total amount of these payments.

The above-mentioned equalization amount to the upfront payment under the transaction was financed with a combination of own funds and long-term debt under the Investment bank loan agreement with UniCredit Bulbank AD in the amount of EUR 277,590 and was transferred to the special (escrow) accounts established in accordance with the Share purchase agreement on 30.04.2024.

With regard to the above additional financing, on 30.04.2024, TBSG AD signed Annex № 2 to the Investment bank loan agreement № 00044/730 with UniCredit Bulbank AD from 19.03.2024, whereby the total amount and the amount of the monthly principal installments in the repayment schedule adopted on 10.04.2024 were updated in accordance with the amount of credit utilized under the Agreement attained as of 30.04.2024 (EUR 3,846,320).

On 30.04.2024, the SB approved the audited annual consolidated financial statements and annual management reports of the Company for 2023 signed by Ernst and Young Audit OOD.

On 30.04.2024, the SB approved the MB's proposal to the GMS for the Company's profit for 2023, amounting to BGN 4,633,630.09, to be carried entirely towards retained earnings.

On 30.04.2024, the SB approved the MB's proposal for the sale of 100% of the shares in the capital of Telelink Albania to Erton Graceni, holding the position of administrator of the company, therefore empowering the Executive director of TBSG AD to take all necessary action to the effect of the legal and factual implementation of the above resolution.

On 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.

On 31.05.2024, an Annex was signed to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from 10.10.2019 between TBS EAD and UniCredit Bulbank AD, to which the Company is guarantor and pledgor, whereby the agreement's term was extended until 30.06.2024. On the same date, a respective Annex reflecting the above amendment was signed to the Suretyship Agreement from 10.10.2019 among TBSG AD, TBS EAD and UniCredit Bulbank AD.

On 18.06.2024, an annex signed to the Credit Agreement between Comutel and Raiffeisen banka a.d. Beograd from 21.01.2016, establishing a credit limit of USD 2,500,000, applicable interest rates of 3m. SOFR + 2.60% for drawdown in US dollars, 3m. EURIBOR + 2.60% for drawdown in euro and 1m. BELIBOR + 3.00% for drawdowns in Serbian dinars and an extension of the contract's term until 27.01.2025 with a repayment deadline until 28.02.2025. 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.

In accordance with a respective invitation to convene published on 10.05.2024, a regular GMS of the Company was held on 19.06.2024. The invitation, materials and resolutions adopted by the assembly are available on http://www.x3news.com/ and the Company's web site 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/2024/07/Meeting-Minutes-AGMS-TBSG-19062024-Signed.pdf.

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, holding the position of administrator of Telelink Albania as of the same date (purchaser), for a committed consideration of EUR 10 thousand.

Simultaneously with the signing of the above Share Purchase Agreement, on 25.06.2024, 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 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 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.

Pursuant to the annex signed to Overdraft framework agreement from 18.12.2023 between TBS Croatia and Zagrebačka banka d.d. on 10.04.2024, on 26.06.2024, the Company issued a corporate guarantee securing the obligations of TBS Croatia under the agreement and the annexes signed thereto for the increased amount of EUR 1,200,000.

On 28.06.2024, Annex № 15 was signed to the Agreement for the undertaking of credit commitments under an overdraft credit line between TBS EAD and UniCredit Bulbank AD from 10.10.2019, to which the Company is guarantor and pledgor, whereby the overall credit limit was raised to EUR 20,000,000, available for utilization as overdraft credit up to EUR 4,000,000, revolving credit up to EUR 6,000,000 and bank guarantees in leva, euro or US dollars, the general availability deadline was extended until 31.05.2025 and repayment deadlines – until 31.07.2025 for overdraft and 31.05.2026 for revolving credit, while respective interest rates on effectively utilized funds were maintained at ADI + 2.35%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%. On the same date, respective Annexes reflecting the above amendments were signed to the Suretyship Agreement from 10.10.2019 and the Share Pledge Agreement from 06.07.2023 among TBSG AD, TBS EAD and UniCredit Bulbank AD.

On 09.07.2024, an annex was signed to Loan Agreement № 5302097953 from 01.07.2022 between 7IT and Erste & Steiermarkische Bank dd, Rijeka with a limit of EUR 1,300,000, establishing an amended interest rate of 5.25% and a repayment deadline extension until 01.07.2025.

Pursuant to the Share purchase agreement signed on 25.06.2024, on 12.07.2024, the National Business Register of the Republic of Albania entered the transfer of all shares in the capital of Telelink Albania to the company's administrator, Erton Graceni. Vis-à-vis the shareholders / members of the MB and SB of TBSG, the purchaser did not represent a related / interest party.

By resolution of the MB from 15.07.2024, TBSG AD approved in its capacity of single shareholder the annual financial statements of TBS EAD for 2023, released all members of the company's Board of Directors from liability for their activities in 2023 and resolved for the full amount of the company's profit for 2023 (BGN 12,427,861.06) to be carried forward as retained earnings.

With regard to the implementation of a Long-term plan for the motivation of employees with Company shares from 2021 and the adoption of the Annual consolidated financial statements of the Company for 2023 by GMS resolution from 19.06.2024, on 16.07.2024, the MB made an assessment of the achievement of the Group performance indicators applying to the three-year tracking period ended on 31.12.2023 and determined the number of shares in the Company's capital to be granted to each employee with maintained participation rights. The total number of shares to be transferred in accordance with the above and after the deduction of tax and social security contributions is 15,899 shares.

On 23.08.2024, an Agreement for the reverse factoring of obligations towards suppliers № 6500378003 was signed between 7IT 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 7IT.

On 23.08.2024, a Revolving credit agreement № 24021550046 was signed between 7IT 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 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 7IT.

In accordance with a respective invitation to convene published on 23.07.2024, an extraordinary GMS of the Company was held on 18.09.2024. 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/2024/09/TBSG-Meeting-Minutes-%D0%95GMS-18092024-Signed.pdf.

Implementing a Long-term plan for the motivation of employees with Company shares from 2021 in accordance with the corresponding resolution of the MB from 16.07.2024, on 04.11.2024, the Company transferred to Group employees 15,899 shares, representing 0.13% of its registered capital.

Implementing the Scheme for granting remuneration based on Company shares to the members of the MB from 2021 approved by the GMS on 14.09.2021 and the respective resolution of the Supervisory Board to grant to the members of the MB remuneration based on Company shares of the Company from 01.10.2021, taking into account the level of achievement of the performance indicators applying to the three-year tracking period ended on 31.12.2023, the continuing employment conditions and the resolutions adopted with regard to members of the MB released after the Scheme's approval, on 12.11.2024, the SB determined the number of Company shares to be granted to each MB member with affirmed participation rights. The total number of shares to be transferred in accordance with the above and after the deduction of tax and social security contributions is 5,357 shares, representing 0.04% of the Company's registered capital.

On 12.11.2024, the SB approved the signing of an annex for the extension of the term of the Revolving Loan Agreement (credit line facility) No. 23F-10092889-95625 from 18.12.2023 between TBS EAD and United Bulgarian Bank AD for a period of 12 months while preserving the rest of its current terms and conditions and for the signing of all pledge agreements and/or contracts for the establishment of Financial Collateral within the meaning of the Law on Financial Collateral Agreements, and/or any additional agreements to pledge or collateral contracts already signed, to the extent necessary for the establishment and/or validity extension of collaterals to the agreement.

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 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 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.

On 10.12.2024, the SB approved the signing of an Annex to Overdraft Agreement № 7138833-51457 from 15.02.2022 between TBSG AD (borrower), TBS EAD (guarantor) and United Bulgarian Bank AD (lender) with a credit limit of EUR 2,000,000, 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 – extended by 12 months.

On 10.12.2024, the SB approved the signing of an Annex to Revolving Loan Agreement (credit line facility) No. 23F-10092889-95625 from 18.12.2023 between TBS EAD and United Bulgarian Bank AD, 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 the management fee – to 0.15% of credit limit amount.

On 10.12.2024, the SB approved the signing of a Special purpose credit agreement for the issuance of Bank Guarantees between TBS EAD (borrower), TBSG AD (codebtor and guarantor) and "UniCredit Bulbank" AD (lender) with a limit of EUR 10,600,000 and an availability period until 30.06.2025, secured with a pledge on all receivables of TBS EAD from Consortium SYSTEL DZZD in connection with the Contract for performance of activities under a public procurement order with the subject of "Replacement of devices for the Unified Electronic Communications Network in DWDM/Core/Aggregation layers and equipment at existing locations" (Lot No. 2: "Upgrade and replacement of devices for the Unified Electronic Communications Network in DWDM core network, aggregating MPLS network and equipment at existing locations") assigned by the Executive Agency "Electronic Government Infrastructure" and a pledge on all receivables from TBS EAD and TBSG AD's accounts with the bank.

Implementing the Scheme for granting remuneration based on Company shares to the members of the MB from 2021 in accordance with the corresponding resolution of the SB from 12.11.2024, on 27.12.2024, the Company transferred to current and former members of the MB 5,357 shares, representing 0.04% of its registered capital.

IV RISKS FACED BY THE COMPANY AND THE GROUP

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

IV.1 Systemic Risks

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

IV.1.1 Political risk

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

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

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

IV.1.2 Macroeconomic risk

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

In spite of slowing down since the end of 2023 and over the reporting period, inflation remains substantial and most European economies remained exposed to the risks of growth slowdown or recession of the economies in the context of implemented anti-inflationary measures, which may lead to limitations in private sector spending and remain insufficiently compensated with countercyclical measures by national and supranational authorities.

IV.1.3 Currency risk

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

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

IV.1.4 Interest risk

The Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions 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 Croatia, Slovenia and Montenegro, the Group is exposed to a translation risk relative mainly to the floating rates of the Serbian Dinar, Macedonian Denar, Albanian Lek, Romanian Lei and US dollar.

IV.2.8.2 Interest rate risk

The Group is exposed to the risk of increase in market interest rates mainly with regard to the use of overdraft limits, 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 31.12.2024

Financials (BGN thousand)		(period end)		change
		31.12.2024	31.12.2023	
Net sales revenue	**(1)**	**223,183**	**184,421**	**21%**
Operating Expenses	(1)	-209,632	-172,544	21%
Other Operating Income/(Expenses) (net)	(1)	1,372	190	622%
Operating Profit	**(1)**	**14,923**	**12,067**	**24%**
Financial Income/(Expenses) (net)	(1)	-1,393	-1,114	25%
Income Tax Expense	(1)	-1,776	-1,452	22%
Net Profit from Continuing Operations	**(1)**	**11,754**	**9,501**	**24%**
Result from Discontinued Operations	(2)	-9	-57	-85%
Net Profit	**(2)**	**11,745**	**9,444**	**24%**
Depreciation & Amortization Expenses	(1)	-5,974	-3,983	50%
Interest Income/(Expenses) (net)	(1)	-1,121	-477	135%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**(1)**	**20,625**	**15,413**	**34%**
		31.12.2024	31.12.2023	
Total Assets		**176,742**	**136,483**	**29%**
Non-current Assets		46,714	26,770	75%
Current Assets		130,028	109,713	19%
Equity		**38,601**	**27,013**	**43%**
incl. Retained Earnings and Profit for the Year		38,656	26,898	44%
Total Liabilities		**138,141**	**109,470**	**26%**
Non-current Liabilities		22,959	12,875	78%
Current Liabilities		115,182	96,595	19%
Cash & Cash Equivalents		**24,980**	**14,091**	**77%**
Total Financial Debt	**(3)**	**18,438**	**4,217**	**337%**
Net Financial Debt (Net Cash Position) (+/(-))	**(4)**	**-6,542**	**-9,874**	**3,332**
		31.12.2024	31.12.2023	
Net Cash Flow from Operating Activities		**19,877**	**3,798**	**16,079**
Net Cash Flow from Investment Activities		**-15,323**	**-3,499**	**-11,824**
Net Cash Flow from Financing Activities		**6,335**	**-1,036**	**7,371**
incl. Dividends Paid		0	-297	297

(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 - Cash & Cash Equivalents

Ratios		(period end)		change
		31.12.2024	31.12.2023	
Operating Margin	(1)	6.7%	6.5%	0.1%
Net Margin	(1)	5.3%	5.2%	0.1%
EBITDA Margin	(1)	9.2%	8.4%	0.9%
		31.12.2024	31.12.2023	
Current Ratio		1.1	1.1	0.0
Equity / Total Assets		22%	20%	2%
Financial Debt / Total Assets		10%	3%	7%
		31.12.2024	31.12.2023	
Average Return on Assets (ROA)	(1)	7.5%	-	-
Average Return on Equity (ROE)	(1)	35.8%	-	-

In accordance with the disclosures in section III, in 2024, the Company undertook a voluntary liquidation of TBS Montenegro and sold all shares in the capital of Telelink Albania. In accordance with the applicable IFRS, the consolidated Income Statement of the Company for 2024 and the preceding 2023 was presented excluding the results of the two companies as discontinued operations, except for the net result from their activities (shown also separately in the summary and additional financial information above), included in item IV. Extraordinary costs, respectively in items E. Profit before tax and G. Net profit, while the Balance Sheet and Cash Flow Statement are presented without excluding these companies.

The additional information and analysis hereunder were reconciled with the above presentation, so that, unless otherwise noted, every reference or use in ratios of variables participating in the Income Statement except net profit and profit before tax is based values without (excluding) the discontinued operations, and every reference or use in ratios of variables participating in the Balance Sheet – on values with (including) the discontinued operations until their discontinuation.

V.1 Revenue, costs and profitability

V.1.1 Revenues

Growing 21% or BGN 38,762 thousand against 2023, consolidated net sales revenue for 2024 reached a new historical maximum of BGN 223,183 thousand.

The leading factor behind the achieved growth were sales recorded by TBS EAD, which registered an increase of 26% or BGN 32,474 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 7IT 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.

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

While the public sector also remained the leading source of Group revenues as a whole with a share of 55%, the latter share registered a certain reduction as compared to the corresponding ratio of 59% in 2023[1]. Given the decreasing share of the telecom sector (16% as compared to 22% in 2023[1]), the main driver of reciprocal growth in the private sector in 2024 was the significant increase in revenues from corporate clients outside the telecom sector, which reached 29% of consolidated annual sales (comparing to 20% in 2023) [1,2]

V.1.1.1 Revenues by main categories of products and services

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 7IT (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 49,911 thousand, reaching a total of BGN 175,288 thousand and a growing share of 79% of consolidated revenues (comparing to 68% in 2023).

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	175,288	125,376	40%	79%	68%
Digital Transformation	Application Services, Hyperautomation	3,787	4,945	-23%	2%	3%
Cybersecurity	Information Security, part of Enterprise Connectivity	15,774	21,162	-25%	7%	11%
End User Hardware and Software	Computer & Peripherals, Modern Workplace	23,267	31,245	-26%	10%	17%
IoT	no change	2,095	526	298%	1%	0%
Other	no change	2,973	1,167	155%	1%	1%
Total		**223,183**	**184,421**	**21%**	**100%**	**100%**

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 1,806 thousand was also registered in revenues from Other products and services (BGN 2,973 thousand), which nevertheless also remained within the range 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 26% or BGN 7,978 thousand to BGN 23,267 thousand or 10% of consolidated revenues (comparing to 17% in 2023).

[2] The ratios referred herein were derived at the estimation of the Company's management on the basis of internal classifications by end client and the respective preliminary information available as of the date of this Notification.

In spite of their significant increase in the Bulgarian enterprise sector, the substantial revenues added with the consolidation of 7IT, 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 25% or BGN 5,388 thousand to BGN 15,774 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 7IT 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 3,787 thousand or 2% of consolidated revenues (comparing to 3% in 2023).

In the management's estimation, 37% of consolidated sales for the year came from recurring types of revenues (warranty and non-warranty support, renewable licenses and subscriptions, managed services and assets provided as service to clients under long-term contracts, etc., as opposed to goods and services realized within a single cycle of implementation), and 13% - from own services of the Group (as opposed to the resale of goods and services originating from other vendors).[3]

V.1.1.2 Revenues by geographic markets

Taking into account the significant contribution of international sales to the increase in the revenues of TBS EAD referred to in section V.1.1, the Group's sales on the Bulgarian market for 2024 (BGN 134,644 thousand) registered a comparatively lower yet nonetheless positive growth of 15% or BGN 17,854 thousand and a decreasing but still leading share of 60% of consolidated revenues (comparing to 63% in 2023).

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.12.2024	31.12.2023	change	share 31.12.2024	share 31.12.2023
Bulgaria	134,644	116,791	15%	60%	63%
Croatia	27,760	19,392	43%	12%	11%
Serbia	14,098	17,041	-17%	6%	9%
North Macedonia	5,591	5,881	-5%	3%	3%
Slovenia	4,836	7,409	-35%	2%	4%
Germany	4,513	3,099	46%	2%	2%
United States of America	3,557	2,764	29%	2%	1%
Bosnia and Herzegovina	3,531	3,559	-1%	2%	2%
Romania	1,144	572	100%	1%	0%
Other	23,508	7,914	197%	11%	4%
Bulgaria	134,644	116,791	15%	60%	63%
Western Balkans	56,145	54,169	4%	25%	29%
Other Balkan Markets	4,554	2,390	91%	2%	1%
Central & Western Europe	24,215	8,150	197%	11%	4%
Other Markets	3,624	2,921	24%	2%	2%
Total	**223,183**	**184,421**	**21%**	**100%**	**100%**

** By receiving country.*

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 20% or BGN 5,544 thousand), Macedonia and Kosovo (decreasing by 15% or BG 1,028 thousand), the increase in sales to Croatia (growing

[3] The ratios referred herein were derived at the estimation of the Company's management on the basis of internal classifications by item type and the respective preliminary information available as of the date of this Notification.

by 43% or BGN 8,368 thousand) as a result of the acquisition of 7IT led to an increase in overall revenues from the Western Balkans by 4% or BGN 1,976 thousand to BGN 56,145 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 27,760 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 91% or BGN 2,164 thousand of total sales to Other Balkan Markets, which reached BGN 4,554 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 16,065 up to BGN 24,215 thousand or 11% of consolidated revenues (comparing to just 4% in 2023).

Adding sales to clients on Other markets (growing by 24% to BGN 3,624 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 27,840 thousand or 12% of consolidated sales (comparing to just 6% in 2023).

V.1.2 Expenses and profitability

In parallel with revenue growth, consolidated operating expenses (operating expenses by nature) increased by 21% or BGN 37,088 thousand, reaching BGN 209,632 thousand. The main factor behind registered growth were the net book value of assets sold, which increased proportionally to the growing sales of goods, and remuneration and social security expenses, which reflected mostly the addition to the Group of the team of 7IT and the continuing expansion of operating personnel and the technological training, sales and marketing and general administration teams in TBS EAD in conjunction with the current and planned growth of the Group's activities. Other significant factors included the reduction in production stocks and work in progress against their significant increase in 2023 and the increase in other costs, reflecting mostly accrued expenses on revenue-generating projects and training and business trip costs, also mainly in conjunction with the Group's expanding activities.

Reflecting the similar growth rates in operating expenses and revenues and the substantial increase in net other operating income (growing by BGN 1,182 thousand mainly in conjunction with grants from European innovation and development projects and extraordinary revenues from adjudicated receivables on civil litigations), consolidated operating profit exhibited accelerated growth of 24% or BGN 2,856 thousand, reaching BGN 14,923 thousand and marking a respective slight improvement of the operating margin from 6.5% to 6.7%.

Taking into account the growing operating expenses representing depreciation and amortization costs (increasing by 50% or BGN 1,991 thousand as a result of the addition of 7IT, 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), consolidated EBITDA for the period exhibited even more accelerated growth of 34% or BGN 5,212 thousand, reaching BGN 20,625 thousand) and marking a respective margin improvement from 8.4% to 9.2%.

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 7IT described in section III, 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 differences from foreign currency operations, net finance costs registered a much more limited increase of 25% or BGN 279 thousand to BGN 1,393 thousand, maintaining a stable ratio of 0.6% of consolidated revenues.

At a relatively stable effective tax rate of 13.1% of profit before tax from continuing operations (comparing to 13.3% in 2023), 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 24% or BGN 2,253 thousand to BGN 11,754 thousand or 5.3% of consolidated revenues (comparing to 5.2% in 2023).

V.2 Assets, liabilities and equity

V.2.1 Assets

Reflecting both the acquisition of 7IT 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 40,259 thousand from the end of 2023 as a result of similarly sizeable growth in current and non-current assets, reaching a total of BGN 176,742 thousand.

Reaching BGN 130,028 thousand, current assets increased by 19% or BGN 20,315 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 7IT, and the increase in cash and cash equivalents as a result of the positive net cash flow realized by the Group owing to its strong cash flow from operations and the negotiation of additional financial debt and notwithstanding the significant capital expenditures on the acquisition of 7IT and other non-current assets in 2024.

The above-mentioned investment activities were the main factor behind the registered increase in non-current assets by 75% or BGN 19,944 thousand to BGN 46,714 thousand, wherein, besides the significant goodwill of BGN 15,922 thousand recorded pursuant to the acquisition of 7IT, the Group also registered significant growth in tangible fixed assets reflecting purchases of equipment provided to clients under managed service agreements and the furniture, improvements and fit-out works on new office areas, as well as due to the recognition of right of use assets as per IFRS 16 from the respective rental agreements and other contracts.

V.2.2 Liabilities

In parallel with assets, consolidated liabilities registered a significant increase of 26% or BGN 28,671 thousand, reaching BGN 138,141 thousand both due to the acquisition of 7IT 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 19% or BGN 18,587 thousand to BGN 115,182 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, and current loan obligations. Reaching BGN 13,220 thousand after an increase by BGN 9,026 thousand, the latter reflected the short-term repayment obligations arising from the investment loan on the acquisition of 7IT, 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 8 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 78% or BGN 10,084 thousand, reaching BGN 22,959 thousand mostly with regard to the long-term component of the investment loan on the acquisition of 7IT (BGN 5,210 thousand) and conditional long-term obligations for future consideration payments in accordance with the disclosures made in section III. 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.

V.2.2.1 Financial Debt

Summing the above loan obligations (BGN 18,430 thousand) and finance lease liabilities (totaling BGN 8 thousand), consolidated financial debt as of 31.12.2024 amounted to BGN 18,438 thousand, showing a more than fourfold increase by 337% or BGN 14,221 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 24,980 thousand and significant increase by BGN 10,889 thousand of cash and cash equivalents, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) exhibited a much smaller increase of BGN 3,332 thousand, remaining negative (denoting a surplus of cash and cash equivalents over financial debt or a net cash position) with a value of BGN (-) 6,542 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, consolidated equity registered an increase by 43% or BGN 11,586 thousand from the end of 2023 reflecting mostly the current profit for 2024, reaching BGN 38,601 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 maintained total general reserves in the amount of BGN 1,352 thousand.

Showing a decrease by BGN 170 thousand, the rest of the Group’s capital reserves and components of equity reached a total value of (-) 13,907 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 38,656 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).

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 31.12.2024, Group companies have made the following transactions with related parties outside the Group:

Operating Activities (BGN thousand)	Sales to related parties	Purchases from related parties
Other related parties (under common control)	2,342	89
Operating Activities (BGN thousand)	**Receivables from related parties**	**Payables to related parties**
Other related parties (under common control)	5,008	0

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)	18,690	4
Operating Activities (BGN thousand)	**Receivables**	**Payables**
Participation in joint operations (consortia)	18	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

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 "TELELINK BUSINESS SERVICES" EAD for 2022.

Sofia, 28.02.2025

IVAN KRASIMIROV ZHITIYANOV

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