

CONSOLIDATED NOTES

Telematic Interactive Bulgaria AD

as at 31 December 2022

GENERAL INFORMATION ABOUT TELEMATIC INTERACTIVE BULGARIA AD

Operational profile

Telematic Interactive Bulgaria AD is a public entity pursuant to the Public Offering of Securities Act (POSA).

It was incorporated on 30 June 2021 following the transformation of Telematic Interactive Bulgaria EOOD and was registered with the Trade Registry under No 20210630123013. Until 7 March 2022 the Company's sole owner was Eldorado Corporation AD. The Company has been incorporated for an indefinite period.

The principal activities include the organisation and conducting on online bets and all other activities permitted by the law.

Telematic Interactive Bulgaria AD has not opened branches on the territory of the country or in other countries.

The Company is entered in the register of public entities and other securities issuers kept by the FSC and was listed on Bulgarian Stock Exchange AD (BSE) on 22 March 2022 under exchange code TIB.

Shareholding structure and capital

At the date of preparation of this document, the Company's share capital amounts to 12,960,018 (twelve million nine hundred and sixty thousand and eighteen) ordinary, registered, dematerialized voting shares.

The Company's capital was increased using own funds. The shares from the capital increase were distributed to shareholders of the public entity in the form of a non-cash dividend for year 2021.

As at 31 December 2022 the entity holding over 5% of the Company's capital is Eldorado Corporation AD, holding 12,000,000 shares or 92.59%.

Management

As at 31 December 2022 the company Telematic Interactive Bulgaria AD has a one-tier management system – Board of Directors, comprising the following members:

- Lachezar Tsvetkov Petrov – Executive Director;
- Emil Alexandrov Georgiev – Board Chair;
- Desislava Peeva Panova – Board Member.

The Company is represented by Lachezar Tsvetkov Petrov and Desislava Peeva Panova, jointly and separately.

Public information

Pursuant to Art. 27 and the subsequent provisions of Ordinance No 2 of the Financial Supervision Commission, in conjunction with Art. 100t, Para 3 of POSA, the Company discloses regular information to the public through an information medium of its choice. All the information provided to the medium in its complete unedited form is available on the website: <http://www.x3news.com/>. The required information is provided to FSC through the uniform e-Register system for electronic submission of information established and maintained by FSC.

Telematic Interactive Bulgaria AD has fulfilled its commitment pursuant to Art. 89p of POSA, as a result of which it has been assigned legal entity code – LEI Code 254900MAXRCO8KWAYC84.

GENERAL INFORMATION ABOUT THE SUBSIDIARIES OF TELEMATIC INTERACTIVE BULGARIA AD

Telematic Interactive Bulgaria AD has registered three sole-owned subsidiaries – CT Interactive EOOD, Palms Bet Ukraine TOV, and PALMSBET CURACAO B.V.

The principal activities of CT Interactive EOOD are creation, modification and development of software products, distribution and lease of software products, business representation, agency and consulting, as well as any activities permitted by the law. The company's General Manager is Lachezar Tsvetkov Petrov.

Palms Bet Ukraine TOV was registered in Ukraine, in view of the situation in the country the process of depositing capital and establishing management bodies has been suspended.

On 20 October 2022, Telematic Interactive Bulgaria AD acquired 100% of the capital of a newly incorporated company is Curacao - PALMSBET CURACAO B.V. The company was acquired at the nominal value of shares thereof, and the amount of the transaction was EUR 1,000. On 22 December 2022, following an audit by the licensing body, the company obtained a certificate for license issue and the right to organise online bets through its website www.palmsbet.pe. Through the above mentioned company, online gambling operations will be carried out on the territory of Peru.

At the date of preparation of the financial notice, on 12 January 2023 Telematic Interactive Bulgaria AD acquired 99,99% (999 out of a total of 1,000 shares issued) of the capital of TIB CONSULT SOCIEDAD ANONIMA CERRADA (TIB Consult S.A.C.), with management address: Calle Amador Merino Reyna 307, oficina 602, San Isidro, LIMA, PERU. The company's shares were acquired for USD 999.

On 2 February 2023 Telematic Interactive Bulgaria AD registered all shares from the capital increase of TIB Consult S.A.C., and the value of the 400,000 new shares issued is PEN 1 each or PEN 400,000 in total.

On 17 February 2023, an increase in the capital of CT Interactive EOOD was registered with the Trade Registry, by BGN 1,500,000 (one million and five hundred thousand), from BGN 8,910,000 (eight million nine hundred and ten thousand) to BGN 10,410,000 (ten million four hundred and ten thousand), by issuance of 15,000 (fifteen thousand) new shares with nominal value BGN 100 (one hundred) each, which were registered and undertaken in full by the sole owner of the capital – Telematic Interactive Bulgaria AD.

PRINCIPAL ACTIVITIES AND STRATEGIC DEVELOPMENT OF THE GROUP COMPANIES

Telematic Interactive Bulgaria AD a licensed operator of online games of chance. The Company operates on the territory of Bulgaria under the trademark PalmsBet (www.palmsbet.com). Online games of chance form all of the Company's revenue, and the services provided are in two areas – online casino and sports betting. The online casino offers over 400 online slot games, live casino, bingo and table games. In sports betting, clients can bet on over 20,000 sports events. The activity is entirely B2C – clients are natural persons who deposit funds to participate in the games.

In 2021 the subsidiary CT Interactive EOOD acquired from CT Gaming AD the online casino platform and the exclusive rights over the distribution of over 200 online slot games and the related software applications for online access via mobile devices, computers and tablets. Along with the content, CT Interactive EOOD also acquired rights over the business contracts concluded with clients for provision of the platform and gaming content. Thus the B2B segment was added to the services offered by Telematic Interactive Bulgaria. CT Interactive EOOD obtained the necessary licenses for operating in Romania, Bulgaria and Malta. In this process, CT Interactive EOOD replaced CT Gaming AD as a party to the contracts with customers in its capacity as lessor of gaming content.

The clients of CT Interactive EOOD belong to two types – operators (online casinos) and gaming content platforms (aggregators, distributors).

The combination of the B2B and B2C segments within a single group was particularly effective, since it takes advantage of the significant benefits and synergies of the vertically integrated businesses, thereby saving time and resources at both companies by adapting the product offered to trends and end customers' demands.

Telematic Interactive Bulgaria AD generates its revenue mainly from online bets placed by end customers – natural persons. Most of the revenue is generated from casino games – 86.9%. The remaining portion of revenue is from sports bets, lease of gaming content, and investments in financial instruments.

We are constantly expanding our portfolio with various games, and have added to usual slot games the possibility for live games through streaming, bingo, etc., and as part of the sports segment we offer virtual sports games and special events.

The subsidiary of Telematic Interactive Bulgaria AD – CT Interactive EOOD, offers its own online games and products available on over 800 online casino brands throughout the world. The company is expanding its gaming content portfolio on a monthly basis, and releases one or two new games to clients.

In the meantime, the company constantly expands its client base by concluding contracts for integration with new operators and platforms. CT Interactive EOOD also fulfils plans for expansion by obtaining certificates for offering content on new regulated markets.

Through PALMSBET CURACAO B.V., the Group will commence organising online bets through its website www.palmsbet.pe in Peru; the website is currently being developed so as to comply with the requirements of the local legislation and with Peruvian clients' preferences.

CORPORATE EVENTS IN THE REPORTING PERIOD

On 7 March 2022 Telematic Interactive Bulgaria AD increased its capital from BGN 4,000,000 to BGN 4,320,006, distributed into 4,320,006 shares, by means of the public offering of 320,006 new shares with issue value BGN 50 per share.

On 23 June 2022 Telematic Interactive Bulgaria AD held a regular General Meeting of Shareholders, at which decisions were made pursuant to the invitation to the General Meeting, such as:

- Changes to the composition of the Board of Directors, whereby Emil Alexandrov Georgiev was elected as an independent member;
- Distribution of cash dividend at the amount of BGN 10,152,014.10 or BGN 2.35 per share before taxes;
- Increase of the capital using own funds, from BGN 4,320,006 to BGN 12,960,018;
- Election of members of the Audit Committee;
- Adoption of a Policy on Remuneration of Board Members and a scheme for variable remuneration to Board members based on results achieved for year 2022;
- and others.

On 26 July, an increase of the capital of Telematic Interactive Bulgaria AD was entered in the Trade Registry, from 4,320,006 shares to 12,960,018 shares.

On 20 October 2022 Telematic Interactive Bulgaria AD acquired ownership of 100% of the capital of the newly incorporated company in Curacao – PALMSBET CURACAO B.V. The company was acquired at the nominal amount of shares thereof, and the transaction value was EUR 1,000.

On 30 November 2022 Telematic Interactive Bulgaria AD held an extraordinary General Meeting of Shareholders, at which decisions were made pursuant to the invitation to the General Meeting, including:

- authorizing the Company's Board to conclude transactions within the scope of Art. 114, Para 1 of POSA;
- changes to the composition of the Audit Committee;
- adoption of a new Company Statute.

On 12 December 2022, the newly adopted Statute of Telematic Interactive Bulgaria AD was registered with the Trade Registry.

On 12 January 2023 Telematic Interactive Bulgaria AD acquired 99.9% of the capital of TIB CONSULT SOCIEDAD ANONIMA CERRADA (TIB Consult S.A.C.), a company registered in Peru. The shares were acquired for USD 999, VAT excluded.

On 2 February 2023 Telematic Interactive Bulgaria AD registered all shares from the capital increase of TIB Consult S.A.C., and the value of the 400,000 new shares issued is PEN 1 each or PEN 400,000 in total.

On 17 February 2023, an increase in the capital of CT Interactive EOOD was registered with the Trade Registry, by BGN 1,500,000 (one million and five hundred thousand), from BGN 8,910,000 (eight million nine hundred and ten thousand) to BGN 10,410,000 (ten million four hundred and ten thousand), by issuance of 15,000 (fifteen thousand) new shares with nominal

value BGN 100 (one hundred) each, which were registered and undertaken in full by the sole owner of the capital – Telematic Interactive Bulgaria AD.

PAYMENT OF DIVIDEND FOR 2021

On 20 July 2022, payment commenced of the cash dividend on the net profit of Telematic Interactive Bulgaria AD for year 2021, at the total amount of BGN 10,152,014.10 or gross dividend per share of BGN 2.35 for shareholders – natural persons. An increase in the capital of Telematic Interactive Bulgaria AD was registered in the Trade Registry and in Central Depository AD, financed with own funds, from BGN 4,320,006 to BGN 12,960,018. The shares from the capital increase were permitted for trading on BSE as from 8 August 2022.

At the date of these financial statements, all eligible shareholders have received the dividend due thereto.

IMPACT OF THE INFORMATION PROVIDED ABOUT THE GROUP'S OPERATIONS ON THE FINANCIAL RESULTS AS AT 31 DECEMBER 2022 AND INFORMATION ABOUT RELATED PARTY TRANSACTIONS IN THE REPORTING PERIOD

OPERATING RESULTS

As at 31 December 2022 Telematic Interactive Bulgaria AD Group stated pre-tax profit of BGN 25,524 thousand, compared to BGN 23,029 thousand as at 31 December 2021, i.e. the increase is by 10.83%.

As at 31 December 2022 the Group stated operating profit of BGN 25,439 thousand, versus BGN 22,853 thousand as at 31 December 2021.

The total amount of assets of Telematic Interactive Bulgaria AD Group as at 31 December 2022 is BGN 64,437 thousand, and the amount of equity is BGN 53,722 thousand.

Revenue

Revenue is generated from casino games (slot games, live streaming of casino games, etc.) and sports bets (sports results, sports events) and provision of online content for gambling operations. Telematic Interactive Bulgaria AD has a strong position and long experience in slot games, which constitute most of its revenue – almost 87%. In the meantime, 8.4% of revenue is from sports betting, which is becoming a significant portion of revenue. The revenue from provision of gaming content is 4.4%.

As at 31 December 2022 the operating revenue of Telematic Interactive Bulgaria AD Group amounts to BGN 103,287 thousand, which is an increase of 32.28% compared to the consolidated operating revenue of BGN 78,081 as at 31 December 2021. The increase compared to the same period of the previous financial year is the result of an increase in consolidated revenue from:

- casino games by BGN 19,524 thousand;
- provision of gaming content by BGN 4,163 thousand; and
- sports bets by BGN 2,119 thousand.

Most of the revenue from bets is generated on the domestic market, and as at 31 December 2022 the share of foreign clients is insignificant.

The revenue from provision of gaming content is generated by the subsidiary CT Interactive EOOD.

The revenue growth remains high, which is due to the strategy adopted, whereby the focus is on existing clients and meeting their demands, in order to retain them as active clients. This strategy was adopted in view of the highly competitive environment in the current financial year resulting from the entry of new companies offering analogous services. As a result, the revenue structure changed – there is an increase in the number of active players, and a decrease in the average revenue per player.

The investments in financial instruments generated a revenue of BGN 1,095 thousand as at 31 December 2022.

Telematic Interactive Bulgaria AD quickly developed its market position, focusing on product development and enhancement, as a result of which it achieved high income growth. Thanks to the active development of the products offered in the prior period, the Company was in an excellent position to take advantage, retain and attract a significant number of clients.

With respect to sports betting, the bigger number of events and the improved interface facilitated product use and client convenience.

(BGN'000; %)

Revenue per activity type	31.12.2022		31.12.2021	
	BGN'000	% of operating income	BGN'000	% of operating income
Casino games	88 806	86,9%	69 282	89,0%
Sports betting	8 575	8,4%	6 456	8,3%
Revenue from organisation and management services			1 520	2,0%
Revenue from provision of gaming content	4 518	4,4%	355	0,5%
Revenue from sales of advertising materials			149	0,2%
Revenue from other services	293	0,3%	106	0,1%
Total operating income:	102 192		77 868	

Non-financial indicators Average monthly	31.12.2022	31.12.2021
Active clients	83 227	49 321
Growth	68,75%	
Average revenue per client	98	128
Growth	-23,44%	
% client drop-off	36%	56%
Retention coefficient*	1%	5%

* Ratio between new active clients and registrations made in the month

The share of client drop-off is 1% per month on average, which is significantly below the sector's usual levels. The improvement in this indicators is due to the re-activation of inactive players. In the meantime, the prolonged retention of active clients is the result of the actions taken for continuous improvement of the product offered and meeting clients' demands for varied content and service.

Expenses

For the reporting period, the total expenses of Telematic Interactive Bulgaria AD Group amount at BGN 77,763 thousand (31 December 2021: BGN 55,052 thousand), of which operating expenses amount to BGN 76,753 thousand and have increase by 39,51% compared to 31 December 2021.

The biggest portion of the Group's consolidated expenses is that of the hired services expense, which is 59.92% of all expenses, and the relative share has decreased compared to the same period of the prior financial year, mainly at the expense of an increase in the employee benefits expense. Hired services constitute mainly expenses for advertising and marketing, gaming suppliers and payment service costs.

Telematic Interactive Bulgaria AD uses only games of external suppliers with whom it has concluded revenue-sharing contracts (% of revenue that the respective supplier's games have generated), including with the subsidiary CT Interactive EOOD. Respectively, as operating revenue increased by 31.24%, the expenses for gaming suppliers increased by 24.27% to BGN 14,883 thousand (31 December 2021: BGN 11,976 thousand). The growth compared to the nine-month period of 2021 is mainly the result of an increase in payment service costs, expenses for gaming suppliers, and advertisement.

The payment service expenses are related to the charges of banks and payment operators for accepting deposits and payment of client funds and are dependent on operating volumes. They increased by 77.02% and amount to BGN 9,522 thousand (31 December 2021: BGN 5,379 thousand). The increase is due to both an increase in the tariffs of banks and payment operators, and to a change in client behaviour, as a result of which there is an increase in the number of transfers to the platform in combination with a decrease in the average amount per transfer.

The increase in advertising and marketing expenses is due to the change in the marketing strategy, whereby resources were focused on maintaining and activating the existing client base, where costs are much lower, and to a lesser extent on attracting new clients. This allowed the advertising budget to be limited and focused on the most efficient channels, in the meantime enhancing the focus on client service and client experience. The latter resulted in higher expenses for employee benefits and software services.

	(BGN'000)	
EXPENSES	31.12.2022	31.12.2021
I. Operating expenses		
Cost of materials	369	267
Hired services expense	46 595	33 844
Depreciation and amortization expense	1 198	649
Employee benefits expense	7 111	3 670
Other	21 480	16 585
Group I total:	76 753	55 015
II. Finance costs	1 010	37
B. Total operating expenses (I + II)	77 763	55 052
Operating revenue	102 192	77 868
Share of operating revenue		
Employee benefits	7,0%	4,7%
Hired services	45,6%	43,5%
Other expenses	20,4%	21,3%

(BGN'000)		
EXPENSES	31.12.2022	31.12.2021
Materials	0,4%	0,3%
Depreciation and amortization	1,2%	0,8%
Other operating expenses	75,1%	70,7%
Net profitability	22,3%	26,5%

Other expenses

Other consolidated expenses comprise almost entirely taxes paid – license fee and withholding tax. The share of taxes increased by almost the same rate (29.51%) as revenue (31.24%) due to the relation thereof to the amount of revenue (directly or indirectly).

Profitability

	31.12.2022	31.12.2021
EBITDA Margin	26,07	30,18
Net profitability	22,31%	26,52%
Liabilities/Assets	0,17	0,24
Current liquidity	5,10	3,02

Balance sheet position

As at 31 December 2022 the Group's cash is BGN 44,242 thousand or 68.66% of assets, which is due to the nature of the Group's operations.

The Group holds current financial assets at the amount of BGN 5,471 thousand, which constitute investment in financial instruments, combining minimal risk and possibility for income generation, which as at 31 December 2022 is about 10%.

The Group's liabilities as at 31 December 2022 are current only and amount to BGN 10,715 thousand (31 December 2021: BGN 7,738 thousand). These comprise mainly payables to suppliers and clients and taxes repaid within a month from accrual thereof, and funds provided by clients.

Cash flows

The net cash flow from operations for the reporting period amounts to BGN 26,720 thousand. For the purpose of clearer presentation of operating results, the client profits paid and deposits reimbursed at the amount of BGN 323,645 thousand is carried to the cash flow statement in the report following the model of the deputy chair of the FSC in Payments/Proceeds related to financial assets held for trading.

The net cash flow from investing activities (BGN 10,615 thousand) comprises mainly the purchase of securities at the amount of BGN 10,359 thousand, etc.

The net cash flow from financing activities for the reporting period amounts to BGN 5,865 thousand, incl.: BGN 16,000 thousand for the capital increase performed as initial public offering of shares and BGN (10,135 thousand) dividend paid in the prior reporting period.

DESCRIPTION OF THE MAIN RISKS FACED BY THE GROUP IN THE REMAINING PART OF THE FINANCIAL YEAR

REGULATORY RISK

Gambling is a sensitive social and political topic, which results in frequent changes in regulations, the imposing of stricter control, additional taxes and fees, new technical requirements, restrictions. Despite the complex and sensitive nature of the activity, the trend is for movement towards a stable and well-controlled regulatory framework, and more and more countries pass or elaborate their regulations. Respectively, Telematic Interactive Bulgaria AD operates in an environment of complex regulations affecting its activity, which are constantly evolving, often towards stricter requirements, and in some seldom cases certain countries have imposed complete bans on gambling. An additional risk is the fact that online gambling globally is a new sector that has recently developed, and respectively, the legislation is immature, lacking in sufficient precedents, which poses the risk that control over the regulations may be unclear and controversial. In Bulgaria, the regulatory framework is well-developed, since online gambling has been regulated since 2013 and there is experience therein, therefore, the regulatory risk is low. In the future, as the Company enters new markets, this risk may be significantly higher for some of the countries, but operating on multiple market reduces this risk, since adverse regulatory changes simultaneously on several markets is unlikely.

Another action towards reducing regulatory risk is entering the B2B segment, where this risk is limited, due to operation on multiple markets, and the risk is borne by the respective operator rather than by the gaming supplier.

Apart from an activity subject to licensing and the resulting additional requirements to operations, the Group is also subject to other regulations related to personal data protections, measures against money laundering/funding terrorism and anti-corruption.

LICENSE REVOCATION

The main risk is of license revocation, which would result in discontinuing operations in the respective jurisdiction (at the Prospectus' date – only Bulgaria). The Regulator may invoke the license upon non-payment of taxes, violation of statutory requirements, gross violation of legislation, etc. Telematic Interactive Bulgaria AD has introduced an internal control system that ensures compliance with legal requirements and minimizes this risk.

NON-COMPLIANCE WITH TECHNICAL REQUIREMENTS

The Bulgarian Regulator, represented by the National Revenue Agency, requires real-time data exchange. Non-compliance with this requirement constitutes grounds for license revocation. Telematic Interactive Bulgaria AD has introduced the necessary systems to ensure continuous connection, and timely signalization in case of problems, as well as procedures for timely reaction.

TAXATION AND FEES

The taxes paid by Bulgarian entities include corporate tax, local taxes and fees, value added tax, excises, export and import duties. For the Group's financial result, it is important that the current taxation regime be preserved. Currently, corporate tax in Bulgaria is 10%. Apart from tax regulations applicable to principal business activities, Telematic Interactive Bulgaria AD is also subject to specific requirements, such as a monthly license fee of 20% of the difference between the bets placed and the profits paid out. The state taxes and fees form the main portion of expenditure, and respectively, stricter regulations would have a material impact on the

financial result. So far no intention has been declared by the respective state bodies to take any actions towards tax increase. The taxation system in the countries where the plans to expand operations is still developing, as a result there is a potential risk of controversial taxation practices and the introduction of new or increase of existing taxes and state fees.

PERSONAL DATA PROTECTION

The General Data Protection Regulation has been effective since 2018 and is binding for all organisations that collect and process personal data. Telematic Interactive Bulgaria AD is obliged to identify all of its clients and to store their data. Handling clients' funds and collecting personal data requires very high standards on information security and database protection. Measures have been introduced for the effective protection of the personal data processed and a possibility for exercising data subjects' rights, and has adopted Internal Rules on Personal Data Protection. There are procedures regulating the methods for complaints, data transferability, transparency in the processing of personal data, managing data subjects' requests, receiving consent, notification in case of security breach, document storage and destruction, as well as a number of other measures to ensure the security of personal data.

Frequent or material changes to the regulatory environment increase the costs for compliance and may impact revenue and profit. The regulations are also related to high sanctions in case of non-compliance, and in certain cases – to license revocation. TIB has built a team responsible for developing and updating rules and policies ensuring compliance with regulatory requirements. It is the management's main priority that they be introduced and applied, and each employee undergoes a training related to the respective procedures.

Although this is related to significant compliance costs, there is a material positive effect for the Issuer. Strict regulations enhance trust in the business on the part of society and clients and restrict unfair competition by the companies applying low standards for client protection and care.

MEASURES AGAINST MONEY LAUNDERING

The regulations related to the prevention of money laundering and funding terrorism have been in the focus of European policy over the last few years and are rapidly developing. Gambling has been identified as a segment of high risk and is respectively subject to strict monitoring and regulation. The operators are obliged to identify each client, monitor and report potential high-risk transactions. A problem in the identification and dealing with such cases may expose the Company to a significant risk of sanctions and affect its reputation. A beneficial fact is that since the Company is an online operator, transactions are performed electronically and involve mostly small amounts.

INCREASED RESTRICTIONS ON ADVERTISING

The advertising of games of chance in the mass media is subject to regulations and restrictions. Increased restrictions would limit Telematic Interactive Bulgaria's abilities to position itself and attract new clients through these channels. In order to minimize this risk, Telematic Interactive Bulgaria also develops alternative methods for positioning and attracting clients. On the other hand, restrictions in advertising and the established capacity of regulators, the Electronic Media Board and the NRA to exercise control does not allow unlicensed operators to promote, which restricts unfair competition.

POLITICAL RISK

This is the risk resulting from political processes in the country – risk of political destabilization, changes in government, in legislation, in the country's economic policy and

taxation system. Political risk is directly dependent on the probability for adverse changes in the government's policy; as a result, there is a risk of adverse changes in the business climate.

The reasonable fiscal policy and moderate deficit maintained facilitate the minimization of political risk as a whole and the lack of any declared intentions by political parties to make significant adverse changes to the regulations affecting the Company's operations, suggest that the level of this risk is currently low. Nevertheless, the current political situation does not make it possible to identify predictable majority and respectively – a clear forecast on future policies, due to which significant changes are possible. The negative consequences therefrom may result in delay in reforms due to differences and contradictions between the political parties with respect to major social and economic measures, as well as further increase of public discontent. The possible adverse effects therefrom are usually related to aggravated economic environment and perspectives among the companies operating in the country.

The planned expansion into new markets will on the one hand diversify positioning, due to the insignificant probability of adverse events occurring in several jurisdictions simultaneously, but on the other hand it will expose Telematic Interactive Bulgaria AD to a risk of the policies applied in the respective countries.

MACROECONOMIC RISK

The clients of Telematic Interactive Bulgaria EAD are from all regions in the country and from all economic and social groups of the population. Respectively, the Company's activity is very much dependent on overall economic growth, the general condition of the business environment and particularly on consumer trust, respectively – end consumption. A potential shrinking of income and employment would result in a negative trend in the Company's revenue and profit. The Group plans to diversify this risk by expanding its operations into other countries.

Bulgaria, though having significantly lower levels of internal fiscal support, had lower GDP decrease and thanks to the high levels of integration with EU countries also recovered its growth. Most forecasts are for this growth to continue in the next years, which will contribute to limiting the COVID pandemic's impact and the subsequent normalization of economic activities. An additional incentive is EU's plan to invest an additional EUR 750 billion in the member states. The significant global imbalances place macroeconomic risk to the direction and rate of development of global economy and respectively the countries where the Issuer operates or plans to commence operations.

The war in Ukraine dramatically reduced the possibilities for favourable economic development of EU economy. The significant imbalance on a global level poses a macroeconomic risk to the direction and rate of economic development on a global level, respectively – to the countries in which the Group operates or plans to commence operations.

INFLATION RISK

The price risk is related to the overall level of inflation in the country and to the level of competition. The risk of inflation increase results in depreciation of the investments made or the value of savings over time. In view of the country's commitments and willingness to become member of the European Monetary Union (EMU) and the related inflation requirements – measures may be expected on the part of BNB and the government to harness the inflation within the necessary limits (Maastricht Criteria for EMU membership).

Over the last few years, inflation has been limited, but after 2020 there have been big fluctuations in the prices of certain goods and services, and the shortage of some components and goods resulted in a significant increase in expenditure and respectively, overall price levels. The Company's business nature, involving almost entirely current payments, exposes Telematic Interactive Bulgaria AD to a minimal inflation risk. There would be an adverse effect of retaining the present levels for a continued period, which would limit households' disposable income. A significant moderating effect on this risk is exercised by the link between expenditure and revenue – over $\frac{3}{4}$ of operating costs are related to revenue and is therefore not affected by price changes.

According to NSI data, in September 2022 the monthly inflation is 1.2% higher than in the prior month, and the annual inflation for September 2022 compared to September 2021 is 18.7%. Inflation YTD (September 2022 compared to December 2021) is 14.0%, and the average annual inflation for the period October 2021 – September 2022 compared to the period October 2020 – September 2021 is 12.8%.

FOREIGN CURRENCY RISK

Foreign currency risk is related to Group companies' proceeds and expenditure denominated in foreign currencies. At present, the Issuer's revenue and expenditure is in BGN, but as it fulfils its plans for expansion, the share of revenue and expenditure denominated in foreign currencies is expected to increase, which would expose the Group companies to a certain foreign currency risk. The currencies of the abovementioned countries are stable in the long term, and usually fluctuate within the narrow limits of $\pm 5\%$, but there is nevertheless a risk of one-off significant movement. This risk is mitigated by the fact that expenditure denominated in a foreign currency is calculated as a percentage of revenue, i.e. the risk is mainly on the BGN equivalent of revenue, but this would have a very limited impact on the profit margin.

The expansion into new markets will significantly increase transactions in currencies other than BGN and EUR. In the future, changes in exchange rates would result in certain currency risk and may impact the Company's results.

INCREASED COMPETITION

The widespread entrance of digital services and the market growth are attracting the interest of a continuously growing range of new clients. This year, three new participants entered the market, and the number is expected to increase. So far, this has not affected the dynamics, and Telematic Interactive Bulgaria AD retains its growth rates, but there may be a significant future impact. Marketing expenditure in the sector usually has a bigger share in the cost structure and is key to customer attraction and retention. As new competitors enter the market, the relative share of expenditure is expected to increase, which might impact the Group companies' profitability.

CREDIT RISK/RISK OF COUNTERPART'S DEFAULT

This is a risk of Group companies' counterparts defaulting payment obligations. Due to the specifics of the business, clients deposit funds in their accounts in advance, and Telematic Interactive Bulgaria AD has minimum receivables from clients. The credit risk is mainly related to keeping significant own and clients' funds with financial institutions. In order to minimize this risk, Telematic Interactive Bulgaria AD only works with payment operators and banks with proven record and repute. It has established real-time information exchange systems and execution guarantee systems. In the case of CT Interactive EOOD, the payment obligation arises in the month following the generation of revenue and bears the risk of non-payment in

case of financial difficulties of the client. The possibility for restricting use of the games provided in case of non-payment limits potential losses.

MARKET DOMINANCE OF SUPPLIERS

In certain sectors and markets there are suppliers, for instance, content suppliers and payment operators, which have significant market influence and may impose tariffs exceeding market levels. A unilateral increase of the prices of such suppliers might adversely impact profit.

UNFAIR COMPETITION

Operational on the market are also a significant number of illegal operators, who do not hold licenses and do not pay the taxes and fees for licensing of gaming content. Due to the high taxes and administrative requirements, this grants them an advantage compared to legal operators, in terms of better promotions and higher client discounts.

GAME ERRORS

As a supplier of gaming content, the subsidiary CT Interactive EOOD is financially liable if as a result of errors in the games provided the gambling operator or distributor incurs losses (for instance, the game pays out abnormal gains). Each game is subject to detailed check and testing, including by internationally recognized independent labs, as a result of which this risk is kept to a minimum. Usually the compensation due is limited to the revenue generated by CT Interactive EOOD from the counterpart for a certain period, or to a fixed maximum amount. In the future, this risk will be additionally mitigated by concluding an insurance contract.

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This risk is not directly applicable to Telematic Interactive Bulgaria AD, but is applicable to its subsidiary, CT Interactive EOOD. The distributed games contain audio and visual content, graphic items, trademarks, etc. that may be subject to copyright. The use of such protected content without the necessary permissions might result in financial claims by the parties affected. This risk is low, as far as the use of copyright-protected content is limited and in accordance with statutory requirements.

LIQUIDITY RISK

Liquidity risk is the risk of the Group companies not meeting their current payables. Telematic Interactive Bulgaria AD maintains high liquidity levels, and its assets constitute almost entirely cash. Payables are mainly formed by clients' deposits and trade payables to suppliers. The cash maintained exceeds the amount of current payables, which exposes Telematic Interactive Bulgaria AD to minimum liquidity risk.

IT SECURITY AND CYBER ATTACKS

Risk of unauthorized access, interruption, modification, unauthorized use or destruction of databases, overload of the network capacity, service suspension, etc. Such attacks may have an adverse effect on the Company's reputation and result in loss of clients and financial damages. Therefore, Telematic Interactive Bulgaria AD has taken preventive steps, applying strict policies and maintaining the highest standards in the area of security. TIB is certified (through its subsidiary CT Interactive EOOD) under ISO 27001:2013 issued by TUV Reinland – a standard on security of information upon trade, creation and distribution of online products, incl. management of the security of financial, accounting, production, commercial and personal data upon developing and distribution of online products. It maintains professional and technical capacity to continuously monitor and respond to attempted compromises of the online infrastructure.

LOSS OF KEY MANAGEMENT OR TECHNICAL STAFF

The current management team comprises employees that have grown and developed since the Company was established and have a major contribution for its successful development. The loss of key employees might have an adverse impact on future development. The Company has its own platform (the rights thereon are held by the subsidiary CT Interactive EOOD), on which the entire operations are based. This on the one hand ensures control over the key asset and high flexibility, but the loss of key staff or subcontractors responsible for the platform's maintenance and development might result in aggravated product quality and/or delay of development thereof, which would have a very negative impact on operations. The Company aims to limit this risk by attracting and incentivizing employees with policies and practices that allow their continuous training and development and remuneration based on the results achieved.

RISK RELATED TO PAYMENT PROCESSING

Telematic Interactive Bulgaria AD works with a large number of banks and payment operators and receives and pays significant amounts to clients. The client payment procedures agreed with the payment service providers are a key factor for client satisfaction. The default of payment transfers due to financial or technical issues would adversely impact the Company's reputation and might result in lower client trust and financial losses. Telematic Interactive Bulgaria AD minimizes the risk by working only with well-established operators, performing an in-depth survey, and offering different payment methods from licensed payment operators to ensure effective and secure payment services. The Company follows established procedures for client check and verification, in line with the best verification practices and standards.

BUSINESS CONTINUITY AND DISASTER RECOVERY

This is the risk of internal and external events that might result in suspension of operations. Telematic Interactive Bulgaria AD has developed and introduced an infrastructure, systems, processes and rules in order to minimize this risk and ensure business continuity. It maintains spare capacity, such as back-up of key system elements, including key services from approved suppliers to ensure the storage and quick recovery of operations in case such events occur.

RISK OF GAMING FRAUD

This risk is mainly in the segment of sport betting, where there could be fraud and manipulation, for instance of sports results. Telematic Interactive Bulgaria AD has a strict risk management system that monitors unusual actions and allows for preventive reaction. Slot games, which constitute most of the revenue, do not allow manipulation of bets and gains and the risk of fraud in casino games is insignificant. In this segment, there is a risk management system, too, which monitors and limits the potential adverse effect of fraud. The risk of fraud at an amount that would have a significant adverse impact on the financial results is limited.

RISK RELATED TO PROBLEM GAMBLING

Betting may result in addiction for some clients. Telematic Interactive Bulgaria AD has introduced a system that strictly follows the adopted guidelines on responsible gaming, informs and allows clients to limit their gaming. This risk might impact the Issuer's reputation, and a breach of the adopted rules on responsible gaming may result in sanctions by the Regulator. The Company applies an active policy to position itself as an entertainment and responsible gaming provider and makes efforts to support clients at risk.

Consolidated statement of financial position as at 31 December 2022

	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Intangible assets		9,066	8,661
Property, plant and equipment		229	751
Long-term receivables from related parties	14	97	-
Other long-term investments	7	359	-
Deferred taxes		20	16
Non-current assets		9,771	9,428
Contract assets		435	344
Receivables from related parties	14	247	75
Trade and other receivables		4,271	641
Cash and cash equivalents		44,242	22,326
Financial instruments		5,471	-
Current assets		54,666	23,386
Total assets		64,437	32,814
Equity and liabilities			
Equity	12	12,960	4,000
Reserves		16,113	400
Accumulated profit/(loss)		1,851	25
Current financial result		22,798	20,651
Equity attributable to owners of the parent		53,722	25,076
Equity		53,722	25,076
Trade payables		4,398	2,460
Payables to personnel		1,038	570
Payables to related parties	14	114	113
Tax payables		636	1,097
Client deposits		2,102	1,406
Other payables		2,427	2,092
Current liabilities		10,715	7,738
Total equity and liabilities		64,437	32,814

Consolidated statement of profit and loss and other comprehensive income for year 2022

	31.12.2022	31.12.2021	
Note	BGN'000	BGN'000	
Revenue from bets and provision of gaming content	8	101,899	76,093
Other revenue		293	1,775
Cost of materials		(369)	(267)
Hired services expense	9	(46,595)	(33,844)
Depreciation and amortization expense		(1,198)	(649)
Employee benefits expense		(7,111)	(3,670)
Other expenses	10	(21,480)	(16,585)
Profit from operations		25,439	22,853
Finance income		1,095	213
Finance costs		(1,010)	(37)
Profit before taxes		25,524	23,029
Income tax expense	11	(2,726)	(2,378)
Profit for the year		22,798	20,651
Total comprehensive income for the period		22,798	20,651
Share income		BGN 2.66	BGN 5.16

Consolidated statement of changes in equity for year 2022

	Share capital	Issue premia (premium reserve)	Reserves	Retained earnings/ (Accumulated losses)	Total equity of the holders of equity of the parent	Equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2021	2,909	-	-	6,256	9,165	9,165
Dividends	-	-	-	(4,740)	(4,740)	(4,740)
Capital increase upon transformation	1,091	-	-	(1,091)	-	-
Transactions with owners	1,091	-	-	(1,091)	-	-
Profit for the period	-	-	-	20,651	20,651	20,651
Total comprehensive income for the period	-	-	-	20,651	20,654	20,651
Profit allocation to reserves	-	-	400	(400)	-	-
Balance at 31 December 2021	4,000	-	400	20,676	25,076	25,076
Balance at 1 January 2022	4,000	-	400	20,676	25,076	25,076
Dividends	-	-	-	(10,152)	(10,152)	(10,152)
Capital issue	8,960	15,680	-	(8,640)	16,000	16,000
Transactions with owners	8,960	-	-	(8,640)	-	-
Profit for the period	-	-	-	22,798	22,798	22,798
Total comprehensive income for the period	-	-	-	22,798	22,798	22,798
Profit allocation to reserves	-	-	33	(33)	-	-
Balance at 31 December 2022	12,960	15,680	433	24,649	53,722	53,722

Consolidated statement of cash flows for year 2022

	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Operating activities			
Bets placed by clients		426,605	282,618
Profits paid and deposits reimbursed		(323,645)	(206,444)
Proceeds from sales of services to customers			1,493
Payments to suppliers		(44,325)	(34,333)
Payments to personnel and for social security		(6,486)	(3,312)
Corporate tax payments		(3,195)	(1,489)
Gambling tax payments		(19,196)	(14,747)
Other cash flows, net		(3,038)	(327)
Net cash flow from operations		26,720	23,459
Investing activities			
Purchases of financial assets and investments		(10,359)	-
Proceeds from financial assets		2,086	-
Loans granted		(1,593)	(2,464)
Proceeds from loan repayment		1,502	5,397
Cash flows related to purchases of non-current assets		(2,252)	(9,295)
Interest received		1	229
Net cash flow from investing activities		(10,615)	(6,133)
Financing activities			
Capital issue		16,000	-
Dividend payments		(10,135)	(281)
Net cash flow from financing activities		5,865	(281)
Foreign currency remeasurement		(54)	(30)
Net change in cash and cash equivalents		21,916	17,015
Cash and cash equivalents at the beginning of the year		22,326	5,311
Cash and cash equivalents at the end of the period		44,242	22,326

Notes to the consolidated financial statements

1. Principal activities

Telematic Interactive Bulgaria AD (former name Telematic Interactive Bulgaria EAD) is a parent company registered on 30 June 2021 under Art. 234 of the Commercial Act as a result of the transformation of Telematic Interactive Bulgaria EAD (a limited liability company with seat and management address: Sofia 1345, Zaharna Fabrika Residential Area, 7, Kukush Street).

The parent company with UIC 206568976, registered in the city of Sofia, was entered in the Trade Registry on 2 July 2014 pursuant to the Commercial Act of the Republic of Bulgaria.

As at 31 December 2022 Telematic Interactive Bulgaria AD Group comprises the parent - Telematic Interactive Bulgaria AD, and the subsidiaries – CT Interactive EOOD, TOV Palms Bet Ukraine, and Palmsbet Curacao. The latter is a newly registered company for operations in Central and South America.

The parent - Telematic Interactive Bulgaria AD – exercises direct control and owns 100% of the capital of its subsidiaries.

The principal activities of the parent Telematic Interactive Bulgaria AD and of the subsidiaries are: organising and holding online bets and provision of online gaming content in accordance with the licenses issued by the respective competent body – State Commission on Gambling (SCG) until 8 August 2020, and after this period, the licensing functions are performed by the National Revenue Agency (NRA).

All licenses issued by SCG until its functions were suspended are valid.

The Group holds a license for organising online casino games issued on 19 July 2019, a license on sports betting and betting on horse and dog races issued on 30 March 2018, and license on the import, distribution and servicing of gaming content dated 12 November 2021.

The licenses are valid for a period of 5 years from the issue date.

Under the Gambling Act, Telematic Interactive Bulgaria EAD is the legal successor of the gambling licenses issued to Telematic Interactive Bulgaria EOOD.

As at 31 December 2022, the parent company's registered capital is BGN 12,960,018. The capital has been deposited in full.

The majority shareholder of the capital is Eldorado Corporation AD, whose shares as at 31 December 2022 is not traded on an exchange.

The parent is managed by a Board of Directors consisting of Lachezar Tsvetkov Petrov – Executive Director, Desislava Peeva Panova – Chairperson of the Board, and Emil Alexandrov Georgiev – Board Member. The Company is represented by Lachezar Tsvetkov Petrov and Desislava Peeva Panova – jointly and separately.

2. Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* endorsed by the EU. It does not contain the entire information required for the preparation of full-year annual financial statements under IFRS and should be considered jointly with the Company's annual consolidated financial statements as at 31 December 2021, prepared in accordance with the International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The investments in subsidiaries have been accounted for and disclosed in accordance with IFRS 10 *Consolidated Financial Statements*.

The financial statements have been compiled in Bulgarian leva (BGN), which is the Company's functional currency. All amounts are stated in BGN thousand (including the comparative information for year 2021) unless otherwise stated.

The management is responsible for the preparation and fair presentation of information in these consolidated financial statements.

These financial statements have been prepared following the going concern principle.

3. Changes to accounting policies

There have been no changes to accounting policies compared to the prior period.

4. Accounting policies

Changes in accounting estimates

Upon the preparation of the consolidated financial statements, the management makes multiple judgements, assessments and assumptions regarding the recognition and measurement of assets, liabilities, revenue and expenses.

The actual results may deviate from the judgements, assessments and assumptions made by management and only in rare cases do they fully coincide with the estimates.

Upon the preparation of these interim consolidated financial statements, management's significant judgements in the application of the Company's accounting policies and main sources of uncertainty of accounting estimates do not deviate from the ones disclosed in the Company's annual consolidated financial statements as at 31 December 2021.

Management of the risks related to financial instruments

The Group companies are exposed to various risks with respect to their financial instruments. The most significant risks to which the Group companies are exposed are market risk, credit risk, and liquidity risk.

The interim consolidated financial statements do not include the entire information about the management of these risks, nor the disclosures required when preparing annual financial statements, and should be considered jointly with the Company's annual consolidated financial statements as at 31 December 2021. In the reporting period there were no changes in the risk management policy with respect to financial instruments.

5. Basis of consolidation

The Group's consolidated financial statements include the financial statements of the parent and all subsidiaries as at 31 December 2022. Subsidiaries are all entities under the control of the parent. There is control when the parent is exposed to or has rights over variable return on its interest in the investee, and is able to influence this return through its rights over the investee. All subsidiaries have a reporting period ended 31 December.

All intragroup transactions and balances are offset, including unrealized gains and losses on transactions between Group companies. When unrealized losses on intragroup sales of assets are offset, the respective assets are tested for impairment from the Group's perspective. The amounts presented in the financial statements of the subsidiaries have been adjusted, where necessary, to ensure compliance with the Group's accounting policies. The profit or loss and other comprehensive income of subsidiaries acquired or sold during the year is recognized as from the acquisition date, respectively – until the date of sale thereof.

6. Investments in subsidiaries

Subsidiary name	Country of incorporation and principal place of business	Principal activities	31.12.2022	interest
			BGN'000	%
CT Interactive EOOD	Bulgaria	Lease, creation, modification and development of new software products for online games	8,910	100
TOV Palms Bet Ukraine	Ukraine	Online casino platform and sports betting	-	100
Palmsbet Curacao B.V.	Curacao	Online casino platform and sports betting	2	100
			Total:	
			8,910	

The subsidiary CT Interactive EOOD was entered in the Trade Registry on 9 February 2021 with capital of BGN 8,910 thousand. The investment was carried at cost in the separate financial statements of the parent.

The subsidiary CT Interactive EOOD has established itself as a developing distributor of games and gaming content in Bulgaria and abroad and is included in the consolidated financial statement of the parent.

In relation to the parent's planned expansion, on 9 August 2021 a subsidiary was registered in Ukraine with a subscribed capital of UAH 30 million, whose BGN equivalent as at 31 December 2021 was BGN 1,800 thousand.

The Ukrainian subsidiary has not commenced active operations in online gambling, as planned, respectively, the subscribed capital was not deposited. As a result of the events which occurred and the Russian invasion, the investment process was suspended.

On 12 October 2022, a subsidiary was registered in Curacao with a capital of EUR 1,000 – Palmsbet Curacao B.V. The company is planned to commence operation as organizer of online casino and sports bets for the Central and South American region. Its capital was deposited at the end of 2022.

For the purpose of preparation of these consolidated financial statements, the investments in subsidiaries, as well as the transactions and balances therewith in the reporting period, have been offset.

7. Investments in other entities

Entity name	Country of incorporation and principal place of business	Principal activities	31.12.2022	
			BGN'000	interest (%)
Bargame AD	Bulgaria	Organising games of chance with game machines at casinos	300	2
BUGSY World Society SRL	Romania	Software design of 3D interactive casino	59	1
			359	

In 2022 the Group acquired an interest in Bargame AD, which is an established casino operator with over 20 years' experience with an equity of BGN 14,855 thousand. Its net financial result for 2021 is BGN 2,169 thousand. The expectations are for the trend to be maintained in 2022.

Again in 2022, the Group acquired an interest in BUGSY World Society SRL, a Romanian software start-up for developing a meta 3D interactive casino.

Interests in these companies are carried to the consolidated financial statements of the Group at cost.

8. Revenue from contracts with customers

The management identifies at present the following business lines of the Group as operating segments: organising online games of chance and providing online content for gambling activities.

These operational segments are monitored by management, which makes strategic decisions based on the segments' adjusted operating results.

The manager in charge of major operational decisions for the Group is the Executive Director of the parent, who monitors performance of these operational segments, and makes decision regarding the allocation of resources thereto. The efficiency of segments is monitored and the operational results of the segments are adjusted:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Revenue by type of activity:		
Revenue from bets	97,381	75,738
Revenue from organisation and management services	-	1,1520
Revenue from provision of gaming content	4,518	355
Revenue from sales of advertising materials	-	149
Revenue from other services	293	106
	102,192	77,868

As at 31 December 2022, the other income amounting to BGN 293 thousand (as at 31 December 2021: BGN 1,775 thousand) includes asset rental income and net income from sale of non-current tangible assets, at the amount of BGN 19 thousand (BGN 610 thousand selling price and book value BGN 591 thousand).

The Company states as revenue the amount of bets placed less the amounts payable to clients and the incentives it grants to its clients.

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Revenue from bets		
Casino games	88,806	
Sports bets	8,575	6,456
	<u>97,381</u>	

Most of the revenue from bets is generated on the domestic market, and the share of foreign clients is insubstantial.

The revenue from provision of gaming content is generated by the subsidiary CT Interactive EOOD.

9. Hired services expense

	31.12. 2022	31.12.2021
	BGN'000	BGN'000
Gaming content fees	14,883	11,976
Advertisement	17,536	14,625
Bank charges	9,522	5,379
Consulting fees	859	246
Software services	2,455	977
Accounting and legal services	206	138
Rentals	274	82
Communications and utilities	426	168
Technical maintenance	268	202
Other	166	51
	<u>46,595</u>	<u>33,844</u>

10. Other expenses

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Fees under the Gambling Act	19,669	15,325
Withholding tax expense	916	678
Additional in-kind and cash bonuses and awards	52	497
Other expenses	843	85
	<u>21,480</u>	<u>16,585</u>

Apart from tax regulations referring to its usual business activities, TIB is also subject to specific requirements, such as monthly licensing fee under the Act on Gambling, amounting to 20% on the difference between the amount of bets placed and the profits paid.

11. Income tax expense

Income tax expense is recognized for each interim period based on an estimate of the average weighted annual tax rate on the profit estimate for the whole financial year.

The income tax expense based on the tax rate applicable in Bulgaria, which is 10%, amounts to BGN 2,726 thousand (as at 31 December 2021: 10% tax rate – BGN 2,378 thousand).

12. Share capital, dividends and earnings per share

At the General Meeting of Shareholders of the parent held in June 2022, a decision was made to distribute a cash dividend at the amount of BGN 10,152,014 and non-cash dividend through the issue of new shares at the amount of BGN 8,640,012.

As at 30 September 2022 the Company paid in full the cash dividend approved at the amount of BGN 10,152,014.

As at 31 December 2022 the share capital of the parent consists of 12,960,018 ordinary shares with nominal value BGN 1 each. During the period, as a result of decisions made by the General Meeting of Shareholders, another 320,006 ordinary shares were issued, admitted for trading at BSE, and 8,640,012 ordinary shares in the form of non-cash dividend approved.

The parent's shares are traded on Bulgarian Stock Exchange AD. The shares entitle holders to dividend and liquidation share and each share constitutes one vote at the General Meeting of Shareholders.

	31.12.2022	31.12.2021
	Number of	Number of
	stocks	shares
Number of stocks/shares issued and fully paid:		
At the beginning of the year	4,000,000	29,090
Transformation of shares into stocks upon transformation under the Commercial Act	-	3,970,910
New share issue – non-cash dividend	8,640,012	
Stocks issued and fully paid	320,006	4,000,000
Total number of stocks/shares at the end of the period	12,960,018	4,000,000

As at 31 December 2022 the parent's majority owner is Eldorado Corporation AD, whose beneficial owners are Milo Stratiev Borisov and Rossina Stratieva Borisova.

Earnings per share

As at 31 December 2022, the basic earnings per share on consolidated basis has been calculated based on the net profit to be distributed between shareholders, and the average weighted number of Company shares, as follows:

	31.12.2022	31.12.2021
Profit to be distributed (in BGN)	22 797 803	20 651 167
Average weighted number of shares	8 586 678	4 000 000
Basic earnings per share (in BGN per share)	2.66	5.16

Dividends

In June 2022, the General Meeting of Shareholders of the parent made a decision to distribute a cash dividend of BGN 10,152,014, constituting BGN 2.35 per share, and non-cash dividend by means of a capital increase of BGN 8,640,012. As at 31 December 2022 the cash dividend due was paid, and the capital increase was registered.

13. Related party transactions

13.1. Transactions with owners

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Purchase of services	151	22
Distributed dividends	10,152	4,740
Paid dividends	10,152	-
Share issues	8,960	1,091
Loans obtained	1,500	600
Loan repayment	1,500	-
Interest accrued	1	120

13.2. Transactions with other related parties under common control

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Purchase of non-current intangible assets	3,210	2,896
Purchases of services and goods	1,116	1,572
Goods and services rendered	97	1,689
Loans granted	3	83
Interest accrued	3,210	2,896

13.3. Transactions with key management personnel

The Company's key management personnel includes Board members of the parent and its senior operational management.

Unless explicitly stated, transactions with related parties were not executed under special conditions, and no guarantees were obtained or granted.

The remuneration to key management personnel includes the following expenses:

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Short-term remuneration:		
Salaries, incl.:	1,182	873
<i>Bonuses</i>	744	608
Social insurance contributions	13	15
Total remuneration	1,195	888

14. Related party balances

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Non-current receivables from:		
- other related parties under common control	97	-
Total non-current receivables from related parties	97	-
Current receivables from:		
- other related parties under common control	247	75
Total current receivables from related parties	247	75
Total receivables from related parties	344	75
Current payables to:		
- other related parties under common control	114	113
Total current payables to related parties	114	113
Total payables to related parties	114	113

The total amount of receivables from related parties includes receivables under loans granted and interest thereon at the total amount of BGN 115 thousand, of which BGN 97 thousand has been classified as non-current receivables from related parties.

The loans granted to related parties are unsecured, with contracted market interest rate. The remaining receivables from related parties, like the payables thereto, are of a business nature.

The Group has not received guarantees from related parties, nor has granted such to related parties.

15. Events after the end of the reporting period

After the end of the reporting period, the capital of the subsidiary CT Interactive AD was increased by BGN 1,500 thousand in order to expand the services provided by the subsidiary and offer online live game streaming.

On 12 February 2023, a subsidiary was acquired in Peru whose capital is equal to BGN 2 thousand, for the purpose of developing activities related to online bets in the country. After this date, the company's capital was increased by PEN 400 thousand (BGN 190 thousand). TIB's interest in the capital of this company is 99.99%.

No other adjusting events or other significant non-adjusting events occurred between the date of the interim consolidated financial statements and the date of its approval for issue.

16. Approval of the consolidated financial statements

The interim consolidated financial statements as at 31 December 2022 (including the comparative information therein for year 2021) were approved for issue by the Board of Directors on 22 February 2023.

27 February
Sofia

.....
Rumen Terziyski
Chief Accountant

.....
Lachezar Petrov
Executive Director