

# NOTES

## **Telematic Interactive Bulgaria AD**

**as at 31 December 2022**

### **GENERAL COMPANY INFORMATION**

#### **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.

## **OVERVIEW OF THE COMPANY'S OPERATIONS AND POSITION**

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](http://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.

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.

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.

Telematic Interactive Bulgaria AD generates its revenue from customers entirely from online bets placed by end customers – natural persons. Most of the revenue is generated from casino games – 91.19%. The remaining portion of revenue is from sports bets.

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.

### **IMPORTANT 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. By acquiring the new subsidiary, the administration and organisation of the Group's online gambling activities will be supported.

## **PAYMENT OF DIVIDEND FOR 2021**

On 20 July 2022, payment commenced of the cash dividend on the net profit of the Group 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 the Company 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 COMPANY'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 stated NET profit of BGN 22,289 thousand, compared to BGN 20,352 thousand as at 31 December 2021, i.e. the increase is by 9.52%.

As at 31 December 2022 the Company stated operating profit of BGN 24,848 thousand, versus BGN 22,507 thousand as at 31 December 2021.

The total amount of assets of Telematic Interactive Bulgaria AD as at 31 December 2022 increased by 95.06% compared to 31 December 2021 and is BGN 63,181 thousand, and the amount of equity increased by 113.56% and is BGN 52,914 thousand.

#### Revenue

As at 31 December 2022 the operating revenue of Telematic Interactive Bulgaria AD amounts to BGN 98,591 thousand, which is an increase of 29.54% compared to the total operating revenue as at 31 December 2021, amount to BGN 76,109 thousand.

Revenue is generated from two main sources casino games (slot games, live streaming of casino games, etc.) and sports bets (sports results, sports events). Telematic Interactive Bulgaria AD has a strong position and long experience in slot games, which constitute most of its revenue. Sports bets were initiated at a later stage and in the past two years we managed to establish them as a significant segment, forming about 9% of total revenue.

As at 31 December 2022 Telematic Interactive Bulgaria AD stated net sales revenue at the amount of BGN 97,523 thousand, versus net sales revenue of BGN 75,887 thousand as at 31 December 2021, which is an increase of 28,51%. The increase is the result of:

- an increase in the revenue from casino games by 28.18% or BGN 19,524 thousand more than in the same period of 2021;
- an increase in the revenue from sports bets by 32.82% or BGN 2,119 thousand.

Finance income as at 31 December 2022 amounts to BGN 1,068 thousand, realized in relation to the investments made in debt securities.

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 structure	31.12.2022	Variance (%)	31.12.2021
<b>Casino games</b>	88 806	28,2%	69 282
<i>% of operating income</i>	91,1%		91,3%
<b>Sports betting</b>	8 575	32,8%	6 456
<i>% of operating income</i>	8,8%		8,5%
<b>Other services</b>	142	-4,7%	149
<i>% of operating income</i>	0,1%		0,2%
<b>Total operating income:</b>	97 523	28,5%	78 887

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

As at 31 December 2022 Telematic Interactive Bulgaria AD stated total operating expenses of BGN 73,644 thousand, which increased by 37.88% compared to the same period of the previous financial year, when they amounted to BGN 53,412 thousand.

For the reporting period the expenses per economic items of Telematic Interactive Bulgaria AD amount to BGN 72,675 thousand and marked a 36.15% increase compared to 31 December 2021. The biggest portion of the expenses is that of the hired services expense, which is 61.52% of all expenses, and the relative share has slightly decreased compared to the same period of the prior financial year.

Hired services constitute mainly expenses for gaming suppliers, advertising and marketing, 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 28.58%, the expenses for gaming suppliers increased by 39.46% to BGN 17,002 thousand (31 December 2021: BGN 12,191 thousand), and in the reporting period advertising and marketing expenses increased by 11.37% and constituted 22.06% of the Company's expenses, while they also decreased as a relative share in overall expenses compared to the expenses incurred in 2021 (31 December 2021: 27.31%). This 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.

*The payment services costs* are related to the charges of banks and payment operators on receiving deposits and the payment of funds to clients and are dependent on the volume of operations. Their increase is by 76,94% and as at 31 December 2022 they amount to BGN 9,509 thousand (31 December 2021: BGN 5,374 thousand).

(BGN'000)		
EXPENSES	31.12.2022	31.12.2021
<b>I. Operating expenses</b>		
Cost of materials	328	264
Hired services expense	45 304	33 212
Depreciation and amortization expense	140	176
Employee benefits expense	5 115	2 830
Social security contributions	567	330
Other	21 221	16 568
<b>Group I total:</b>	<b>72 675</b>	<b>53 380</b>
<b>II. Finance costs</b>		
Negative differences on transactions with financial assets and instruments	847	0
Foreign exchange losses	70	32
Other	52	0
<b>Group II total:</b>	<b>969</b>	<b>32</b>
<b>B. Total operating expenses (I + II)</b>	<b>73 644</b>	<b>53 412</b>
<b>Operating revenue</b>	<b>97 523</b>	<b>75 855</b>
<b>Share of operating revenue</b>		
<b>Employee benefits</b>	<b>5,8%</b>	<b>4,2%</b>
<b>Hired services</b>	<b>46,5%</b>	<b>43,8%</b>
<b>Other expenses</b>	<b>21,8%</b>	<b>21,8%</b>
<b>Materials</b>	<b>0,3%</b>	<b>0,3%</b>
<b>Depreciation and amortization</b>	<b>0,1%</b>	<b>0,2%</b>
<b>Other operating expenses</b>	<b>74,5%</b>	<b>70,3%</b>
<b>Net profitability</b>	<b>22,9%</b>	<b>26,8%</b>

### Other expenses

Other expenses comprise almost entirely taxes paid – license fee and withholding tax. The share of taxes increased by almost the same rate (28.22%) as revenue (28.51%) due to the relation thereof to the amount of revenue (directly or indirectly).

### Profitability

	31.12.2022	31.12.2021
<b>EBITDA Margin</b>	25,62	29,89
<b>Net profitability</b>	22,86%	26,82%
<b>Liabilities/Assets</b>	0,16	0,24
<b>Current liquidity</b>	5,18	2,99

### Balance sheet position

As at 31 December 2022 the Company's cash is BGN 44,144 thousand or 69,87% of the assets, which is due to the nature of the Company's operations.

The Company's non-current financial assets as at 31 December 2022 are the investment in the subsidiary CT Interactive EOOD. Financial assets constitute 14,58% of the Company's assets.

The Company also holds current financial assets at the amount of BGN 5,471 thousand, and as at 30 September 2022 the financial assets held amount to BGN 10,955 thousand. The difference is due to matured debt financial instruments. Some of the financial instruments are matured and under payment period (BGN 2,544 thousand).

The Company's liabilities as at 31 December 2022 are current only and amount to BGN 10,267 thousand (31 December 2021: BGN 7,614 thousand). These comprise mainly payables to suppliers and taxes repaid within a month from accrual thereof, and funds provided by clients, etc.

### Cash flows

The net cash flow from operations for the reporting period amounts to BGN 24,445 thousand (31 December 2021: BGN 23,591 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 amounts to BGN (8 431) thousand (31 December 2021: BGN (6 330) thousand) and 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 (31 December 2021: BGN (307) 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 COMPANY 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 Company 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. 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 Company'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.

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 faces serious economic challenges related to the global economic situation after the Russian invasion in Ukraine and the multiple sanctions imposed against the Russian Federation. The rise in electricity prices and the interruption of supply chains prevents the recovery of GDP growth. According to most forecasts, GDP growth will also slow in 2023, in view of the greater resistance in Ukraine.

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 December 2022 the monthly inflation was 0.9% compared to the prior month, and annual inflation for December 2022 compared to December 2021 is 16.9%. The average annual inflation rate for January – December 2022 is 15.3%.

### **FOREIGN CURRENCY RISK**

Foreign currency risk is related the Company's 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 commencement of Peruvian operations will result in higher cash flows denominated in foreign currencies. The Peruvian currency (Sol) is comparatively stable and usually fluctuates within the narrow limits of +/-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 Company's 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.

### **COPYRIGHT**

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 Company 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 MANAGMENT 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.

## Separate statement of financial position as at 31 December 2022

	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Intangible assets		98	137
Property, plant and equipment		174	150
Investments in subsidiaries		8,912	8,910
Other investments		300	
Non-current receivables from related parties	8.5	497	400
Deferred taxes		14	14
<b>Non-current assets</b>		<b>9,995</b>	<b>9,611</b>
Receivables from related parties	8.5	81	85
Trade and other receivables		946	430
Cash and cash equivalents		44,144	22,265
Financial instruments		5,471	-
Receivables for financial instruments		2,544	
<b>Current assets</b>		<b>53,186</b>	<b>22,780</b>
<b>Total assets</b>		<b>63,181</b>	<b>32,391</b>
<b>Equity and liabilities</b>			
Equity	7	12,960	4,000
Reserves		16,113	400
Accumulated profit/(loss)		1,552	25
Current financial result		22,289	20,352
<b>Equity</b>		<b>52,914</b>	<b>24,777</b>
Trade payables		4,023	2,358
Payables to personnel		850	488
Payables to related parties	8.5	334	241
Tax payables		618	1,062
Client deposits		2,102	-
Other payables		2,340	3,465
<b>Current liabilities</b>		<b>10,267</b>	<b>7,614</b>
<b>Total equity and liabilities</b>		<b>63,181</b>	<b>32,391</b>

## Separate 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	4	97,381	75,738
Other revenue	4	142	149
Cost of materials		(328)	(264)
Hired services expense	5	(45,304)	(33,212)
Depreciation and amortization expense		(140)	(176)
Employee benefits expense		(5,682)	(3,160)
Other expenses	6	(21,221)	(16,568)
<b>Profit from operations</b>		<b>24,848</b>	<b>22,507</b>
Finance income		1,068	222
Finance costs		(969)	(32)
<b>Profit before taxes</b>		<b>22,289</b>	<b>22,697</b>
Income tax expense		(2,658)	(2,345)
<b>Profit for the year</b>		<b>22,289</b>	<b>20,352</b>
<b>Total comprehensive income for the period</b>		<b>22,289</b>	<b>20,352</b>
<b>Share income</b>		<b>BGN 2.71</b>	<b>BGN 5.09</b>

## Separate statement of changes in equity for the year ended 31 December 2022

	Share capital	Issue premia (premium reserve)	Reserves	Retained earnings/ (Accumulated losses)	Equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2021	2,909	-	-	6,256	9,165
Dividends	-	-	-	(4,740)	(4,740)
Capital issue	1,091	-	-	(1,091)	0
<b>Transactions with owners</b>	<b>1,091</b>	-	-	<b>(5,831)</b>	<b>(4,740)</b>
Profit for the period	-	-	-	20,352	20,352
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,352</b>	<b>20,352</b>
Profit allocation to reserves	-	-	400	(400)	
<b>Balance at 31 December 2021</b>	<b>4,000</b>	-	<b>400</b>	<b>20,377</b>	<b>24,777</b>
<b>Balance at 1 January 2022</b>	<b>4,000</b>	-	<b>400</b>	<b>20,377</b>	<b>24,777</b>
Dividends	-	-	-	(10,152)	(10,152)
Capital issue	8,960	15,680	-	(8,640)	16,000
Profit allocation to reserves	-	-	33	(33)	
Profit for the period	-	-	-	22,289	22,289
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,289</b>	<b>22,289</b>
<b>Balance at 31 December 2022</b>	<b>12,960</b>	<b>15,680</b>	<b>433</b>	<b>23,841</b>	<b>52,914</b>

## Separate statement of cash flows for the year ended 31 December 2022

	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
<b>Operating activities</b>			
Bets placed by clients		421,767	282,618
Profits paid and deposits reimbursed		(323,645)	(206,444)
Payments to suppliers		(43,228)	(31,707)
Payments to personnel and for social security		(5,197)	(2,885)
Corporate tax payments		(3,102)	(1,489)
Gambling tax payments		(19,196)	(14,747)
Other cash flows, net		(2,914)	(1,755)
<b>Net cash flow from operations</b>		<b>24,485</b>	<b>23,591</b>
<b>Investing activities</b>			
Investments in subsidiaries		(2)	(8,910)
Purchases of current and non-current financial assets		(10,300)	-
Proceeds from financial assets		2,086	
Loans granted		(1,593)	(2,864)
Proceeds from loan repayment		1,502	5,397
Cash flows related to purchases of non-current assets		(125)	(182)
Interest received		1	229
<b>Net cash flow from investing activities</b>		<b>(8,431)</b>	<b>(6,330)</b>
<b>Financing activities</b>			
Capital issue		16,000	-
Dividend payments		(10,135)	(281)
<b>Net cash flow from financing activities</b>		<b>5,865</b>	<b>(281)</b>
Foreign currency remeasurement		(40)	(26)
<b>Net change in cash and cash equivalents</b>		<b>21,879</b>	<b>16,954</b>
Cash and cash equivalents at the beginning of the year		<b>22,265</b>	<b>5,311</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>44,144</b>	<b>22,265</b>

## **Notes to the separate financial statements**

### **1. Principal activities**

Telematic Interactive Bulgaria AD (former name Telematic Interactive Bulgaria EAD) is a 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 Company has 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 from 7 March 2022, the Company has been registered as a joint-stock company in the Trade Registry.

The Company has the following principal activities: organising and carrying out online betting in accordance with the license issued by the respective competent body, the State Commission on Gambling, effective until 8 August 2020. Afterwards, its functions were taken over by the National Revenue Agency (NRA), and all licenses issued by SCG until its functions were suspended are valid.

The Company 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.

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

The Company can also perform any other activities permitted by the law.

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 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 Company 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**

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS endorsed by EU). Pursuant to Para 1, item 8 of the Supplementary Provisions to the Accountancy Act, IFRS endorsed by EU shall mean the International Accounting Standards (ISA) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

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 are separate. The Company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union, in which the investments in subsidiaries are stated and disclosed in accordance with IFRS 10 "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 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 separate 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 separate financial statements as at 31 December 2021.

#### Management of the risks related to financial instruments

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

The separate 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 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.

#### 4. Revenue from contracts with customers

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

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

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

The other operating income amounting to BGN 142 thousand is comprised of additional activities and writing off of payables.

#### 5. Hired services expense

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Gaming suppliers	(17,002)	(12,191)
Advertisement	(16,245)	(14,586)
Bank charges	(9,509)	(5,374)
Consulting fees	(502)	(64)
Software services	(1,101)	(407)
Accounting and legal services	(186)	(113)
Rentals	(238)	(57)
Communications and utilities	(103)	(168)
Technical maintenance	(265)	(202)
Other	(153)	(50)
	<u><b>(45,304)</b></u>	<u><b>(33,212)</b></u>

## 6. Other expenses

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Fees under the Gambling Act	(19,645)	(15,321)
Withholding tax expense	(916)	(677)
Additional in-kind and cash bonuses and awards	(52)	(497)
Other expenses	(608)	(73)
	<b><u>(21,221)</u></b>	<b><u>(16,568)</u></b>

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.

## 7. Share capital, dividends and earnings per share

At the General Meeting of Shareholders 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 31 December 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 Company'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.

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>Number of</b>	<b>Number of</b>
	<b>stocks</b>	<b>shares</b>
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
<b>Total number of stocks/shares at the end of the period</b>	<b><u>12,960,018</u></b>	<b><u>4,000,000</u></b>

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

	<b>31.12.2022</b>	<b>31.12.2021</b>
Profit to be distributed (in BGN)	22,288,768	20,351,857
Average weighted number of shares	8,226,677	4,000,000
<b>Basic earnings per share (in BGN per share)</b>	<b><u>2,71</u></b>	<b><u>5,09</u></b>

## 8.Related party transactions

The Company's related parties include the owners, subsidiaries, companies under common control, key management personnel and others as described herein below.

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

Receivables from related parties include non-current receivables under loans granted at the total amount of BGN 497 thousand, of which BGN 400 thousand have contractual maturity in 2024, and BGN 97 thousand mature in 2025.

The loans granted to related parties and unsecured, and have a contractual market interest rate. The remaining receivables from related parties, as well as payables thereto, have a business nature and interest rates classified as current.

The Company has not received guarantees for related parties, nor has provided any in favour of related parties.

### 8.1 Transactions with owners

	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Purchases of services	156	12
Distribution of dividends	10,152	4,740
Share issue	8,960	1,091
Loans granted	1,500	600
Loan repayment	1,500	5,898
Interest accrual	1	120