



QUARTERLY MANAGEMENT ACTIVITY REPORT
as at 31 MARCH 2023
CONSOLIDATED

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This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

I. GENERAL COMPANY INFORMATION

Operational profile

Telematic Interactive Bulgaria AD (LEI Code254900MAXRCO8KWAYC84) was incorporated on 30 June 2021 following the transformation of Telematic Interactive Bulgaria EOOD. Until 7 March 2022 the Company's sole owner was Eldorado Corporation AD.

The Company is registered in the Register of public entities and other securities issuers kept by the Financial Supervision Commission (FSC). Its shares were registered for trade on Bulgarian Stock Exchange AD (BSE) on 22 March 2022, with exchange code TIB.

Shareholding structure and capital

At the date of preparation of this document, the Company's share capital amounts to BGN 12,960,018, distributed into 12,960 ordinary, registered, dematerialized voting shares.

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%.

II. MAIN DEVELOPMENTS IN THE FIRST QUARTER OF 2023

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 600 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 an 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 subsidiary of Telematic Interactive Bulgaria AD – CT Interactive EOOD, offers its own online games and products available on over 1,500 online casino brands throughout the world.

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 mainly from online bets placed by end customers – natural persons. Most of the revenue is generated from casino games – 87%. The remaining portion of revenue is from sports bets (8%), lease of gaming content, and investments in financial instruments (5%).

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 excluding VAT. The acquisition of the new subsidiary will support the administration and the organization of the Group's online betting activities in Peru.

Operating results

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Revenue

As at 31 March the operating income of Telematic Interactive Bulgaria AD amount to BGN 29 million, which is an increase of 24% compared to the total operating income as at 31 March 2022, amounting to BGN 23.5 million. The revenue is almost entirely from operations – online bets and online gaming content.

The revenue from clients 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 – 87% of online revenue. Sports betting commenced at a later stage and in the past two years we managed to establish it as a significant segment. In the reporting period the revenue from sports bets constitute 8% of overall operating income. The revenue from the B2B segment is also actively developing and accounts for almost 43% growth, forming almost 5% of revenue. The increase in the client base made it possible to offset the adverse effect of the war in Ukraine, where the subsidiary generated a substantial portion of its revenue.

The increase in revenues is mainly due to the 24% increase in the revenue from casino games. In sports bets the increase is significantly lower, which is due to introducing a new online betting platform with significantly better features and functionalities – which we expect will result in improved quality and possibilities for clients and in higher performance dynamics.

Structure of operating income

BGN'000	Q1 22	Q1 23	Variance
Casino games	20 297	25 151	23.9%
<i>% of revenue</i>	86.3%	87.1%	-
Sports bets	2 217	2 319	4.6%
<i>% of revenue</i>	9.4%	8.0%	-
Gaming content	943	1,347	42.8%
<i>% of revenue</i>	4.0%	4.7%	
Other revenue	57	47	17,5%
<i>% of revenue</i>	0.2%	0.2%	
Total revenue	23,514	28,864	22.8%

The average monthly number of average monthly number of active clients increased significantly to 95,144, which is a growth of over 46% on an annual basis. The focus on customer service (serious investments are made in the capacity and training of the customer service centre) and the use of a particularly functional CRM system (client relations management system) allows to apply an individual approach when targeting the client base. This allows us to build and maintain a loyal client base, which is essential for operational effectiveness in a competitive environment, and in view of the growing costs to attract new clients.

Indicators related to the client base

BGN'000	Q1 22	Q1 23	Variance
Active clients, in '000	65,142	95,144	46.1%
Average income per client	116	96	-17.2%
Conversion %*	52%	35%	-32.7%
Dropout coefficient**	7%	4%	-42.9%

* The ratio between new accounts (players that placed their first bet) and new registrations (website sign-ups), average monthly.

** The ratio between dropouts and the number of active clients in the month.

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As a result of this policy, the share of client dropouts is only 4% per month, which is significantly below the sector's usual levels. The improvement in this indicators is due to the re-activation of inactive players, thanks to active actions on the part of the Company. 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.

The average income per client decreased on an annual basis, as a result of the increasing client base, and the increased number of online casinos, which allow clients to allocate their entertainment budget among more casinos. It is a positive trend that in the past two quarters there has been a trend of recovery of the average income per client, compared to the lowest amount of BGN 90 of average monthly income per client in the third quarter of 2022.

Operating expenses

As at 31 March 2023 Telematic Interactive Bulgaria AD states total operating expenses at the amount of BGN 21.5 million, which increased by 33% compared to the previous-year value of BGN 16.2 million.

The biggest share of Company expenses are the expenses for gaming suppliers, advertising, payment services and Gambling tax, which form 79.4% of the Company's operating expenses.

Telematic Interactive Bulgaria AD uses games of external suppliers with whom it has concluded revenue-sharing contracts (% of revenue that the respective supplier's games have generated). The content of subsidiary CT Interactive EOOD forms 1/6 of TIB's gaming income. As the revenue increased, the expenses for gaming suppliers increased by 37,8% to BGN 4,4 million (Q1 22: BGN 3.2 million). The higher growth is due to the increase of the share in the mix of games of suppliers whose contractual fee exceeds the Company's average.

For the reporting period, *advertising and marketing expenses* increased by 41,7% to BGN 4,7 million. Marketing expenses have remained stable in the past year, and more significant increases can be seen in periods of more active marketing campaigns. The increase compared to the previous year is due to the lower base in Q1 22, as well as to holding one of the main exhibitions for the year in Q1 2023, while in 2022 it was held in April.

The expenses for payment services are related to bank charges and the fees of payment operators to receive deposits and pay out client funds and are related to the operating volume. The increase is by 16.9% and as at Q1 these amount to BGN 2.5 million (Q1 2022: BGN 2.1 million). The slower growth compared to expenses is the result of the trend of a decrease in the share of expenses for payment operators out of the revenue generated, evident since the middle of 2022.

The expenses for consulting services decreased to BGN 125 thousand in the first quarter of 2023, versus BGN 234 thousand for the same period of last year, when there were one-off expenses related to the initial public offering.

In BGN'000	Q1 22	Q1 23	Variance
Cost of materials	54	106	96.3%
Hired services expense	9,533	12,690	33.1%
Employee benefits expense	1,441	1,978	37.3%
Other operating expenses	4,919	6,359	29.3%
Depreciation and amortization expense	278	398	43.2%
EBIT	7,289	7,333	0.6%
Net profit for the period	6,567	6,524	-0.7%

The expenses for software services increased by 84% and reached BGN 711 thousand. This includes mainly the maintenance of the subsidiary's software products and the fees for management of client relations and for client

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communication, and the expenses are dependent on the number of clients, which has significantly increased in the past year.

The expenses for other services comprise mainly the state fee for maintaining the license for online gambling operator, at the amount of BGN 5,623 thousand (Q1 22: BGN 4,618 thousand), which by law is 20% of the difference between the bets placed and the profits paid out.

The employee benefits expense grew by 37.3% to BGN 2 million, both due to the increase in the number of employees, and in the average employee remuneration.

Finance costs as at 31 March 2023 amount to BGN 295 thousand, mainly due to remeasurement of the exposures in USD-denominated bonds.

Balance sheet position

As at 31 March 2023 the cash and investments in instruments on the monetary market amount to BGN 57.3 million or 79% of assets, which is due to the nature of the Company's activity. The decrease in investments is due to the maturity of the bonds held.

The Company's intangible assets as at 31 March 2023 amount to BGN 9 million and constitute mainly the investment of the subsidiary CT Interactive EOOD into an online platform and gaming content.

PPE amount to BGN 3.3 million, of which 66% is right-of-use assets (the leases concluded for office premises). In the period, an investment was also made in server and other technical equipment at the amount of BGN 0.9 million, some of which in relation to the development of live casino games online streaming.

Interest payables, amounting to BGN 1,216 thousand as at 31 March 2023, are in relation to the accounting for the office rental agreement in accordance with IFRS 16.

Current liabilities comprise payments to suppliers and tax liabilities, which are repaid within a month of accrual thereof, and client deposits. Current liabilities decreased from BGN 10.7 million at the end of 2022 to BGN 10.2 million as at 31 March 2023.

Cash flows

The net cash flow from operations for the reporting period amounts to BGN 6.6 million, compared to BGN 6.4 million in the first quarter of 2022.

The net cash flow from investing activities is positive – BGN 5.5 million, versus the negative one of BGN 0.6 million in the first quarter of 2022.

III. DESCRIPTION OF THE MAIN RISKS FACED BY THE COMPANY

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,

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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 Company. 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. The clients of CT Interactive EOOD are organizers on online casinos operating in Bulgaria and in multiple countries in Europe and South America. 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

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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.

Despite the dramatic downturn of global economies during the pandemic, the record fiscal and monetary incentives prevented a similar collapse in consumption and even resulted in the overheating of many of the biggest economies. This resulted in inflation reaching record levels for the past decades. The fact was additionally aggravated by the Russian invasion into Ukraine, which resulted in a dramatic increase in the prices of energy resources and foodstuffs, and thus to the gradual overall increase in prices. To restore inflation to the target levels, most central banks undertook a policy of aggressive rising of interest rates. The high interest rates decreased activity in a number of key sectors, such as real estate, and high inflation impacted purchasing power and end consumption in 2022 significantly slowed on most markets where CTI operates, with the exception of Bulgaria, where the high consumption rates remained unchanged. The global economies continued to be stable, while the future outlook is uncertain, with multiple risks for future development.

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).

In the past years, inflation reached record levels. NSI stated an annual inflation for 2022 at the amount of 18.7%. The nature of the business, with almost entirely current payments, exposes the Group to minimal inflation risk. An adverse effect would be a continuous period of maintaining the present levels, which would limit households' disposable income. A significant moderating effect on this risk is the relation to expenses to revenue – over $\frac{3}{4}$ of operating expenses are related to revenue and are therefore not impacted by price changes. In the meantime, high inflation is related to an increase in nominal income, which in certain circumstances is reflected by higher entertainment allowance, and has an indirect positive effect on revenue.

Foreign currency risk

Foreign currency risk is related to Group companies' proceeds and expenditure denominated in foreign currencies. At present, the Company'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 adoption 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

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with payment operators and banks with proven record and reputation. 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 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. Telematic Interactive Bulgaria AD is certified (through its subsidiary CT Interactive EOOD) under ISO 27001:2013 issued by TUV Rheinland – 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

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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 Company'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.

Risk related to Russia's invasion into Ukraine

Russia's invasion into Ukraine resulted in turbulences in a political, economic, social, and even technological aspect, not only in Europe, but on a global scale. From a political perspective, the conflict resulting in polarization of the geopolitical map, with western countries taking a decisive stand against the Russian state and imposing serious economic sanctions thereon. On the other hand, eastern countries such as China and India refused to take part in the imposing of sanctions and opposing Russia's military action in Ukraine. In an economic aspect, the war resulted in a dramatic drop in economic activities in Ukraine and an "economic embargo" for Russia on the part of Western companies. Food and energy raw materials prices increased significantly, which placed an inflation pressure on the European and global economy. A permanent increase in the prices of raw materials would decrease business and household income and result in growing unemployment. The Russian invasion in Ukraine may have significant social consequences, including human rights violation and humanitarian crises. The war may result in the forced displacement of people and huge numbers of refugees, who may find it difficult to find a place to live and work. Moreover, the war may result in growing violence and crime in the region, as well as in disruption of the infrastructure and services.

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Currently, Telematic Interactive Bulgaria does not operate in Russia. The Company has a registered subsidiary in Ukraine, which as at 31 March 2023 did not commence operations and the plans for such operations have been suspended. Given the complicated situation and the growing risks, the management of TIB does not plan future action to commence business operations in Ukraine.

The risks for the Company's operations resulting from the military conflict in Ukraine are resultant from indirect factors. The war may result in economic instability in Europe and the region, which might affect the Bulgarian online gaming market. The acceleration or retaining of inflation due to the sharp rise of raw materials' prices may result in a loss of actual purchasing power, and a decrease in the demand for online casinos and sports betting. As a result, it may be difficult for online gaming operators to generate revenue. The conflict may also result in political pressure in the region, and it might be difficult for Bulgarian online casino and sports betting operators to establish partnerships with companies in the region or to expand their business in this part of the world. In addition the war between Russia and Ukraine may result in negative emotions and stress in society, which may also affect the local market.

Risk related to climate changes

Climate changes may have an adverse effect on the Company's operations in two aspects – directly and indirectly. Direct risks are related to natural disasters caused by climate change, which might threaten the health and life of the Company's clients, and destroy critical infrastructure related to operations. The realization of climate change risks may result in additional expenses to cope with the problems described herein. The indirect effect of climate changes may include dramatic changes in the prices of energy sources and foodstuffs, which may decrease the purchasing power of population and decrease demand for services such as online casinos and sports betting. Climate changes may result in a change in the regulatory environment towards a requirement to reduce the Company's carbon footprint, which may increase operating costs and result in loss of business, should the Company be unable to address the new requirements. Telematic Interactive Bulgaria assesses the impact of climate changes on operations as low in the short term, but long-term impact remains unknown.

Risk related to change in interest rates

The increased inflation environment in most of the world resulted in a quick tightening of the monetary policies of the main central banks, reflected in an increase in interest rates. The European Central Bank (ECB) increased interest rates several times – from -0.5% in the summer of 2022 to 3% in March 2023. The Monetary Board mechanism, under which the BGN is fixed to the single European currency directly transfers ECB's monetary policy to the Bulgarian banking system and economy. The increase in interest rates may impact the Company's operations in several directions:

1. Increase in loan costs. When central banks increase interest rates, banks usually increase loan interest rates, which may result in higher loan costs for companies. If the Company relies on loans to finance its operations, the higher loan costs may result in lower profit and restricting of investments. As at 31 December 2022 TIB has no loan payables and the Company is not exposed to the risk of increase in loan costs.
2. Reduced financing abilities. If the Company needs new loans to finance its growth, higher rates might restrict it. If the Company's investors believe that higher loan costs will reduce the Company's profits or will limit its ability to repay its loans, they may be less willing to invest. TIB generates significant cash flows from operations and as at the date of the financial statements has sufficient reserve of disposable cash to use for financing its operations and future investment plans.
3. The risk of change in interest rates may indirectly impact the Company's revenue, since higher interest rates mean more expensive loans for consumers, which may reduce overall consumption, such as the expenses for sports betting and casino games.

TIB holds fixed-income financial instruments whose book value is BGN 8 million as at 31 December 2022. These financial instruments include sovereign securities at the amount of BGN 4.5 million, receivables for matured securities – BGN 2.5 million, and bond issues at the amount of BGN 974 thousand. Financial instruments are measured at fair value through profit or loss in the statement of comprehensive income. Since the change in interest rates has a direct impact on their amount, they also impact the final financial result. The link between interest rates and the price of fixed-income instruments is one of reverse proportionality – when *This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.*

interests grow, the prices of fixed-income instruments, all other conditions being equal, decrease. In the reporting period, TIB stated simultaneously a gain on financial instruments measured at fair value, at the amount of BGN 995 thousand, and a loss on financial instruments measured at fair value, at the amount of BGN 847 thousand.

Interim consolidated statement of financial position

	Note	31.03.2023 BGN'000	31.12.2022 BGN'000
Intangible assets	1	9,080	9,066
Property, plant and equipment	2	1,102	229
Right-of-use assets		2,148	1,463
Non-current financial assets	5	359	359
Long-term receivables from related parties		258	97
Deferred taxes		36	37
Non-current assets		12,983	11,251
Short-term receivables under contract assets	3	855	852
Short-term receivables from related parties	14.4	250	311
Advanced paid and other receivables	4	1,133	1,256
Receivables under financial instruments		-	2,544
Financial assets at fair value	5	966	5,471
Cash and cash equivalents	6	56,323	44,242
Current assets		59,527	54,676
Total assets		72,510	65,927
Equity and liabilities			
Equity		12,960	12,960
Reserves		16,113	16,113
Retained earnings		24,973	1,851
Current financial result		6,524	23,122
Equity attributable to owners of the parent		60,570	54,046
Lease liabilities		1,721	1,193
Non-current liabilities		1,721	1,193
Lease liabilities		427	270
Trade and other payables	7	3,436	4,151
Payables to personnel		857	1,037
Payables to related parties	14.4	59	112
Income tax payables		1,127	615
Other tax payables	8	2,328	2,401
Client deposits		1,985	2,102
Current liabilities		10,219	10,688
Total liabilities		11,940	11,881
Total equity and liabilities		72,510	65,927

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

Interim consolidated statement of profit and loss and other comprehensive income

		31.03.2023	31.03.2022
	Note	BGN'000	BGN'000
Revenue from bets and provision of gaming content	9	28,817	23,457
Revenue from sales of assets and services	9	40	38
Other revenue	9	7	19
Cost of materials		(106)	(54)
Hired services expense	10	(12,690)	(9,533)
Depreciation of non-financial assets	1,2	(398)	(278)
Employee benefits expense	11	(1,978)	(1,441)
Other expenses	12	(6,359)	(4,919)
Profit from operations		7,333	7,289
Finance income	13	239	21
Finance costs	13	(534)	(13)
Profit before taxes		7,038	7,297
Income tax expense		(514)	(730)
Profit for the year		6,524	6,567
Total comprehensive income for the period		6,524	6,567
Profit for the year attributable to:			
Holders of the parent's equity		6,524	6,567
Comprehensive income for the year attributable to:			
Holders of the parent's equity		6,524	6,567

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

Interim consolidated statement of cash flows

	Notes	31.03.2023 BGN'000	31.03.2022 BGN'000
Operating activities			
Bets placed by clients		116,950	95,975
Profits paid and deposits reimbursed		(89,597)	(72,694)
Proceeds from sales of services		1,410	-
Payments to suppliers		(12,982)	(10,689)
Payments to personnel and for social security		(2,187)	(1,313)
Corporate tax payments		-	86
Gambling tax payments		(5,530)	(4,543)
Other cash flows, net		(1,448)	(375)
Net cash flow from operations		6,616	6,447
Investing activities			
Proceeds from matured issues		6,882	-
Loans granted		(165)	(93)
Proceeds from loan repayment		-	2
Purchase of non-current assets		(1,241)	(468)
Net cash flow from investing activities		5,476	(559)
Financing activities			
Capital issue		-	16,000
Dividend payments		-	-
Net cash flow from financing activities		-	16,000
Foreign currency remeasurement		(11)	(11)
Net change in cash and cash equivalents		12,081	21,877
Cash and cash equivalents at the beginning of the year		44,242	22,326
Cash and cash equivalents at the end of the period	6	56,323	44,203

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

Notes to the consolidated financial statements

1. Intangible assets

	Licenses	Software	Rights over gaming content	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount				
Balance at 1 January 2023	390	143	10,327	10,860
Additions	140	-	150	290
Disposals	(140)	-		(140)
Balance at 31 March 2023	390	143	10,477	11,010
Amortization				
Balance at 1 January 2023	(258)	(106)	(1,430)	(1,794)
Amortization charge for the period	(16)	(2)	(258)	(276)
Derecognized assets	140	-		140
Balance at 31 March 2023	(134)	(108)	(1,688)	(1,930)
Carrying amount as at 31 March 2023	256	35	8,789	9,080
.				
	Licenses	Software	Rights over gaming content	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount				
Balance at 1 January 2022	390	116	8,917	9,423
Additions	-	27	1,410	1,437
Disposals	-	0		0
Balance at 31 December 2022	390	143	10,327	10,860
Amortization				
Balance at 1 January 2022	(188)	(102)	(472)	(762)
Amortization charge for the period	(70)	(4)	(958)	(1,032)
Derecognized assets				
Balance at 31 December 2022	(258)	(106)	(1,430)	(1,794)
Carrying amount as at 31 December 2022	132	37	8,897	9,066

The Group's main intangible assets are the one-off fees due and paid for licenses of the Group entities under the Gambling Act, issued for a period of 5 years, exclusive rights for online distribution of the Group's games, online gaming platform, as well as a license for the production, import, distribution and service of gaming content for a period of 10 years.

The Group has not pledged intangible assets as collateral of its payables.

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

2. PPE and right-of-use assets

	Right-of-use assets	Computers and periphery	Furniture and fixtures	Equipment and permanent assets	PPE acquisition costs	Vehicles	Total PPE
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount							
Balance at 1 January 2023	1,463	169	50	93	-	30	1,805
Additions	784	79	6	-	811	-	1,680
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2023	2,247	248	56	93	811	30	3,485
Depreciation							
Balance at 1 January 2023	-	(79)	(13)	(14)	-	(7)	(113)
Depreciation charge for the period	(99)	(14)	(3)	(4)	-	(2)	(122)
Depreciation written-off in the period	-	-	-	-	-	-	-
Balance at 31 March 2023	(99)	(93)	(16)	(18)	-	(9)	(235)
Carrying amount at 31 March 2023	2,148	155	40	75	811	21	3,250

	Right-of-use assets	Computers and periphery	Furniture and fixtures	Equipment and permanent assets	PPE acquisition costs	Vehicles	Total PPE
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount							
Balance at 1 January 2022	-	97	48	58	579	-	782
Additions	1,463	72	2	131	-	30	1,698
Transfers	-	-	-	579	(579)	-	-
Disposals	-	-	-	(675)	-	-	-675
Balance at 31 December 2022	1,463	169	50	93	-	30	1,805
Depreciation							
Balance at 1 January 2022	-	(24)	(4)	(3)	-	-	(31)
Depreciation charge for the period	-	(55)	(9)	(11)	-	(7)	(166)
Depreciation written-off in the period	-	-	-	-	-	-	84
Balance at 31 December 2022	-	(79)	(13)	(14)	-	(7)	(113)
Carrying amount at 31 December 2022	1,463	90	37	79	-	23	1,692

The Group has not pledged PPE as collateral of its payables.

At the end of 2022 the Group entities concluded leases for office and other premises, under which as at 31 March 2023 the Group accounts for right-of-use assets at a book value of BGN 2,148 thousand. Right-of-use assets include office and other premises.

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

3. Trade receivables and contract assets

	31.03.2023	31.12.2022
	BGN'000	BGN'000
Contract assets with related parties	20	11
Contract assets with other clients	493	427
Trade receivables	342	414
Total	855	852

The Group accounts for current contract assets, mainly related to the provision of online content. The Group's services are rendered to the clients, by at the date of the financial statements the payment is not due by the client.

4. Advances paid and other receivables

	31.03.2023	31.12.2022
	BGN'000	BGN'000
Prepayments	280	638
Advances granted	368	307
Extended short-term loans	-	-
Other	485	311
Total	1,133	1,256

5. Financial assets at fair value

	31.3.2023	31.12.2022
	BGN'000	BGN'000
Actively traded sovereign securities	-	4,497
Actively traded corporate bonds	966	974
Current financial assets	966	5,471
Non-exchange-traded equity instruments	359	359
Non-current financial assets	359	359
Total	1,325	5,830

6. Cash and cash equivalents

	31.03.2023	31.12.2022
	BGN'000	BGN'000
Cash in hand	446	436
Cash in banks	30,294	16,270
Cash in payment operators	16,615	25,450
Cash and cash equivalents in other financial institutions	8,968	2,086
Cash and cash equivalents	56,323	44,242

7. Trade and other payables

	31.03.2023	31.12.2022
	BGN'000	BGN'000
Trade payables	3,407	4,103
Other payables	29	48
	3,436	4,151

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

8. Other tax liabilities

	31.03.2023 BGN'000	31.12.2022 BGN'000
State fee under Art. 38 of the Gambling Act	1,903	1,917
VAT	208	218
Tax on personal income	107	147
Withholding tax	110	119
	2,328	2,401

9. Revenue

	31.03.2023 BGN'000	31.03.2022 BGN'000
Revenue from bets	27,470	22,514
Revenue from provision of gaming content	1,347	943
Revenue from sale of other services	40	38
Revenue from contracts with customers within the scope of IFRS 15	28,857	23,495
Other revenue	7	19
Revenue outside the scope of IFRS 15	7	19
Total revenue	28,864	23,514

The Group accounts as revenue from bets the amount of the bets placed less the amounts payable to clients and the incentives granted to clients. The revenue from bets by types are as follows:

	31.03.2023 BGN'000	31.03.2022 BGN'000
Revenue by types of bets:		
Casino games	25,151	20,297
Sports bets	2,319	2,217
	27,470	22,514

10. Hired services expense

	31.03.2023 BGN'000	31.03.2022 BGN'000
Advertisement	4,656	3,286
Gaming content fees	4,354	3,160
Payment services	2,467	2,111
Software services	711	387
Consulting services	125	348
Technical maintenance	75	56
Communications and utilities	154	52
Accounting and legal services	31	74
Rentals	33	35
Other	84	24
	12,690	9,533

11. Employee benefits

The employee benefits expense includes:

	31.03.2023 BGN'000	31.03.2022 BGN'000
Salaries	1,752	1,312
Social security contributions	226	129
Employee benefits expense	1,978	1,441

This is a translation from Bulgarian of the Consolidated Quarterly Management Activity Report of Telematic Interactive Bulgaria AD as at 31 March 2023.

12. Other expenses

	31.03.2023 BGN'000	31.03.2022 BGN'000
Fees under the Gambling Act	5,623	4,618
Withholding tax expense	93	256
Additional in-kind and cash bonuses and awards	371	2
Other expenses	272	43
	<u>6,359</u>	<u>4,919</u>

Apart from the tax regulations attributable to usual business activities, the Group is subject to specific requirements, such as a monthly license fee under the Gambling Act, amounting to 20% of the difference between the amount of bets placed and the profits paid out.

13. Finance income and costs

	31.3.2023 BGN'000	31.3.2022 BGN'000
Interest income	2	2
Gain on financial instruments	210	-
Foreign exchange gains	27	19
Finance income	<u>239</u>	<u>21</u>
Interest costs	18	-
Foreign exchange loss	33	13
Loss on financial instruments	370	-
Other finance costs	113	-
Finance costs	<u>534</u>	<u>13</u>

14. Related party transactions

14.1. Transactions with owners

	31.03.2023 BGN'000	31.03.2022 BGN'000
Purchase of services	17	14
Dividends		
Share issue		
Loans granted		
Loan repayment		
Interest charges		

14.2. Transactions with other related parties under common control

	31.03.2023 BGN'000	31.03.2022 BGN'000
Purchase of non-current asset	-	400
Sale of non-current assets		
Purchases of goods and services	410	601
Provision of goods and services	14	18
Loans granted	164	93
Interest accrued	2	1

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14.3. Transactions with key management personnel

	31.03.2023	31.03.2022
	BGN'000	BGN'000
Short-term benefits:		
Salaries, incl.:	101	360
<i>Bonuses</i>	43	293
Social insurance contributions	3	4
Total remuneration	104	364

14.4. Related party balances

	31.03.2023	31.12.2022
	BGN'000	BGN'000
Non-current receivables from:		
- other related parties under common control	258	97
Total non-current receivables from related parties	258	97
Current receivables from:		
- other related parties under common control	250	311
Total current receivables from related parties	250	311
Total receivables from related parties	508	514
Current payables to:		
- other related parties under common control	59	112
Total current payables to related parties	59	112
Total payables to related parties	59	112

The Group's related parties include the owners, companies under common control, and key management personnel.

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

The loans granted to related parties are unsecured, with contracted market interest rate, short-term, for a period of one year, and long-term, for a period of three years. The remaining receivables from related parties, like the payables, are of a business nature.

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

INFORMATION pursuant to Appendix No 4 to Ordinance 2 of the Financial Supervision Commission

1. Changes to the persons exercising control over the Company

In the period there has been no changes to the persons exercising control over Telematic Interactive Bulgaria AD.

2. Opening insolvency proceedings for the Company or a subsidiary thereof and all material stages related to the insolvency proceedings

No such proceedings have been initiated.

3. Conclusion or execution of material transactions. Decision on conclusion, termination, or cancellation of a joint venture contract

There have been no such transactions.

4. Change in the Company's auditors and reasons for change

There has been no change to the Company's auditors in the period. At a General Meeting of Shareholders held on 23 June 2022, a decision was made to select Grant Thornton OOD as auditor for the 2022 financial year.

5. Initiation or termination of court or arbitration proceedings referring to the Company's payables or receivables, or to payables and receivables of a subsidiary thereof, where the claim amount is at least 10% of the Company's equity

There have been no court or other proceedings at a significant amount.

6. Purchase, sale or pledge on interest in business entities by the issuer or a subsidiary thereof

On 12.01.2023 TIT acquired 99.99% (999 shares out of a total of 1,000 issued, for the amount of USD 999) of the capital of TIB Consult Sociedad Anonima Cerrada (TIB Consult S.A.C.) in Peru in relation to the planned launch of business operations in Peru. On 2 February 2023 Telematic Interactive Bulgaria AD increased the capital of TIB Consult S.A.C., and the value of the newly issued 400,000 shares is PEN 1 each, or PEN 400,000 in total, deposited in full by TIB AD.

7. Other circumstances that the Company believes might be important to investors in their decision to acquire, sell, or continue to hold publicly offered securities

There are no circumstances other than disclosed in this report.



Chair of the Board of Directors
Desislava Panova