



QUARTERLY MANAGEMENT ACTIVITY REPORT
as at 31 MARCH 2024

Telematic Interactive Bulgaria AD publishes information pursuant to Art. 7 of Regulation (EU) 596/2014 at:

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I. GENERAL COMPANY INFORMATION

Operational profile

Telematic Interactive Bulgaria AD (LEI 254900MAXRCO8KWAYC84) 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.

II. MAIN DEVELOPMENTS IN THE REPORTING PERIOD

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 800 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 holds an online casino platform and the exclusive rights over the distribution of over 220 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 favourable market environment is maintained, supported by the trend towards an increasing share of online gaming at the expense of gaming halls and other land-based operations. This allows TIB to continue to maintain double-digit growth rates, despite an environment of intense competition. This has been helped by a continuous drive to improve the product and quality of service, allowing the company to maintain and expand its market position.

The subsidiary of Telematic Interactive Bulgaria AD – CT Interactive EOOD, offers its own online games and products available on over 400 online casino brands throughout the world.

During the period, TIB continued its investment (through capital increases) in subsidiaries operating in Peru through a more active marketing campaign.

At the end of 2023, Telematic Interactive Bulgaria AD established the joint venture 77 BTS BSC DOO, with a 50% stake. The newly established company won a tender for the right to carry out online betting activities in North Macedonia, organised by the country's State Lottery. Under the terms of the tender, in January 2024, 77 Bits BSC DOO established a joint venture in which it owns 49%, with the remaining 51% owned by the State Lottery.

Operating results

Revenue

Revenue generated from operating activities in Q1 amounts to BGN 29.5 million (Q1 2023: BGN 27.5 million), representing an increase of 16%. Revenue is generated entirely from the core business - online betting.

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, where it reached 7.7% growth, and they form most of revenue – namely, 92%. In a highly competitive environment, the Company continues to successfully attract new

customers while successfully retaining existing ones with a broad portfolio of games, good service and active communication with customers.

Sports betting revenue accounted for 8% of total operating revenue and grew 1.2% year-on-year. The slower growth is mainly due to changes in the bonuses, in relation to promoting the new sports betting. Platform. The new platform has significantly improved features and functionality, which has enabled the Company to improve quality and options for customers and enhance the performance dynamic. Sports revenues typically experience significant volatility on a month-over-month revenue basis due to their reliance on single events, which normalizes as the period expands.

Structure of operating income

In BGN'000	Q1 22	Q1 23	Q1 24	Variance 22/21	Variance 23/22
Casino games	20 297	25 151	27 096	23,9%	7,7%
% of income	90,1%	91,4%	92,0%		
Sports betting	2 217	2 319	2 347	4,6%	1,2%
% of income	9,8%	8,4%	8,0%		
Provision of gaming content	14	46	22	228,6%	-52,2%
% of income	0,1%	0,2%		0,1%	
Other income	22 528	27 516	29 465	22,1%	7,1%

The catalyst for the year-on-year increase in revenue is both the increased number of average monthly active customers and the increased average revenue per customer. Monthly active customers reached 99,145, an increase of over 4.2% year-over-year and 17.6% from the last quarter of 2023. The main contributor to this was new bonus programs and promotions, which significantly increased the number of new registrations and more than doubled the conversion rate.

The majority of new registrations are from customers who play one-off or sporadically, which was down on the last quarter of 2023, but down year-on-year when similar programmes were also offered, and average revenue per customer increased by 2.5% to BGN99. A significant proportion of new customer acquisition recorded significantly lower activity, resulting in an increase in churn rate of 13%, up from 4% in Q1 2023. The overall effect was positive, allowing the company to maintain record levels of revenue during the seasonally weak period at the start of the year.

Indicators related to the client base

	Q1 22	Q1 23	Q1 24	Variance 22/21	Variance 23/22
Average revenue per client	65 142	95 144	99 145	46,1%	4,2%
Conversion rate*	116	97	99	-16,8%	2,5%
Dropout rate**	50%	35%	68%	-30,0%	94,3%
Average revenue per client	7%	4%	13%	-42,9%	225,0%

* 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 previous month.

The focus on customer service (significant investment in customer service centre capacity and training) and the use of a highly functional CRM system (customer relationship management system) allows us to take a tailored approach to targeting our customer base. This allows us to build and retain a loyal customer base which is critical to the effectiveness of the business in a competitive environment and rising costs to attract new customers. As a result of this policy, the share of client dropouts is significantly below the sector's usual levels. The positive level 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 and attractive promotional offerings.

Operating expenses

The biggest share of Company expenses are the expenses for gaming suppliers, advertising, payment services and Gambling tax, which form 85% 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), including with the subsidiary CT Interactive EOOD. As the revenue increased, the expenses for gaming suppliers increased by 7.9% to BGN 5.5 million (Q1 2023: BGN 5.1 million). The positive effect on containing gaming costs is a result of more favourable terms negotiated with some suppliers.

For the reporting period, *advertising and marketing expenses* increased by 27% to BGN 5.5 million (Q1 2023: BGN 4.3 million). Marketing spend increased due to the recovery in advertising spend last quarter (Q1 2023 was below normal levels), the increase in affiliate spend and an increase in marketing budgets.

Structure of the operating expenses

In BGN'000	Q1 22	Q1 23	Q1 24	Variance 22/21	Variance 23/22
Cost of materials	49	83	47	69,4%	-43,4%
Hired services expense	9 584	12 513	15 494	30,6%	23,8%
Employee benefits expense	1 216	1 469	2 099	20,8%	42,9%
Other operating expenses	4 904	6 335	6 760	29,2%	6,7%
Depreciation and amortization expense	22	99	98	350,0%	-1,0%
EBITDA	6 775	7 116	5 065	5,0%	-28,8%
Net profit for the period	6 078	6 252	4 712	2,9%	-24,6%

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 tariff structure of payment service operators is tiered - the smaller the amount, the higher the fee as a percentage of it. Thus, cost variations also depend on client behaviour - the number of deposits / withdrawals and their average value. The increase is 17.2% in Q1 2024 amounting to BGN 2.9 million (Q1 2023: BGN 2.5 million).

Expenditure on software services increased by 50% to BGN 580 thousand (Q1 2023: BGN 386 thousand). Included in this item are the fees for the customer relationship management system and customer communication, with costs tied into the size of the client base, which has grown significantly over the past year.

The other operating expenses comprise mainly the state fee to maintain an online gambling operator's license, at the amount of BGN 5.9 million (Q1 2023: BGN 5.6 million), which is set by law as 20% of the difference between the bets placed and the profits paid out. The remaining costs in this group are additional material and material rewards for clients and funding for sports and other events. The latter are related to the promotion of the Palmsbet brand as a socially responsible company and increased by 98% year-on-year. This increase is partially offset by reduced prize spend.

The employee benefits expense grew by 43% to BGN 2.1 million (Q1 2023: BGN 1.5 million), both due to the increase in the number of employees, and in the average employee remuneration. Also contributing were the additional resources required to launch the Peru operation.

The finance income in the reporting period amounted to BGN 269 thousand. The income is from liquidity management - investment of free funds in money market instruments. Financial expenses showed significant volatility during the quarters due to significant revaluations of the exposure in US

Treasuries, which was closed in September 2023. During the period, BGN 15 thousand of interest expense was recognised on operating leases (office rent).

Balance sheet position

As at 31 March 2024 the cash and investments in instruments on the monetary market amount to BGN 49.3 million or 72% of assets, which is due to the nature of the Company's activity.

The non-current financial assets of the Company as at 31 March 2024 amount to BGN 16.1 million and mainly represent the investment in the subsidiary C&T Interactive Ltd and 77 Bits BSC and loans to subsidiaries to finance the entry into new markets.

Interest payables, amounting to BGN 891 thousand as at 31 March 2024, are in relation to the accounting for the office rental agreement in accordance with IFRS 16.

Current liabilities are made up of payables to suppliers and for taxes, which are repaid within a month of accrual, and customer deposits. Current liabilities decrease from BGN 16.8 million at the end of 2023 to BGN 11.7 million at 31.03.2024 due to the dividend paid in the amount of BGN 5.2 million.

Cash flows

The net cash flow from operations for the reporting period amounts to BGN 5.4 million, compared to BGN 6.2 million for Q1 2023 as a result of the decrease in the Company's operating result.

The net cash flow from investing activities, other than cash management transactions, amounts to BGN 2.2 million. Investments were almost entirely directed into the subsidiaries, through capital increases in TIB Consult SAC, Palmsbet Curacao B.V and 77 Bits BSC DOO and borrowings to fund operations in Peru, Kenya and Macedonia.

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 Company is also subject to other regulations related to personal data protections, measures against money laundering/funding terrorism and anti-corruption. Implementation and compliance with these regulations involve significant human and financial resources and compliance is key to the Company's operations.

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 adopted changes to the one-off licence fee at the end of 2023 has the effect of an additional cost of less than BGN 100 thousand per year and does not have a material impact on the financial result. The taxation system in the countries where the Company 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.

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. Telematic Interactive Bulgaria 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. 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,

This is a translation from Bulgarian of the interim management report and financial statements of Telematic Interactive AD for Q1 2024. 7

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, although with significantly lower levels of domestic fiscal support, has also realised lower GDP declines thanks to high levels of integration with EU countries and recorded some of the highest growth rates. The prevailing forecasts are for this growth to continue in the coming years, helped by the containment of the COVID pandemic and the subsequent normalisation of economic activity. An additional incentive is the plan adopted by the EU to invest an additional EUR 750 billion in member states, which Bulgaria has yet to benefit from. The existence of significant imbalances at the global level pose a macroeconomic risk to the direction and pace of economic development at the global level and therefore to the countries in which the Issuer operates or plans to operate.

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).

Inflation has been contained in recent years, but after 2020 there has been high price variation for certain goods and services, with shortages of some components and commodities leading to a substantial increase in costs and hence, the overall price level. The nature of the business, with virtually all current payments, exposes Telematic Interactive Bulgaria AD to minimal inflation risk. A negative effect would be to maintain current levels for a prolonged period, which would limit households' disposable income. A significant moderating effect of this risk is the linking of costs to revenues - over $\frac{3}{4}$ of operating costs are linked to revenue and are therefore unaffected by changes in price levels. A significant effect on costs is seen in the direction of wage increases, which is also due to the tight labour market.

According to the NSI data for 2023, annual average inflation is 9.5% compared to 2022, but it is slowing down significantly, with annual inflation for December 2023 compared to December 2022 at 4.7%.

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. 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 B2C segment generates revenue in multiple currencies and a potential devaluation of these currencies would result in a decrease in the lev equivalent of this revenue. To the extent that more than 60% of revenue is in EUR and there is no concentration of revenue in any particular other currency, this risk does not have a material impact on consolidated revenue. Also, cash is held in either BGN or EUR and is therefore not exposed to currency risk.

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. After the rapid development of the sector in the period 2020-2022, when a large number of new operators entered, there are no significant changes in the competitive environment in 2023. So far, this has not affected the dynamics of the business and Telematic Interactive Bulgaria AD has maintained its growth rates, but may have a significant impact in the future. 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.

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Credit risk/risk of counterpart's default

This is a risk of Group companies' counterparts defaulting payment obligations. Due to the specifics of the business, clients deposit funds in their accounts in advance, and Telematic Interactive Bulgaria AD has minimum receivables from clients. The credit risk is mainly related to keeping significant own and clients' funds with financial institutions. In order to minimize this risk, Telematic Interactive Bulgaria AD only works with payment operators and banks with proven record and 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. It maintains professional and technical capacity to continuously monitor and respond to attempted compromises of the online infrastructure.

Loss of key management or technical staff

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

Risk related to payment processing

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

Business continuity and disaster recovery

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

Risk of gaming fraud

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

Risk related to problem gambling

Betting may result in addiction for some clients. Telematic Interactive Bulgaria AD has introduced a system that strictly follows the adopted guidelines on responsible gaming, informs and allows clients to limit their gaming. This risk might impact the 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. Subsequently, economic and trade relations have largely returned to normal, but the risks of market turmoil remain. A sustained rise in commodity prices would result in falling business and household incomes and rising unemployment.

Currently, Telematic Interactive Bulgaria does not operate in Russia. The Company has a registered subsidiary in Ukraine, which did not commence operations and in 2023 proceeded to liquidation thereof. 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.

Risk related to change in interest rates

After record inflation levels in 2022, there was a decline in 2023, but inflation remained high. The European Central Bank (ECB) raised the key interest rate to 4% in September 2023. The Currency Board mechanism, under which the Bulgarian lev is pegged to the single European currency, directly transfers ECB 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 2024 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 disposable income.
4. TIB holds fixed-income financial instruments. These financial instruments include government securities and a fund for investments in money market instruments. Financial instruments are measured at fair value through profit and loss in the income statement. 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 interests grow, the prices of fixed-income instruments, all other conditions being equal, decrease. As a result of the increased interest rates, the Company recorded net financial income from investments in money market instruments.

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31.03.2024

	Note	31.03.2024 BGN'000	31.12.2023 BGN'000
Intangible assets		468	209
Property, plant and equipment		236	197
Right-of-use assets		863	921
Investments in subsidiaries		11,695	11,240
Investments in joint ventures		3,473	2235
Non-current financial assets		300	300
Non-current receivables from related parties		669	655
Deferred taxes		3	3
Non-current assets		17,707	15,760
Financial assets at fair value		30,108	30,160
Receivables for financial instruments and other		7	157
Advances paid and other receivables		707	1,399
Current receivables from related parties		739	449
Goods		57	57
Income tax receivable		-	112
Cash and cash equivalents		19,156	25,822
Current assets		50,774	58,156
Total assets		68,481	73,916
Equity and liabilities			
Share capital		12,960	12,960
Reserves		16,980	16,980
Retained earnings		21,197	5,149
Current financial result		4,712	21,102
Equity		55,849	56,191
Lease liabilities		681	734
Non-current liabilities		681	734
Lease liabilities		210	210
Trade and other payables		4,966	4,940
Payables to personnel		890	920
Dividend payable		9	5,184
Payables to related parties		151	354
Income tax payable		412	-
Other taxes and charges		2,508	2,585
Client deposits		2,805	2,798
Current liabilities		11,951	16,991
Total liabilities		12,632	17,725
Total equity and liabilities		68,481	73,916

This is a translation from Bulgarian of the interim management report and financial statements of Telematic Interactive AD for Q1 2024. 12

**SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY 2024 – 31
MARCH 2024**

		31.03.2024	31.03.2023
	Note	BGN'000	BGN'000
Revenue from bets		29,443	27,470
Other revenue		22	46
Cost of materials		(47)	(83)
Hired services expense		(15,494)	(12,513)
Depreciation and amortization expense		(98)	(99)
Employee benefits expense		(2,099)	(1,469)
Other expenses		(6,760)	(6,335)
Profit from operations		4,967	7,017
Finance income		304	239
Finance costs		(35)	(524)
Profit before taxes		5,236	6,732
Income tax expense		(524)	(480)
Profit for the year		4,712	6,252
Total comprehensive income for the period		4,712	6,252
Share income		0.36	0.48

SEPARATE STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2024

	Share capital	Issue premia (premium reserve)	Other reserves	Retained earnings/ (Accumulated losses)	Equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2023	12,960	15,680	433	24,160	53,233
Dividends	-	-	-	(18,144)	(18,144)
Transactions with owners	-	-	-	(18,144)	(18,144)
Profit for the period	-	-	-	21,102	21,102
Total comprehensive income for the period	-	-	-	21,102	21,102
Profit allocation to reserves	-	-	867	(867)	-
Balance at 31 December 2023	12,960	15,680	1,300	26,251	56,191
 Balance at 1 January 2024	 12,960	 15,680	 1,300	 26,251	 56,191
Dividends	-	-	-	(5,054)	(5,054)
Transactions with owners	-	-	-	(5,054)	(5,054)
Profit for the period	-	-	-	4,712	4,712
Total comprehensive income for the period	-	-	-	4,712	4,712
Balance at 31 March 2024	12,960	15,680	1,300	25,909	55,849

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY 2024 – 31 MARCH 2024

	Note	31.03.2024 BGN'000	31.03.2023 BGN'000
Operating activities			
Bets placed by clients		141,543	116,950
Profits paid and deposits reimbursed		(112,059)	(89,597)
Payments to suppliers		(15,877)	(12,529)
Payments to personnel and for social security		(2,057)	(1,660)
Gambling tax payments		(5,957)	(5,530)
Other cash flows, net		(177)	(1,426)
Net cash flow from operations		5,416	6,208
Investing activities			
Investments in subsidiaries		(455)	(1,692)
Acquisition of interest in joint ventures		(1,238)	-
Matured issue proceeds		318	-
Loans granted		(135)	(165)
Proceeds from investments		-	6,882
Cash flows related to purchases of non-current assets		(338)	(268)
Interest received		1	-
Net cash flow from investing activities		(1,847)	4,757
Financing activities			
Dividend payments		(10,220)	-
Net cash flow from financing activities		(10,220)	-
Foreign currency restatement		(15)	(8)
Net change in cash and cash equivalents		(6,666)	10,957
Cash and cash equivalents at the beginning of the year		25,822	44,144
Cash and cash equivalents at the end of the year		19,156	55,101

Notes to the interim separate financial statements

1. Grounds for preparation of the financial statements

These interim separate financial statements for the quarterly period ended 31 March 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not contain all of the information required for the preparation of full annual financial statements under IFRS and should be read in conjunction with the Company's annual separate financial statements as at 31 December 2023 prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

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 interim and 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.

2. Intangible assets

	Licenses	Software	Total
	BGN'000	BGN'000	BGN'000
Gross carrying amount			
Balance at 1 January 2024	310	179	489
Additions	285		285
Balance at 31 March 2024	595	179	774
Amortisation			
Balance at 1 January 2024	(165)	(115)	(280)
Amortisation charge	(23)	(3)	(26)
Balance at 31 March 2024			
Carrying amount at 31 March 2024	(188)	(115)	(306)

3. Property, plant and equipment, incl. right-of-use assets

	Computers and periphery BGN'000	Furniture and fixtures BGN'000	Equipment and permanent assets BGN'000	Vehicles BGN'000	Right-of- use assets - properties BGN'000	Total BGN'000
Gross carrying amount						
Balance at 1 January 2024	228	60	53	30	1,152	1,523
Additions	47		6	-	-	53
Balance at 31 March 2024	275	60	59	30	1,152	1,576
Depreciation						
Balance at 1 January 2024	(120)	(23)	(17)	(14)	(231)	(405)
Depreciation accrued	(7)	(3)	(2)	(2)	(58)	(72)
Balance at 31 March 2024	(127)	(26)	(19)	(16)	(289)	(477)
Carrying amount at 31 December 2024	148	37	40	14	863	1,099

4. Investments in subsidiaries

Subsidiary name	Principal activities	Country of incorporation	31.12.2023		31.12.2023	
			BGN'000	Interest (%)	BGN'000	Interest (%)
CT Interactive EOOD	provision for use and rental, creation, modification and development of new software products for online games	Bulgaria	10,410	100	10,410	100
TOB Palms Bet Ukraine	online casino platform and sports betting	Ukraine	-	100	-	100
Palmsbet Curacao B.V.	online casino platform and sports betting	Curacao	550	100	550	100
TIB Consult Sociedad Anonima(TIB Consult S.A.C.)	online casino platform payment operator	Peru	735	99	280	99
			11,695		11,240	

5. Advances paid and other receivables

	31.03.2024 BGN'000	31.12.2023 BGN'000
Prepayments	167	420
Advances	210	203
Other	330	776
	707	1,399

6. Related party transactions

Related parties of the Company include the owners, subsidiaries, companies under common control, key management personnel and others described below.

Unless specifically mentioned, related party transactions are not conducted on special terms and no guarantees are given or received.

The Company has not received any guarantees from related parties or provided any guarantees in favour of related parties.

	31.03.2024 BGN'000	31.03.2023 BGN'000
6.1 Transactions with owners		
Purchase of services	14	14
6.2. Transactions with subsidiaries		
Purchase of services	882	876
Capital contributions	455	1,692
Interest accrual	5	5
6.3. Transactions with other related parties under common control		
Purchase of services and goods	485	172
Goods and services supplied	140	2
Loans granted		
Interest accrual	10	2

6.4. Transactions with key management personnel

The key management personnel of the Company include the members of the Board of Directors and senior management personnel.

The remuneration of key management personnel includes the following expenses:

	31.03.2024 BGN'000	31.03.2023 BGN'000
Current remuneration:		
Salaries, incl.:	60	81
<i>bonuses</i>	41	43
Social security contributions	3	3
Total remuneration	63	84

6.5. Related party balances at period-end

	31.03.2024 BGN'000	31.12.2023 BGN'000
Non-current receivables from:		
- subsidiaries	-	
- other related parties under common control	669	655
Total non-current receivables from related parties	669	655

Current receivables from:

- subsidiaries	425	420
- other related parties under common control	314	29
Total current receivables from related parties	739	449
Total receivables from related parties	1408	1,104

Current payables:

-owners	-	5,184
- subsidiaries	30	351
- other related parties under common control for supplies	121	3
Total current payables to related parties	151	5,538
Total payables to related parties	151	5,538

7. Financial assets at fair value

	31.03.2024	31.12.2023
	BGN'000	BGN'000
Debt instruments at fair value through profit or loss		
Sovereign securities	16,399	16,576
Money market fund		
	13,709	13,584
Current financial assets	30,108	30,160
Equity instruments at fair value through OCI		
Non-exchange traded equity instruments	300	300
Non-current financial assets	300	300
Total	30,408	30,460

8. Cash and cash equivalents

	31.03.2024	31.12.2023
	BGN'000	BGN'000
Cash in hand	1,078	1,285
Cash in banks	789	4,612
Cash in payment operators	17,138	19,805
Cash equivalents	154	120
Cash and cash equivalents	19,159	44,144

9. Share capital, dividends and earnings per share

As at 31.03.2024 the Company's registered capital consists of 12,960,018 ordinary shares with a nominal value of BGN 1. There has been no change in the number of shares since the beginning of the year.

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.

Basic earnings per share is calculated based on net profit attributable to shareholders and a weighted average number of shares of the Company as follows:

	31.03.2024	31.03.2023
Distributable profit (in BGN)	4,712,000	6,252,000
Weighted average number of shares	12,960,018	12,960,018
Basic earnings per share (in BGN per share)	0.36	0.48

For the period, the Company has distributed dividend as per the minutes of the AGM dated 19.12.2023 in the amount of BGN 5,184 thousand and has distributed dividend of BGN 5,054 thousand as per the minutes of the AGM dated 11.03.2024. The distributed dividend has been paid in full.

10. Employee benefits

10.1. Employee benefits expense

The employee benefits expense includes:

	31.03.2024	31.03.2023
	BGN'000	BGN'000
Salaries	1,830	1,295
Social security contributions	269	174
Employee benefits expense	2,099	1,469

11.2. Payables to personnel

The payables to personnel recognized in the statement of financial position comprise the following items:

	30.9.2023	31.12.2023
	BGN'000	BGN'000
Current:		
Provisions for unused leave	227	227
Current remuneration	526	584
Social security payables	137	109
Current pension and other payables to personnel	890	920

The current portion of payables to staff represents payables to current and former employees of the Company which are due to be settled in 2025. Other current payables to staff arise mainly in respect of unused leave accrued at the end of the reporting period.

11. Revenue from contracts with customers

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

	31.03.2024 BGN'000	31.03.2023 BGN'000
Revenue by types of activities:		
Casino games	117,571	106,405
Sports bets	10,650	6,582
	128,221	112,987

Most of the Company's revenue is generated domestically, with a negligible share of customers outside the country.

Other operating income of BGN 22 thousand is generated from rentals, ancillary services and write-off of payables.

12. Hired services expense

	31.03.2024 BGN'000	31.03.2023 BGN'000
Gaming suppliers	5,471	5,071
Advertisement	5,472	4,308
Bank charges	2,886	2,462
Consulting fees	87	39
Software services	580	386
Accounting and legal services	425	28
Rentals	21	28
Communications and utilities	367	42
Technical maintenance	153	75
Other	32	74
	15,494	12,513

13. Other expenses

	31.03.2024 BGN'000	31.03.2023 BGN'000
Fees under the Gambling Act	5,923	5,623
Withholding tax expense	128	93
Additional in-kind and cash bonuses and awards	219	371
Other expenses	490	248
	6,760	6,335

14. Finance income and costs

	31.3.2024	31.3.2023
	BGN'000	BGN'000
Interest income	15	7
Gains on foreign exchange restatement of financial instruments	269	211
Gains on foreign exchange restatement of cash, receivables and payables	20	21
Finance income	304	239
Interest costs	15	16
Losses on foreign exchange restatement of cash, receivables and payables	17	26
Losses on foreign exchange restatement of financial instruments		370
Other finance costs	3	112
Finance costs	35	524

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 in the Company's auditors in the period.

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

In February 2024, TIB increased the capital of TIB Consult S.A.C., Peru by PEN 4 000 000 (BGN 1,884 thousand). After the capital increase, the shareholding of Telematic Interactive Bulgaria AD remains at 99.99% of the capital.

On 14.03.2024, TIB AD increased the capital of its joint venture 77 BITS BSC DOO, Republic of North Macedonia by EUR 1,140,000 (local currency equivalent), retaining a 50% stake in the company. In February 2024, an additional cash capital contribution of EUR 632,500 was made to the same company.

On 09.01.2024, 77 BITS BSC DOO registered a joint venture with State Lottery-77 Bits DOO where it holds 49% of the capital. Thus, TIB has acquired an indirect interest in one of the operators of games of fortune holding a license to operate.

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

This is a translation from Bulgarian of the interim management report and financial statements of Telematic Interactive AD for Q1 2024. 23