TELEMATIC INTERACTIVE BULGARIA EAD

REGISTRATION DOCUMENT

PART II FROM THE PROSPECTUS FOR INITIAL PUBLIC OFFERING AND ADMISSION OF SHARES FOR TRADING

ISIN code: BG1100014213

PUBLIC OFFERING OF 400,000 ORINARY, DEMATERIALISED, REGISTERED SHARES WITH NOMINAL VALUE BGN 1 FROM THE CAPITAL INCREASE AND UP TO 400,000 EXISTING ORDINARY, DEMATERIALISED, REGISTERED SHARES WITH NOMINAL VALUE OF BGN 1, UNDER THE CONDITION THAT THE INITIAL PUBLIC OFFERING OF SHARES FROM THE CAPITAL INCREASE IS SUCCESSFULLY COMPLETED, SUSEQUENT ADMISSION TO TRADING FOR ALL EQUITY SHARES

TYPE OF THE SECURITIES OFFERED:	ORDINARY, DEMATERIALIZED, FREELY TRANSFERRABLE AND REGISTERED SHARES
ISIN CODE:	BG1100014213
NUMBER OF THE SECURITIES OFFERED:	400,000 SHARES FROM CAPITAL INCREASE 400,000 EXISTING SHARES
ISSUE PRICE PER SHARE:	NOT LESS THAN BGN 50.00 AND NOT MORE THAN BGN 75.00

This Registration Document constitutes a part of the Prospectus for Public Offering and Admission for Trading of Shares of Telematic Interactive Bulgaria AD, comprising this document, the Securities Note and the Summary.

This Registration Document has been prepared in accordance with Appendix 1 to Delegated Regulation (EU) 2019/980 as part of a Prospectus comprising separate documents for the public offering of shares from capital increase, as well as of the Issuer's existing shares and admission to trade on a regulated market of all the Issuer's shares, in accordance with Art. 3, Paragraphs 1 and 3 and Art. 6 of Council Regulation 2017/1129. The Registration Document contains the necessary information to allow all investors to make an informed assessment regarding the assets and liabilities, profit and loss, financial position and financial perspectives of Telematic Interactive Bulgaria EAD, including the major risks related to the Company and its activities. Information about the rights related to the offered shares, and the reasons for the share issue and impact thereof on Telematic Interactive Bulgaria EAD is presented in the Securities Note. It is in potential investors' interest to get acquainted in detail with the risk factors described in the respective parts of the Prospectus.

The Board members of Telematic Interactive Bulgaria EAD and the Offeror are jointly and severally responsible for any damage caused by false, misleading or incomplete information in the Registration Document. The preparer of the financial statements of Telematic Interactive Bulgaria EAD is jointly and severally responsible, together with the abovementioned persons, for damages caused by false, misleading or incomplete data in the financial statements of Telematic Interactive Bulgaria EAD, and the registered auditors – for the damages caused by the Issuer's financial statements audited thereby. The respective declarations from the abovementioned parties ascertaining the truthfulness and completeness of the information provided (see item 1 "Persons Responsible"), as well as the declaration from the Issuer's Executive Director and the Offeror's representatives for the Prospectus' legal compliance are presented as part of the Prospectus.

This Registration Document has been approved by the Financial Supervision Commission in its capacity as competent body in accordance with Council Regulation 2017/1129 by means of Decision No …….. as part of the Prospectus for Public Offering and Admission for Trading of Shares of Telematic Interactive Bulgaria AD. The Financial Supervision Commission only approves this Registration Document if it meets the standards pursuant to Council Regulation 2017/1129 on completeness, clarity and approval. This approval shall not be interpreted as approval of the Issuer subject to this Registration Document.

31 December 2021

IMPORTANT INFORMATION

This Prospectus has been prepared in order to provide information to potential investors, based on which they can assess their potential investment in the securities offered. Therefore, the Issuer's information contained in the Prospectus is elective and summarised. The information contained in this document is valid at the date stated hereinabove.

The information provided in the Prospectus (including the appendixes thereto) constitutes the whole information regarding the offering of new and existing shares and admission to trading of shares – subject to the Prospectus, for whose truthfulness and completeness the Issuer is responsible. The Issuer has not authorized any person to provide different information or make any representations regarding the Company and the shares offered, other than those contained in this Prospectus.

The content of this document shall not be interpreted to constitute legal, financial, business or tax advice. To obtain such advice, each potential investor shall consult their own legal, financial or tax advisor.

Investment in shares is related to undertaking certain risks, which may result in the loss of the investment. There is no certainty regarding the future development of these investments and profits are not guaranteed.

It is up to investors to assess the expedience of investing in the shares offered, and they shall perform an independent check and assessment of the Issuer's financial position and activity, as well as any other assessment they consider appropriate, prior to making a decision to register, respectively buy, the shares offered. Investors shall get acquainted in detail with the Registration Document and the Securities Note, paying particular attention to the risk factors described in the respective parts of the Prospectus.

The Registration Document contains hyperlinks to webpages; the information thereon, unless explicitly stated otherwise in this document, does not form part of the Prospectus, and this information has been neither checked nor approved by FSC. The content of the Company's webpage does not constitute a part of this Prospectus, unless this information is included by reference in the Prospectus. If referral to information is provided in the Prospectus, then the information contained in the documents referred to shall be considered together with the Prospectus.

The prior-year financial information presented in the Prospectus is based on the annual financial statements of Telematic Interactive Bulgaria EOOD. Telematic Interactive Bulgaria EAD is the universal legal successor of the abovementioned company, the universal and full legal succession resulting from the latter's transformation into the Issuer by means of change in the legal form thereof. Therefore, the financial information is presented without adjustments for the transformation, based on these financial statements. Respectively, the Issuer's historical data until the date of transformation of Telematic Interactive Bulgaria EOOD has been presented based on the latter's history and activity.

Some of the data presented in the Prospectus, including financial information, has been subject to rounding up and approximation. Therefore, in some individual cases, the sum of numbers in a table column or row, or percentages contained in this document, may not fully correspond to the total amount in the respective column or row.

The public offering of shares shall only be carried out on the territory of the Republic of Bulgaria. The dissemination of this Prospectus does not constitute a proposal for offering and registration of shares by persons in any jurisdiction where such proposal may be restricted by law.

The investors interested in the Registration Document and the remaining parts of the Prospectus may read the document originals by obtaining a free copy thereof by email and additional information from the Issue and from the authorized investment intermediary.

Investors may obtain a copy of this Prospectus at the following address:

TELEMATIC INTERACTIVE BULGARIA	Address:	Sofia 1345 Ilinden Area, 7, Kukush Street
	Phone:	+359 (02) 8129 367
	Email:	i.yankov@palmsbet.com
	Web:	www.telematic.bg
	Contact person:	Ivan Yankov 9.00 – 17.00 o'clock
Primo Siglo OOD	Phone:	+359 (02) 978 3618
	Email:	kt@primosiglo.com
	Contact person:	Krasmimir Tahchiev 9.00 – 17.00 o'clock
Sofia International Securities AD	Address:	Sofia 1000 140, G.S. Rakovski St, floor 4
	Phone:	+359 (02) 937 98 61
	Email:	zaytseva@sis.bg
	Web:	www.sis.bg
	Contact person:	Galina Zaitseva 9.00 – 17.00 o'clock

DEFINED TERMS AND ABBREVIATIONS

For the purpose of this Registration Document, unless explicitly stated otherwise, the following terms shall have the meaning stated below:

The Issuer, the Company, TIB – Telematic Interactive Bulgaria EAD

The Group – Telematic Interactive Bulgaria EAD and the subsidiaries CT Interactive EOOD and Palms Bet Ukraine TOB

The Offeror – Eldorado Corporation AD, UIC 121425308, with seat and management address; Sofia, Ilinden Area, 7, Kukush Street

Prospectus – The Issuer's Prospectus for Public Offer and Admission for Trade of Shares, comprising three parts: Registration Document, Securities Note, and Summary Note

Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004

Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

POSA – Public Offering of Securities Act

EU – European Union

ECB – European Central Bank

BNB – Bulgarian National Bank

FSC – Financial Supervision Commission

ICPA – Institute of Certified Public Accountants

IAS – International Accounting Standards approved by EU

IFRS – International Financial Reporting Standards approved by EU

NSI – National Statistical Institute

B2C – business-to-customers. Business segment with end customers who are natural persons

B2B – business-to-business. Business segment with end customers who are legal entities

CAGR – compounded average growth rate

BSCG – Bulgarian State Commission on Gambling

NRA – National Revenue Agency

R&D – Research and Development.

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SECTION 1. PERSONS RESPONSIBLE, THIRD PARTY REPORTS, EXPERT REPORTS AND APPROVAL BY THE COMPETENT BODY

1.1. Persons responsible for the information in the Registration Document.

The persons responsible for the preparation of and the information contained in this Prospectus are:

- Krasimir Zhekov Tahchiev – General Manager of Primo Siglo OOD, UIC 202904002, with seat and management address: Sofia, Iskar Area, Druzhba 2 Residential Quarter, block 224, ap. 80;

- Martin Radosvetov Petrov – Executive Director of Investment Intermediary Sofia International Securities AD, UIC 121727057, with seat and management address: Sofia, Sredets Area, 140, Georgi S. Rakovski, floor 4;

- Svetozar Svetozarov Abrashev – Procurator of Investment Intermediary Sofia International Securities AD, UIC 121727057, with seat and management address: Sofia, Sredets Area, 140, Georgi S. Rakovski, floor 4;

- Lachezar Tsvetkov Petrov – Executive Director of Telematic Interactive Bulgaria EAD.

The Board Members of Telematic Interactive Bulgaria EAD and the Offeror Eldorado Corporation AD, UIC 121425308, with seat and management address: Sofia, Ilinden Area, 7, Kukush Street, are jointly responsible for damages resulting from false, misleading or inaccurate data in the Prospectus. The preparer of the Issuer's financial statements for years 2018, 2019, 2020 and the period as at 30 September 2021 – RS Consult AD, UIC 121340854, with seat and management address: Sofia, Ilinden Area, 7, Kukush Street, represented by Rumen Mitkov Terziyski and Desislava Peeva Panova, are responsible jointly with the abovementioned person for damages caused by false, misleading or inaccurate data in the financial statements. The Company's Registered Auditor for years 2018 and 2019, Silvia Krumova Rangelova, ICPA with registration No 0038, with address: Sofia 1336, Lyulin Residential Quarter, block 317, entrance G, floor 3, ap. 71, is responsible for the damages caused by the financial statements audited thereby. The Company's registered auditor for year 2020, Grant Thornton OOD, UIC 831716285, with seat and management address: Sofia 1421, 26, Cherni Vrah Boulevard, ICPA with registration No 032, is responsible for the damages caused by the financial statements audited thereby.

1.2. Declaration by those responsible for the Registration Document.

The abovementioned parties responsible for the preparation of and the information contained in the Prospectus, by signing this Prospectus declare that to the best of their knowledge, the information contained in the Prospectus corresponds to the facts and that the Prospectus contains no omissions that might affect the sense thereof. A special declaration is provided as an Appendix to the Prospectus.

By signing the declarations attached to the Prospectus, the Issuer's Board Members and the Offeror's representatives declare that to the best of their knowledge the information contained in the Prospectus is truthful and complete.

In addition, pursuant to Art. 89e, Para 2 of POSA, the Issuer's Executive Director and the Offeror's Representatives declare with their signatures placed at the end of this document that it complies with the requirements of POSA, Council Regulation 2017/1129 and the implementation acts thereof.

By means of the declaration attached to the Prospectus, the preparer of the Issuer's financial statements as specified in item 1.1. hereinabove declares that to the best of their knowledge the information contained in the Prospectus from the financial statements prepared thereby is truthful and complete. By means of the declarations attached to the Prospectus, the Issuer's auditors as stated hereinabove declare that to the best of their knowledge, the information contained in the Prospectus, based on the audited financial statements and the respective auditor's reports thereon, is truthful and complete.

1.3. Declarations and reports by experts

This Prospectus has not made use of records or reports which are assumed to have been written by persons in their capacity as experts, with the exception of the Auditor's Reports issued by the Issuer's auditors. The Company's auditors that approved the Issuer's annual financial statements for years 2018, 2019 and 2020 do not have a significant economic interest related to the Issuer.

The Auditor's Reports of the independent auditors of the Issuer's financial statements have been prepared in accordance with the requirements of the Accountancy Act, the Independent Financial Audit Act, and the International Standards on Auditing.

There are no declarations or reports prepared upon the Issuer's request for the purpose of this Prospectus.

1.4. Third-party information

The sources of third-party information are as follows: Bulgarian National Bank, European Central Bank, US Federal Reserve, Eurostat, Registry Agency with the Minister of Justice of the Republic of Bulgaria, and the World Bank.

The market information is based on both the public sources listed hereinabove and on data from the Issuer's own surveys, data from the financial statements of major competitors, press publications and the Issuer's own market surveys.

The Issuer confirms that the third-party information has been accurately reproduced and that to the extent the Issuer is aware and can check the information published by these third parties, no facts have been omitted that would have rendered the information inaccurate or misleading.

1.5 Declaration regarding approval of the Registration Document

This Registration Document has been approved by the Financial Supervision Commission in its capacity as competent body in accordance with Council Regulation 2017/1129 as part of the Prospectus for Public Offering and Admission for Trading of Shares of the Issuer.

The Financial Supervision Commission only approves this Registration Document if it meets the standards pursuant to Council Regulation 2017/1129 on completeness, clarity and approval.

This approval shall not be interpreted as approval of the Issuer subject to this Registration Document.

It is up to investors to assess the expedience of investing in securities.

SECTION 2. STATUTORY AUDITORS

2.1. Information regarding the Issuer's auditors

The Issuer's annual financial statements for years 2018 and 2019 have been certified by Silvia Rangelova, ICPA with registration No 0038, with address: Sofia 1336, Lyulin Residential Quarter, block 317, entrance G, floor 3, ap. 71. The Issuer's annual financial statements for year 2020 have been certified by Grant Thornton OOD audit firm, UIC 831716285, with seat and management address: Sofia 1421, 26, Cherni Vrah Boulevard, ICPA with registration No 032. The registered auditor in charge of the engagement is Mariy Apostolov, Registered Auditor No 488, with address: Sofia 1421, 26, Cherni Vrah Boulevard.

2.2. Reasons for resignation, dismissal or change of auditors

Grant Thornton OOD was elected Company auditor for year 2020 in the place of Silvia Rangelova who performed the audit for years 2018 and 2019, in accordance with the good practices for periodic change of audit firms.

SECTION 3. RISK FACTORS

3.1. Significant risks characteristic of the Issuer and its subsidiaries

3.1.1. Risks related to financial position

Increased competition

The widespread entrance of digital services and the market growth are attracting the interest of a continuously growing range of new clients. This year, three new participants entered the market, and the number is expected to increase. So far, this has not affected the dynamics, and TIB 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 Company's profitability.

Credit risk/ risk of counterpart's default

This is a risk of Company's counterparts defaulting payment obligations. Due to the specifics of the business, clients deposit funds in their accounts in advance, and TIB 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, TIB only works with payment operators and banks with proven record and repute. It has established real-time information exchange systems and execution guarantee systems.

In the case of CT Interactive EOOD, the payment obligation arises in the month following the generation of revenue and bears the risk of non-payment in case of financial difficulties of the client. The possibility for restricting use of the games provided in case of non-payment limits potential losses.

Market dominance of suppliers

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

Unfair competition

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

Game errors

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

Copyright

This risk is specific to CT Interactive EOOD. The distributed games contain audio and visual content, graphic items, trademarks, etc. that may be subject to copyright. The use of such protected content without the necessary permissions might result in financial claims by the parties affected. This risk is low, as far as the use of copyright-protected content is limited and in accordance with statutory requirements.

Liquidity risk

Liquidity risk is the risk of the Company not meeting its current payables. TIB 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 TIB to minimum liquidity risk.

Related party transactions

This risk is minimized by consolidating the entire online activity of TIB Group. In 2021, the technological platform and the online content were transferred to CT Interactive EOOD, 100% owned by TIB. Thus TIB consolidated in full its online operations (B2B and B2C), and related party transactions will be limited to use of accounting and legal services, rental of premises, distribution services for certain markets, and the potential acquisition of new gaming content. These costs and investments form a minimum portion of all costs, as a result of which this risk is insignificant. In all cases, TIB strictly applies regulations on related party transactions, and the existing contracts are at arm's length.

3.1.2. Risks related to business activities

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, TIB has taken preventive steps, applying strict policies and maintaining the highest standards in the area of security. TIB is certified (through its subsidiary CT Interactive EOOD) under ISO 27001:2013 issued by TUV Reinland – a standard on security of information upon trade, creation and distribution of online products, incl. management of the security of financial, accounting, production, commercial and personal data upon developing and distribution of online products. It maintains professional and technical capacity to continuously monitor and respond to attempted compromises of the online infrastructure.

Loss of key management or technical staff

The current management team comprises employees that have grown and developed since the Company was established and have a major contribution for its successful development. The loss of key employees might have an adverse impact on future development.

The Company has its own platform (the rights thereon are held by the subsidiary CT Interactive EOOD), on which the entire operations are based. This on the one hand ensures control over the key asset and high flexibility, but the loss of key staff or subcontractors responsible for the platform's maintenance and development might result in aggravated product quality and/or delay of development thereof, which would have a very negative impact on operations.

The Company aims to limit this risk by attracting and incentivizing employees with policies and practices that allow their continuous training and development and remuneration based on the results achieved.

Risk related to payment processing

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

3.2. Systematic risks

3.2.1 Regulatory risk

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

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

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

License revocation

The main risk is of license revocation, which would result in discontinuing operations in the respective jurisdiction (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. TIB 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. TIB has introduced the necessary systems to ensure continuous connection, and timely signalization in case of problems, as well as procedures for timely reaction.

Taxation and fees

The taxes paid by Bulgarian entities include corporate tax, local taxes and fees, value added tax, excises, export and import duties. For the Company's financial result, it is important that the current taxation regime be preserved. Currently, corporate tax in Bulgaria is 10%. Apart from tax regulations applicable to principal business activities, TIB 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 Company's 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 Company plans to expand its 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. TIB 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. The Company has introduced measures 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 the Company's revenue and profit. The regulations are also related to high sanctions in case of non-compliance, and in certain cases – to license revocation. TIB has built a team responsible for developing and updating rules and policies ensuring compliance with regulatory requirements. It is the management's main priority that they be introduced and applied, and each employee undergoes a training related to the respective procedures.

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

Measures against money laundering

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

Increased restrictions on advertising

The advertising of games of chance in the mass media is subject to regulations and restrictions. Increased restrictions would limit TIB's abilities to position itself and attract new clients through these channels. In order to minimize this risk, TIB 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.

3.2.2. 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 in Peru, Kenya and Ukraine 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 the Issuer to a risk of the policies applied in the respective countries. Peru has had a long period of political stability, well-functioning institutions and predictable regulations, but changes in the situation are possible. There is higher risk in Ukraine and Kenya, where the political system could not be determined as stable, and there are frequent changes in government and regulations.

3.2.3. Macroeconomic risk

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

Despite the dramatic shrinkage of global economies in Q2 2020 due to the COVID pandemic, the record fiscal and monetary incentives prevented a similar collapse in consumption. Over the last year, most economies returned to growth, which is expected to also continue in the next years. Bulgaria, though having much lower levels of internal fiscal support, had lower GDP drop and thanks to the high levels of EU integration also returned to growth. Most forecasts are for this growth to continue in the next years, which will contribute to limiting the COVID pandemic's impact and the subsequent normalization of economic activities. An additional incentive is EU's plan to invest an additional EUR 750 billion in the member states. The significant global disbalances place macroeconomic risk to the direction and rate of development of global economy and respectively the countries where the Issuer operates or plans to commence operations.

3.2.4. Inflation rate

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. According to the macroeconomic indicators published by BNB (https://www.bnb.bg/Statistics/StMacroeconomicIndicators/index.htm), the annual inflation for year 2020 in Bulgaria is 1.7%. In view of the country's commitments and willingness to become member of the

European Monetary Union (EMU) and the related inflation requirements – measures may be expected on the part of BNB and the government to harness the inflation within the necessary limits (Maastricht Criteria for EMU membership).

Over the last few years, inflation has been limited, but after 2020 there have been big fluctuations in the prices of certain goods and services, and the shortage of some components and goods resulted in a significant increase in expenditure and respectively, overall price levels. The Company's business nature, involving almost entirely current payments, exposes TIB to a minimal inflation risk. There would be an adverse effect of retaining the present levels for a continued period, which would limit households' disposable income. A significant moderating effect on this risk is exercised by the link between expenditure and revenue – over ¾ of operating costs are related to revenue and is therefore not affected by price changes.

3.2.5. Risk related to the spread of Covid-19

Over the last year, as a result of the COVID-19 pandemic and the restrictions imposed in Bulgaria and in most countries around the world, the normal functioning of businesses in multiple business sectors was affected, accompanies by the respective downturn, but this downturn was mainly concentrated in several service sectors. What had a significant positive impact on TIB's operation was the closing of gaming clubs, whose clients turned to online casinos, which had a positive impact on financial results. The pandemic however had an adverse effect on sport betting activities, due to the suspension of sports events. This resulted in a drop in revenue from this activity in the periods of restrictions.

So far, the measures applied to limit the spread of the virus have not had an adverse impact on revenue or the measurement of assets, due to the increased activity related to slot games, which offset the drop in sports betting. Nevertheless, the risk of the pandemic continuing could impact the Company's activity, mainly through an adverse effect on economic activity and an overall decrease in workforce income, which would have a very negative impact on future revenue and profit.

Operations in the conditions of contamination threat are related to additional staff expenditure as a result of introducing remote work, team rotation, prolonged leaves due to sickness or childcare. The risk of interruption of work as a result of high infection rates or discontinuing the supply change is low, given the possibility for performing work processes without a personal contact, both at TIB and at our key content suppliers and technical service providers.

3.2.6. Foreign currency risk

Foreign currency risk is related to Company's proceeds and expenditure denominated in foreign currencies. At present, the Issuer's revenue and expenditure is in BGN, but as it fulfills its plans for expansion in Peru, Ukraine and Kenya, the share of revenue and expenditure denominated in foreign currencies is expected to increase, which would expose the Company 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 +/- 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.

SECTION 4. ISSUER'S INFORMATION – Name, registration, contacts

Name:	Telematic Interactive Bulgaria EAD
Trademark:	PalmsBet
Country of incorporation:	Bulgaria
Applicable legislation:	Bulgarian

The Company's activity is regulated by all laws and regulations of the Republic of Bulgaria, as well as of the law of the European Law, which are applicable to its operations and in its capacity as business entity registered and operating within the European Union.

UIC:	206568976
LEI:	254900MAXRCO8KWAYC84
Date of incorporation:	02.07.2014

Telematic Interactive Bulgaria EOOD was incorporated in 2014 as a Bulgarian sole-owner limited liability company. In 2021 it was transformed into sole-owned joint stock company, Telematic Interactive Bulgaria EAD – full universal legal successor of Telematic Interactive Bulgaria EOOD. The transformation, respectively deletion of Telematic Interactive Bulgaria EOOD and the newly incorporated Telematic Interactive Bulgaria EAD were registered with the Trade Registry with the Registry Agency on 30 June 2021.

Term:	The Company's existence is not limited in time.
Management address:	Sofia 1345, Ilinden Area, 7, Kukush Street
Phone:	+359 (02) 8129 367
Web-site:	www.telematic.bg

The information on the Company's website does not constitute part of the Prospectus, unless included therein by means of reference.

SECTION 5. BUSINESS OVERVIES

5.1. Principal activities

5.1.1. Description and key factors relating to the nature of the Issuer's operations and its principal activities

Telematic Interactive Bulgaria EAD is a licensed operator of online games of chance. The Company operates under the trademark PalmsBet (www.palmsbet.com) on the territory of Bulgaria. Online games of chance form all of the Company's revenue, and the services provided are in two areas – online casino and sports betting. The online casino offers over 400 online slot games, live casino, bingo and table games. In sports betting, clients can bet on over 20,000 sports events. Operations commenced in 2014 and have grown intensively; initially, only casino games were offered. In 2018, the Company started also offering sports betting. The activity is entirely B2C – clients are natural persons who deposit funds to participate in the games.

In 2021, a company under common control, CT Gaming AD, spun off, and therefrom the activity related to the development of online games, online platform and other management systems in online casinos was separated. In 2021, the company CT Interactive EOOD was incorporated, 100% owned by TIB, which acquired from CT Gaming AD the online casino platform and exclusive rights on the online distribution of over 180 online slot games and the related software applications, which were adapted for online access via mobile devices, computers and tablets (detailed information about the contracts is presented in Section 20). 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 will be added to the services offered by Telematic Interactive Group.

At the Prospectus' date, CT Interactive EOOD obtained the necessary licenses for operating in Romania, Bulgaria and Malta (information about the licenses is presented in item 5.4) and in November 2021 commenced the transfer of contracts. In this process, CT Interactive EOOD replaces CT Gaming AD as a party to the contracts with customers in its capacity as lessor of gaming content. There are two types of clients – operators (online casinos) and gaming content platforms (aggregators, distributors).

Contracts under which CT Interactive EOOD replaced a party

Type of counterpart	Number of counterparts	Period	Penalties*
Operator (online casino)	20	1 - 2 years	100%-150% of the fees received for 6 months, or up to a maximum amount of EUR 25,000
Platform (aggregator)	14	1- 5 years	100%-150% of the fees received for 6 months, or up to a maximum amount of EUR 25,000

Contracts under which CT Interactive EOOD is to replace a party

Type of counterpart	Number of counterparts	Period	Penalties*
Operator (online casino)	24	1 - 2 years	100%-150% of the fees received for 6 months, or up to a maximum amount of EUR 25,000
Platform (aggregator)	35	2 - 5 years	100%-150% of the fees received for 6 months, or up to a maximum amount of EUR 100,000

* To the extent permitted by the law, the liability of CT Interactive EOOD for default of contractual conditions is limited to the maximum values stated herein.

In the contracts with operators, CT Interactive EOOD grants the client the non-exclusive right for the term of the contract to provide games to the end customers for online gaming.

The subject matter of contracts with platforms (aggregators) is analogous to that with online casinos, but clients have the additional right to sub-lease the games to operators (online casinos).

For the gaming content provided, CT Interactive EOOD is obliged to provide timely and continuous maintenance of the content provided, to fix technical issues and to provide the client with new game versions and updates. The fee received by CT Interactive EOOD is formed as a percentage of the revenue generated from the games provided. In individual contracts, the fee may be agreed as a fixed amount or a combination of fixed amount and percentage of revenue.

The contractual counterparts (34 transferred and 59 forthcoming) are registered in 29 different jurisdictions. It is a usual practice of online business, especially in the gambling sector, for the services to be offered on territories other than the place of registration. In addition, indirectly, through the platforms (aggregators), CT Interactive EOOD may distribute games to hundreds of online casinos. Currently, the subsidiary's games are active on over 700 online casinos operating in over 100 countries throughout the world.

The online casino platform is currently only used by TIB.

In 2021, CT Interactive EOOD generated revenue from a management contract which was discontinued in November 2021 together with the transfer of rights under the abovementioned contracts.

Casino and slot games organized in a traditional manner in brick-and-mortar venues have a long tradition, but their online offering commenced comparatively recently, and there has only been more prominent global presence thereof in the past four of five years. This happened as a result of technological development, introducing regulations on online gambling, and change in consumer behaviour. TIB entered a new and fast developing market at an early stage. The Company owns an online platform (the rights are held by CT Interactive EOOD) which has been integrated with both the games owned by the Group and third-party suppliers' content. The online platform constitutes a software platform allowing the operation and interoperability of the website (the online casino), the gaming content, as well as applications related to reporting (deposits, payments) and other back office activities. This platform, following integration with a Remote Game Server (RGS), allows for the games to be provided to end customers. RGS constitutes a server hosting the games and contains the software and processor resources necessary for the games operation, as well as the back-office (gaming activity history) and the games' interface. RGS can operate independently or in integration with the online platform, by means of Application Programming Interface (API). API is a software that allows communication and interaction between the two software (in this case, the platform and RGS).

More important for TIB's activity is the offering of an attractive portfolio of games and sports events, customer service and an appropriate marketing strategy. TIB has a wide portfolio of games from external suppliers, as well as own games (owned by CT Interactive EOOD), which ensures relative independence and the possibility for varied and unique gaming content. The games offered on the TIB website change dynamically, but currently, around 500 games are offered from 9 different suppliers, incl. 180 games of CT Interactive EOOD, which form about 18% of the revenue. The biggest number is that of slot games, but the portfolio also contains live casino, virtual games, sports bets. Using a proprietary platform and developing own games are among the most important key factors for the Company's success, since this allows it to diversify and position itself by including new concepts and tools for client attraction and retention. Marketing costs for TIB, traditionally for this B2C sector, have the biggest share in the cost structure, and the effectiveness thereof is key to financial results. The Company aims to use all marketing channels permitted by the regulations – bonus schemes, digital advertising, outdoor and TV positioning, sponsorship of sports clubs and events, affiliate partners. The latter are parties that accumulate a client basis which they direct to online operators in return for a percentage of the revenue generated from these clients.

5.1.2. Information regarding significant new products and/or services

The Group plans to continue to intensively develop its main business lines – B2C (casino games and sports bets) through Telematic Interactive Bulgaria EAD and B2B (provision of online content to operators) through CT Interactive EOOD.

Expanding the range of services in the B2C segment is achieved by including new content and offering new functionalities, jackpot and tournament content, developing new bonus schemes, loyalty programmes, adapting and customizing promotions to clients, improving the methods for communication with the operator, etc.

In the B2B segment, development is towards developing or acquiring new games in order to update content, and platform development by adding new functionalities, optimizing structure, and integration with new counterparts.

Other than stated above, the Group companies have not introduced significant new products and/or services, nor are they currently developing such.

5.2. Main markets. Important events in the Issuer's development

TIB commenced operations in 2014 by offering online casino games in Bulgaria. Up until now, TIB's revenue is generated entirely from the Bulgarian market, from sports bets and casino games. Sports bets were

included in the product mix in 2018 and grew fast until March 2020, when the restrictive measures applied suspended or severely restricted many sports events. There is minimal revenue from accompanying activities. In the revenue structure casino games have the biggest share, and over the past years have formed 85% and more of overall revenue.

In BGN'000	2018*	2019*	2020	9 months 20**	9 months 21**	9 months 21 cons.**
Total revenue	**2,054**	**4,606**	**28,413**	**17,638**	**52,855**	**53,982**
Casino games	1,885	3,953	24,257	14,873	48,382	48,382
Share of revenue, %	92%	86%	85%	84%	92%	90%
Sports bets	169	653	4,156	2,765	4,391	4,391
Share of revenue, %	8%	14%	15%	16%	8%	8%
Other services	-	-	-	-	-	1,127
Share of revenue, %	-	-	-	-	-	2%
Other	-	-	-	-	82	82

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.
** for the purpose of data comparability, the data has been reclassified in accordance with the policy adopted in 2020.*
*** unaudited interim financial data.*

The Company is in the process of commencing operations in Kenya. In view of the specific requirements of the legal regulations (license for online operations is only granted to operators of brick-and-mortar gaming clubs), the activity will be carried out by the local entity South Cape Investment Ltd (controlled by Eldorado Corporation AD), which holds a license for online gambling in Kenya. TIB provides the overall product, its maintenance and operational content, for which it receives a respective consideration based on the results achieved and in accordance with the applicable transfer pricing requirements.

The Company is at an advanced stage of its preparation to enter the Peruvian market, and in the next 12 months it plans to commence operations in Ukraine. In Peru, games will be offered directly by TIB or through a wholly-owned subsidiary, and in Ukraine, the activity will be performed through Palms Bet Ukraine TOB, 100% owned by TIB.

Through the subsidiary CT Interactive EOOD, in 2021, revenue was generated in 2021 under a management contract for activities to provide gaming content to online operators, which are currently performed by the related party CT Gaming AD.

In 2021, CT Interactive EOOD acquired rights over 180 casino games and the online platform from CT Gaming AD (detailed information about the contracts is contained in Section 20) and obtained the necessary licensing for distribution of gaming content in Bulgaria, Romania and Malta (the information is presented in item 5.4 below). Along with the exclusive rights for distribution of the online games, CT Interactive EOOD also acquired the right to replace CT Gaming AD as a party to the currently effective contracts for provision of gaming contact under contracts with customers – platforms for online games of chance and online casinos. This process is currently under way and is expected to be completed within the next two to three months (information about the stage of transfer of customers and the markets they operate on is provided in item 5.1.1). When the process is completed, the gaming content provided by CT Interactive EOOD will be provided directly or through distributors (aggregators) to 700 online casinos around the world, including some leading global operators and distributors, such as 1XBET, Betsson, PariMatch, EveryMatrix, SG Digital. In 2021, the acquired gaming content generates almost half of its revenue on the Bulgarian market – 48%, The other regions with significant presence are countries from Central and Eastern Europe and former Soviet republics (about 23%), the Eurozone and other developed countries (about 21%). Of the other regions, a significant market is Peru, with over 5% of revenue.

Apart from the above, there are no other important events in the Issuer's business development.

5.3 Strategy and objectives

Online betting (B2C)

In its development, the Company relies on organic growth by monitoring cost efficiency and maintaining financial stability. So far, development is entirely concentrated on the Bulgarian market. The Company managed to position itself among the leaders on the local market, and aims to continue to grow its market share in Bulgaria and enter new markets. Based on the competitive advantage established mainly in casino games, the focus will continue to be on this segment. The sports betting segment, though considerably smaller, is also actively developing, since it is an important element of the product mix. In order to achieve the objectives set to maintain high growth rates, the Company counts on:

- **Product development.** A major focus is the continuous development of the platform with new functionalities, its optimization, improved flexibility and client convenience. In order to attract and retain clients, it relies on in-depth survey and analyses of clients' preferences and needs and the respective customization of the product by adding new gaming content and platform functionalities. Such is the client loyalty programme offered by TIB, which is a unique tool to attract and retain clients, and is currently only offered by palmsbet in Bulgaria. The loyalty programme will be among the Company's major advantages when entering new markets, too. The good knowledge of our clients allows us to develop new offerings, programmes and promotions, which address the specific wishes of different groups.
- **Effective marketing strategy**. Being an online business, a successful marketing strategy is key for expansion of the client base. Apart from marketing activity, marketing efficiency is essential. Marketing costs constitute the biggest share in the cost structure, and the accurate organisation and implementation of the strategy are crucial for building a growing and sustainable business.
- **Focus on customer service**. Given the high similarity of games offered, customer service quality is an important differentiating factor. TIB invests in enhancing the capacity and qualifications of staff interacting with clients and surveying their satisfaction with the service, and take the necessary measures to need clients' needs. A system has also been established for analysis of the preferences of different groups of clients, and offerings and product changes are proactively structured. Customer service, along with the attractiveness of the product offered, is key for client retention, increased client loyalty, and for building the brand's reputation.
- **Improving UX/UI (user experience & user interface)**. The Company pays great attention to the website's structure. It is important for the user to feel comfortable when using the service rendered by TIB; therefore, the Company has a team which is only focused on this and works on a daily basis on the website's optimization. Global trends in the sector are continuously monitored, and the latest ones are applied to ensure maximum client satisfaction.
- **Entering new markets**. In certain markets, online betting is still at an early stage and TIB sees long-term growth potential on both the local and foreign markets. The aim is to enter underdeveloped markets, with low level of competition, which are out of the focus of big international operators, so that we can achieve a significant market share. The first targets are countries where Group companies have had brick-and-mortar operations for a long time, have an experienced local team, and the products are well familiar to the local market. Knowing the market allows survey of the development potential, while the offering of games that are already familiar to the local market will facilitate entry. Apart from the big potential for business expansion, operations on different markets also contribute to a significant reduction in the risk of significant adverse changes in the regulatory environment.

Distribution of games (B2B)

Through the subsidiary CT Interactive EOOD, TIB plans to develop the B2B segment – provision of gaming content (slot games) to counterparts that operate online casinos on multiple markets. The Company considers this segment to be one of huge perspective for growth, due to the growing demand for online entertainment and the possibility for diversification on a global scale by concluding contracts on approved markets and in newly regulated ones with licensed B2C operators from Europe, South and Central America, Africa, Asia. The segment also provides a possibility to achieving high profitability as a result of:

- high operating leverage – variable costs have a small share of overall costs; therefore, profit growth is faster than revenue growth;

- stable and constant cash flow – the established wide customer base generates continuously growing monthly revenue;

- minimum regulatory risk – operation on multiple markets diversifies the risk of adverse legislative changes, which becomes insignificant.

In order to fulfil this potential, the Company has focused its efforts in three main directions:

- **Expanding the product portfolio.** As content supplier, expanding the range of games meeting client preferences is a continuous process. In the mid-term, the Company plans to add to its portfolio new dynamic and interactive games aimed at a wide range of clients.
- **Expanding the client base.** Along with obtaining exclusive rights for the distribution of gaming content online, respectively, by obtaining the respective licenses, CT Interactive EOOD is gradually replacing CT Gaming AD as a party under the effective contracts with online platforms and online casinos. The subsidiary is actively working on establishing relations with new partners/clients to distribute the gaming content provided by the Company, by actively targeting potential clients and promoting the product offered. The Company also participates in various specialized exhibitions that provide good opportunities for new partnerships. Though its new clients, the Group's games can not only expand their presence on the already existing markets but also enter new markets.
- **Harnessing marketing efforts.** CT Interactive EOOD plans to actively work towards improving results with its partners using and distributing the gaming content thereof, and is therefore using various marketing and other tools. For an already established client base, the subsequent stage is to adopt more programmes and schemes to promote own games by enhancing communication with clients and direct marketing to end clients, which will make it possible to increase revenue under already effective contracts.

Combining B2B and B2C segments within a single group is not a usual business model. It is the Issuer's strategy to take advantage of the significant benefits and synergies of the combination of vertically integrated businesses:

- the B2B business, operating in multiple countries, provides preliminary and reliable information about the potential and client preferences of a given market, thereby supporting management decisions when selecting countries in which to expand the B2C business.

- the direct communication of the B2C segment with the end clients provides timely feedback to the B2B segment regarding current trends and user tastes, which supports the creation of appropriate new gaming concepts and quickly meeting demands.

- when entering a new market, the B2C business has the advantage to enter a market where gaming content is familiar by means of established business relations with other B2C operators on the same market. In the meantime, the B2C segment itself is an important marketing channel to promote the games offered by the B2B segment.

- The combination of the two segments results in economies of scale, in particular for administrative and marketing costs.

Other than the above stated, the Issuer has not identified other financial or non-financial objectives for the Company or the Group.

5.4. Information on the degree of the Issuer's dependence on patents or licenses, industrial, commercial or financial contracts or new production processes.

Licenses

Bulgaria applies one of the most comprehensive regulations in the field of gambling. The following are subject to approval of the National Revenue Agency (NRA):

- Organising games and activities of chance;
- Production, import, distribution and service of gaming equipment;
- Gaming equipment and communication software – the equipment should be lab-tested by a laboratory included in NRA's list, approved by NRA and holding a valid license from the producer;
- Replacement, increase, decrease of gaming software on online gambling communication equipment.

In line with the requirements, to exercise its activity, TIB holds licenses to organize online casino games and online sports bets. Licenses are renewed every 5 years, and the term of the currently effective licenses expires in 2014 for casino games and in 2023 for sports bets. The gaming and communication equipment offered by TIB has been granted the respective approvals.

As producer and distributor of gaming equipment/content, CT Interactive EOOD obtained a license to perform this activity in Romania (the license term is 10 years), Bulgaria (10 years) and Malta (renewed on an annual basis). The licenses obtained allow it to also operate in countries and territories where the offering of games of change is not forbidden or the local legislation does not require an explicit license for the respective territory.

The gaming content distributed by CT Interactive EOOD is certified by accredited labs and approved by NRA for distribution in Bulgaria. In the other countries where the content owned by CT Interactive EOOD is currently being offered, analogous requirements are in place regarding production and distribution. Holding a certificate for the games issued by an accredited lab is sufficient for the distribution of the gaming content (or such is required by the counterpart of CT Interactive EOOD using the content). In the countries where approval/licensing of gaming content is required, CT Interactive EOOD has performed the respective procedures in Bulgaria, Italy, Spain, Romania, Latvia, Lithuania, Estonia, Croatia, the Czech Republic, Switzerland, Colombia, Belarus, Georgia and Malta.

Trademarks

Trademarks is essential for online operations, given that the fact that the client base and the popularity of the domain is the Company's main asset. In order to protect the Company's interests, TIB has protected copyright over the following trademarks:

- Palms
- Palmsbet
- HOT CASH
- CA$H BALL
- Играта започва (*The game begins*)
- Играта продължава (*The game continues*)

CT Interactive EOOD holds rights over the trademarks CTi CT Gaming Interactive and CTi CT Interactive. CT Interactive EOOD has contractual right to also use the trademarks of over 180 games.

The trademarks Palms and PalmsBet are co-owned with the related parties Bargame AD and Eldorado AD.

Commercial contracts

Among commercial contracts, significant ones are TIB's contracts with game suppliers and payment operators. Regarding both types, the Company has contracts with multiple suppliers and is not entirely dependent on just one. Some of the suppliers have market monopoly and a potential termination of contracts would have an adverse impact on financial results.

The contracts with game suppliers are based on variable consideration determined as a percentage of revenue (bets placed minus profits paid) generated from the content provided by the supplier. Respectively. CT Interactive EOOD, as content supplier, will in the future also receive variable consideration, determined as a percentage of the revenue generated from the content provided by the supplier.

The contracts significant to the activity of CT Interactive EOOD are the contracts based on which the company obtains exclusive rights for Bulgaria and abroad over the Leopard online gaming platform RGS (remote game server) for gaming content management and the 10-year exclusive rights for the distribution of 180 games of chance, information on which is presented in Section 20 of this document.

TIB's clients are multiple natural persons and none has a material impact on revenue. Even though it operates in the B2B business, CT Interactive EOOD will also work with a large range of clients from all over the world, without material dependence on individual counterparts.

5.5. Grounds for the declarations made by the Issuer in relation to its competitive position.

GLOBAL GAMING INDUSTRY, B2C

The gambling sector market is segmented based on the types of main games – casino, sports bets, lotteries, etc. On a global scale, lotteries constitute the biggest share, and overall lottery games revenue comprises almost 50% of all gambling revenue. In the meantime, sports bets, which also fall into two groups – online and offline, are the fastest developing sector, currently generating 6.9% of overall revenue. The casino sector is divided into online and brick-and-mortar (offline), the latter generating 94.3% of revenue of the overall casino sector globally.

The market of online games of chance is formed by revenue generated from games offered via the internet, when using desktop and mobile devices. The online sector covers all games of chance – sports bets, casino, bingo, lotteries and poker games, along with others. According to a 2019 global survey analyzing the attitude and awareness regarding gambling, 21% gamble on a regular basis, while another 18% have gambled online at least once.

According to a Cisco report, the total number of internet users globally is expected to increase from 3.9 billion in 2018 to 5.3 billion by 2023 at 6% CAGR, while mobile devices will increase by 7% CAGR, which is expected to boost the use of online services.

The global online gambling sector is expected to increase from USD 54.13 billion in 2020 to USD 72.02 billion in 2021, which is growth by 12.3%, according to a survey by Research and Markets. The main reason for the growth is the resumed operation of companies and adaptation thereof to the new normal, following the restrictive measures related to COVID-19, including social distancing, remote work and closing businesses, which resulted in multiple operational challenges to online participants, mainly in the sports bets sector. The market is expected to reach USD 112.09 billion in 2025 with average annual growth (CAGR) of 12%.

The biggest market is the European Union (EU) where the revenue from online games generated by gambling operators in the last year amounts to EUR 26.3 billion, and the market is expected to grow to almost EUR 30 billion by 2022, according to an analysis of the European Gaming and Betting Association.

Online games of chance constitute 23.2% of the overall gambling revenue in the 27 member states and constitute 49.2% of the global market of games of chance. The Association forecasts an increase in overall revenue from online games in the EU to EUR 27.4 billion in 2021 and to EUR 29.3 billion in 2022.

Sports betting remain the most popular form of online games, with a market share of 42.5% before casino, including slots, with 32.4%, according to the survey. Next are lottery games with 12.6%, poker with 5%, bingo with 4.3% and other games with 3.2%.

Currently, EU gamers are more likely to use desktop computers for online games, and 57% of online bets are placed via desktop computers, compared to 43% placed via mobile devices. However, the European Gaming and Betting Association expects the share of mobile devices to exceed that of desktop computers as primary gaming platform as early as in 2021. The forecasts are for this trend to continue and for mobile devices to reach 58,2% in 2025.

It is expected that the stable growth of the European online gambling market will continue in the future and that gross revenue from online games will rise by approximately 7% per annum and reach 33.6% of overall gambling revenue in Europe by 2025.

According to the European Gaming and Betting Association, in EU there are a total of 16 million online clients, with average profit/client return rate of 94.3%.

The United Kingdom, which left the EU, has been the biggest online gaming market in the past year, with a market share of 34.2%. Germany is second with 11.1%, followed by France with 8,8%, Italy with 8.1% and Sweden with 5.2%.

The cashless payment possibilities, the huge variety of bonuses and other marketing instruments offered by online gaming take the industry's development to new horizons. The mobile applications promoting bets changed the industry's dynamic. There is also growth in the interest in online casino games streamed live. Technological innovations such as blockchain and virtual reality and also actively entering online gambling. The virtual reality technology for instance allows one to enter a virtual casino and play all games without needing to actually travel. The blockchain technology, on the other hand, may be used to limit fraud, since it is possible to see what exactly is going on behind the screen.

According to the above quoted survey by Research and Markets, the biggest companies in the global online gambling sector are 888 Holdings PLC, Bet365 Group Ltd., Betsson AB, William Hill PLC, GVC Holdings PLC, Kindred Group PLC, Sky Betting & Gaming, Stars Group Inc., Ladbrokes Coral Group PLC and Paddy Power Betfair PLC.

Until now, TIB has been generating its revenue entirely on the Bulgarian market, but by the end of 2022 it plans to also operate in Kenya, Peru and Ukraine. Through its counterparts, the games of CT Interactive EOOD (in particular, online casino slot games) are available (directly or through distributors/aggregators) in over 100 countries on all continents (information about the counterparts, contracts therewith and main markets is presented respectively in items 5.1.1. and 5.2 of this document), respectively, the potential is very much dependent on the global market development. In 2021, the acquired gaming content generates almost half of its revenue from the Bulgarian market – 48%. The other areas with more significant presence are the countries from Central and Eastern Europe and the former Soviet republics (about 23%), the Eurozone and other developed countries (about 21%). Out of the other regions, Peru is a significant market with over 5%. The table below presents key macroeconomic data about the main markets where TIB intends to operate.

	Bulgaria	Peru	Ukraine	Kenya
Population, million	7	33	44	54
GDP current (2020), in USD billion	69	202	156	99
GDP per capita (PPP, 2020), USD	24,367	11,879	13,057	4,452
Forecast economic growth (2021)	4.10%	8.50%	3.80%	5.00%
Access to Internet (% of population)	71%	29%	64%	43%
Mobile subscribers (%of population)	136%	64%	61%	104%

Source: World bank, market surveys

Bulgaria

According to preliminary NSI data, at the beginning of 2021 Bulgaria's population is about 6.9 million people, almost 76% of whom live in cities. The gross domestic product (measured in purchasing power parities) according to 2020 Eurostat data is USD 164.6 billion, which is 55% of the EU average. Again based on Eurostat data, about 71% of the population or over 4.9 million people have access to the internet, which is comparable to the averagely high internet access level in the Balkan region. Internet speed is among the highest in Europe thanks to the competition between multiple big and smaller internet suppliers. Over 52% of internet users access the web through a smartphone, while 47% use a laptop, tablet, or computer.

The use of mobile devices/smartphones is comparable to the average European level, and the number of active subscribers is 9.5 million people (136% of the population), and many Bulgarians use more than one phone/operator. Over 84% of subscribers have access to high-speed mobile internet (3G-5G).

The level of financial services in Bulgaria is comparatively high, and 72% of the population has bank accounts and uses different banking services. Nevertheless, the number of people holding credit cards is comparatively low (about 15%), which is among the lowest levels in Europe. Apart from low income, this is also due to the comparatively poor financial culture, and to the still significant portion of income from the grey sector. Despite this low percentage, accounting to a survey of the Bulgarian e-commerce association. Over 1.6 million Bulgarians shopped online in 2020 and spent EUR 637 on average in the year.

The development of the gambling sector in Bulgaria over the historical period under review, 2018-2021, should be viewed in two separate stages – until 2020 and after 2020.

According to statistics of the BSCG, the state budget revenue generated from the gambling sector for the 2018 state budget amount to BGN 221.6 million, which is 10.5% more than in 2017, while in 2019, almost 308 million was deposited (following restatement of the amounts due based on acts issued by BSCG).

According to the sector analysis performed by the Bulgarian Trade Association of Manufacturers and Operators in the Gaming Industry (BTAMOGI), online games of chance grew in each of the past three years. The registered online organisers of games of chance are a comparatively constant number – from eight at the end of 2017, they increased to 12 in 2018 and again decreased to 11 at the end of 2019. According to various analyses of the sector, online revenue has continuously grown, with an increasing rate in each year in the 2018-2019 period. According to BSCG statistics, revenue from online gambling in the state budget in 2019 amounted to BGN 62.1 million.

2020 was the most challenging year in the history of the gambling history, characterized by significant changes in the sector and in the economic and social environment. Activities were mainly impacted by two events that occurred in the first quarter:

- The revocation of the licenses and suspension of the operation of the two biggest private perators of lottery games – New Games AD, which organized the National Lotter games, Eurobet OOD, which organized the games Eurochance, Lottery Bulgaria, etc., as well as the revocation of the license of the biggest brick-and-mortar gambling operator in Bulgaria, Eurofootball AD, followed by closing down the

regulator State Commission on Gambling and transferring gambling regulation to the National Revenue Agency.

- The restrictive measures related to the spread of Covid – 19, including the closing of brick-and-mortar gaming clubs for continued periods and the suspension of sports events, which also practically 'suspended' betting thereon.

Even though there is no official statistics on turnovers and taxes paid in the sector, it can certainly be said that the drop in revenue was significant, especially for the offline business. The proof is the 17% drop in state revenue from the gambling sector (BGN 257.1 million). There are no official sources, but according to internal estimates, the drop in revenue from gaming clubs is much bigger, though partially offset with a significant growth in the online segment, as far as many offline clients moved to online operators.

Gambling operators' activities were also significantly impacted by the disincorporation of the State Commission on Gambling and the merger thereof into the NRA. This resulted in a significant delay in communication with the operators and when receiving the necessary approvals, which limited the possibilities to introduce changes, such as adding new suppliers to the platform. There was also an adverse effect of the unfair competition of unlicensed operators, which were allowed by the regulator's low activity to expand their market positions. According to various unofficial estimates, the annual turnover of the online gambling market for year 2020 was between BGN 800 and 900 million.

The high growth trend among online operators also continued in 2021, among continuing restrictions, particularly strict in the first four months of the year, when the gaming clubs were closed for continued periods. In the meantime, the resuming of sports events made it possible to restore sports betting income that suffered in 2020 when sports event were suspended, and other prominent ones, such as the Olympic games and the European football championship, were postponed for year 2021.

Competitors and comparison of the Company therewith

At the Prospectus' date, in Bulgaria, the licensed operators present over the past years are Efbet, Winbet, Palmsbet, bet365 and bwin (presented with their trademarks). The latter two are big international operators, bet356 having a more prominent presence. Over the last few months, new market entrants have been several new operators, such as Sesame (Sesame Online EOOD), Alfawin (Alfawin EOOD) and 8888 (Top Bet OOD), the latter having a very active marketing campaign.

Licenses for offering online games of chance are also held by the Bulgarian Sport Totalizator and TSG Interactive Plc. (pokerstars.bg), whose products are in a different segment and in fact do not compete with TIB. Operational in Bulgaria are also an undefined number of unlicensed operators, some of which are big international operators with marked presence on the local market.

Brobet Ltd., Malta (Efbet) is the first operator which for several years was also the only licensed online operator in Bulgaria. It offers practically a full range of games of chance and bets – sports, casino, lotto, live games, chance events, and offer a wide range of games to its clients. Thanks to its long-standing market presence, it has a significant financial and professional capacity, but over the past year lost market position compared to its competitors. It uses the platform of an external supplier, which impacts its ability to quickly react to market changes.

Win Bet Online EOOD (Winbet) commenced operation just a few years ago, with a focus on online casino games. Thanks to games which are recognizable and preferred on the local market, aggressive advertising and strong R&D capacity, it managed to quickly gain a leading market position.

Hillside (New media) Pic, Malta (bet365) is the global leader in online sports betting, having a well-developed and attractive product. The company actively targets the Bulgarian market, and has a leading share in sports betting. Its product mix in online casino games is much less present and has an auxiliary function.

Entain Pic, UK (bwin) is also a leading international company in the segment, whose business profile is similar to that of bet365 – focus on sports betting and online casino as an auxiliary product. Even though it has been present on the Bulgarian market for a few years, it has not actively promoted and has a relatively small market share.

Overview of the other markets where the Company intends to operate

Ukraine

With a population of 44 million people and GDP per capita (measured based on purchasing power) of over USD 13 thousand, Ukraine is one of the biggest economies in Eastern Europe. The suspended military conflict with Russia and the widespread corruption prevent the country from utilizing its full potential. Even though the country is among the first in Europe in terms of literacy and education of the population, unemployment remains high (9.7%), and migration to EU and most of all to neighboring Poland is significant. The economic recovery following the COVID pandemic is slower than expected, and GDP is expected to grow by just 2.8% on an annual basis in 2021, which is due to internal consumption and the strong export-focused agricultural sector.

According to a survey of Factum Group Ukraine, at least 64% of Ukrainians use internet at least once per month, and among people under 45 years of age this percentage is between 82 and 90%. Internet access prices are among the lowest in Europe, and due to the long years of lack of regulation in the sector, local suppliers may choose whether to lay their own cables or hire them. Apart from the higher speed, this competition, also manifest on an infrastructural level, makes it almost impossible to block certain content or applications. This was confirmed in practice by the government's inability to block what it claimed was fake news from Russian sources during the military conflicts in Donetsk and Lugansk. The level of banking and payment services is also good, and according to a survey of the National Bank of Ukraine, at least 56% of the population completed an online transaction in 2020.

Because until the new Gambling Act was adopted in 2020, games of chance in Ukraine were fully illegal, it is hard to assess the size and condition of this sector. According to some market surveys, turnover from games of chance in the grey sector are estimated to amount at more than USD 5 billion per year, although such estimate cannot be officially confirmed.

After gambling was legalized and new regulations were passed, in 2021 the first licenses were issued for online games of chance. The first such license for a period of 5 years was issued in February 2021 to the online casino operator Spaceiks LLC, operating under the Kosmolot brand, for a fee of USD 1.1 million. The government expects that turnover from gambling with licensed operators will reach at least USD 1.4 billion per year, while tax revenue will be USD 300 million per year.

Peru

Peru has long been presented as a model country for the economies of the other South American countries. In the 2004-2012 period, the country had an average GDP growth of 6% per year, which subsequently slowed as a result of the lower prices of raw materials produced by Peru – copper and bismuth, and of agricultural produce. The country was seriously affected by the epidemic, despite the strict restrictive measures taken by the government, and GDP shrank by over 11%. According to an IMF estimate, the forecast recovery rate is 8.5% in 2021 and 5.2% in 2022, supported by the overall post-pandemic recovery.

Peru is among the few countries in South America that can boast a well-regulated and functioning offline gambling sector. With a population of 33 million, of which 9.6 million (29%) have access to the internet, online games of chance attract many foreign and local investors alike.

Betsson	Intralot	Inkabet	Bet365	Apuesta Total	DoradoBet	Other
41%	24%	11%	9%	5%	3%	7%

Source: Semrush, own estimates

There are over 20 local operators on the Peruvian online gambling market, and the first six hold 93% of the total market. Out of the market leaders, only Bet365 and Betsson are international companies, while the other 2 (Intralot and Inkabet, the latter acquired by Betsson in 2021) have the longest history in the country, and Intralot is owned by the main lottery in Peru that has more than 2000 betting points. Sports betting constitutes most of revenue in the online segment, significantly exceeding the share of casino games. International operators are focused on the sports segment, while the local ones control most of the online casino segment.

After the COVID-19 pandemic there has been a change in consumer attitude that resulted in a significant spike in demand for online games of chance via mobile and other internet devices. Sports bets hold the highest share among "games of change", and football remains the sport of choice. According to a survey of the marketing agency Attac, brand awareness and loyalty among users is significant, and the main source of website traffic is direct. The popularity of certain brands is achieved by means of active media advertising, mostly TV, or with multiple physical points of sale that enhance brand popularity.

Kenya

With a population of 54 million and a stable political system, Kenya is among the fastest developing economies in Africa. In 2021, the country was among the ten fastest growing economies on the African continent, and GDP is expected to reach USD 106 billion. The political and economic reforms in the past years resulted in macroeconomic stability, controlled inflation and a fast-developing service sector. Like most countries, Kenya was affected by the 2020 COVID-19 pandemic, and the country's GDP shrank minimally, by 0.3%. However, in 2021 the economy shows signs of recovery, and the expected growth is about 5%.

The market of games of chance in Kenya is growing fast, despite the global crisis. Kenya is currently the third country in Sub-Saharan Africa in terms of gambling turnover (after South Africa and Nigeria), but is first in terms of young clients' number in the region.

What sets Kenya apart from the other African countries is the very high rate of access to the internet – 43%, and most of these users access the net from mobile devices. This widespread digitalization resulted in explosive growth in the online gambling sector, which apart from convenience is the only possibility for many people in Kenya, who live in rural areas. As early as 2019, 88% of online gamblers used their mobile phones, and this percentage will probably continue to increase.

Another factor that contributes to the growth of online gambling is M-Pesa, an online payment service that is very popular in the country. The Kenyan economy is still largely cash-based, so credit cards and bank accounts are comparatively rare. M-Pesa overcomes this by allowing cash deposits in retail outlets that can be subsequently used for mobile payments. This significantly expands the potential client base of the online gambling business.

The Kenyan gambling market is dominated by sports betting. Like for other African nations, the most popular sport for betting is football, European championships in particular. Other popular games are online poker and online casino games, but they have not yet caught up with the popularity of sports betting.

There are about 30 licensed sports bookmakers in the country, and according to independent surveys, the overall revenue from sports betting is EUR 2 billion per year. The first online bookmaker that entered the market is SportPesa, which was granted a license in 2013. According to a GeoPoll survey, SportPesa is the most popular gambling platform in Kenya, and 82% of Kenyan clients have or have had an account in the platform. The other most popular operators are Betin, Elitebet, Betika, Mcheza and Betpawa.

B2B GAMBLING MARKET

The B2B gambling market includes the development and sale of the necessary programming equipment and of online games of chance ('software').

The key segments of the B2B market include: overall platform, main system for placing bets; content (games of chance and sports betting are usually separate); hosting; payment services; customer-service related services; marketing services. The separate components may be combined to create an overall "while label" product that can be licensed or bearing the brand of the respective B2C gambling operator, or another supplier holding the respective license.

The B2B sector is regulated to a different extent in the different jurisdiction – in many places, license is required for the "hardware" and "software" produced by different regulators, while elsewhere the "software" is only regulated by the internal standards of the industry and/or producers. Apart from specific gambling regulations, there are also common legal requirements on customer protection and combatting unfair competition.

Although there is no official statistics regarding the B2B sector, its development is directly related to the development of the B2C market. However, the link is not always direct, since it is also impacted by regulatory changes in individual markets, and the entrance/exit of big new players on the respective market.

According to a survey of Regulus Partners, about 20 B2B companies hold about 95% of this market in Europe, and their annual turnovers range from EUR 10 million to EUR 500 million. The market leaders are Playtech and SportRadar (each with turnover of EUR 500 million), followed by Scientific Games, NetEnt, Kambi, etc.

The B2B market in Bulgaria is comparatively well developed and strictly regulated. The equipment and software used by the gambling operators need to registered with NRA, to be produced by a local or foreign producer holding a license under the Gambling Act and to be certified by the Bulgarian Metrology Institute. The gambling software, as well as each new software version, require NRA's prior approval.

The online casino games market is global and it is usual for content producers to distribute games on multiple markets. In Bulgaria, the industry is well developed, with multiple producers, most of whom position their products on foreign markets. The internal market is dominated by local companies, and the market leader is EGT Interactive EOOD, which has significant international presence. CT Gaming AD also has a significant market share and long presence in the segment; online distribution has been acquired by CT Interactive EOOD and will be performed thereby in the future. The other market players include Pragmatic Play, Microgaming.

5.6. Investments

5.6.1. Significant investments made by the Issuer

TIB's business model does not involve significant investments in non-current assets. The platform, the gaming content, technical maintenance, technical infrastructure are used based on contracts with external suppliers and are accounted for as a current expense. The investments made in the 2018-2020 period include the fee to obtain a 5-year license for organising online sports bets and casino games, respectively in years 2018 and 2019. In the same period, the Company invested BGN 9 thousand in a mobile application and a website.

Investments made

In BGN'000	2018	2019	2020	2021 separate*	2021 consolidated *
Non-current tangible assets	**-**	**-**	**-**	**182**	**204**
Furniture and fixtures and other	-	-	-	50	50
Equipment and permanent assets	-	-	-	35	57
Computers and technical equipment	-	-	-	97	97
Intangible assets	**109**	**179**	**-**	**5**	**9 002**
Licenses	100	170	-		80
Software	9	9	-	5	8 922
Investments in subsidiaries	**-**	**-**	**-**	**8 910**	**0**
TOTAL INVESTMENTS	**109**	**179**	**-**	**9 097**	**9 206**

The data for years 2018, 2019 and 2020 is from the audited separate financial statement.
**unaudited interim financial data*

In 2020 and in particular in 2021, activities expanded significantly and in 2021 non-current assets were acquired to equip working places, such as office and computer equipment. In 2021 the Company made its biggest investment to date – it invested BGN 8.91 million in the 100% owned subsidiary CT Interactive EOOD. This included the acquisition of the online casino platform used by TIB and a 10-year license for the online distribution of over 180 slot and other games of chance. Under the license, CT Interactive EOOD holds the exclusive right to distribute online and otherwise dispose with the gaming content subject to the contracts. The subsidiary also accounts for an investment of BGN 80 thousand – the fee to obtain a license for the production and distribution of gaming content in Bulgaria.

In 2021, the Group invested and additional BGN 22 thousand in software development (TIB – BGN 5 thousand, and CT Interactive EOOD – BGN 17 thousand).

5.6.2. Significant investments currently being made by the Issuer

The main investments that the Group plans will be mainly focused on entering new markets – Peru and Ukraine. Commencing operations is planned respectively for the first and second half of 2022. The investments will be mainly focused on advertising and adapting the product to the local market. They will be accounted for as current expense, but are key to holding a sustainable position on the local market. The expectations are for the total investment to amount to about EUR 10 million, and to be made within 18-24 months. Based on the market conditions, this entrance may also be performed by acquiring a local operator. To finance the entry into new markets, the Company will use all funds collected from the public offering, as well as own funds from the Company's current profit and retained earnings.

Though the Issuer's subsidiary, CT Interactive EOOD, the Group is in the process of acquiring technical equipment at the total amount of up to BGN 600 thousand, which is to be completed by the end of 2021. So far, an advance payment has been made of BGN 174 thousand. The investment has been funded with borrowed capital provided by TIB. In order to update and expand the product portfolio, regular investments are planned in new game development and acquisition, amounting to BGN 700-900 thousand per year. The investments will be financed with the Group's own funds.

TIB and the Group entities do not plan other significant investments in the short term and have not undertaken any investment commitments. It is not planned to use external borrowed capital to finance operations or investing activities.

5.6.3. Joint ventures in which the Issuer holds shares.

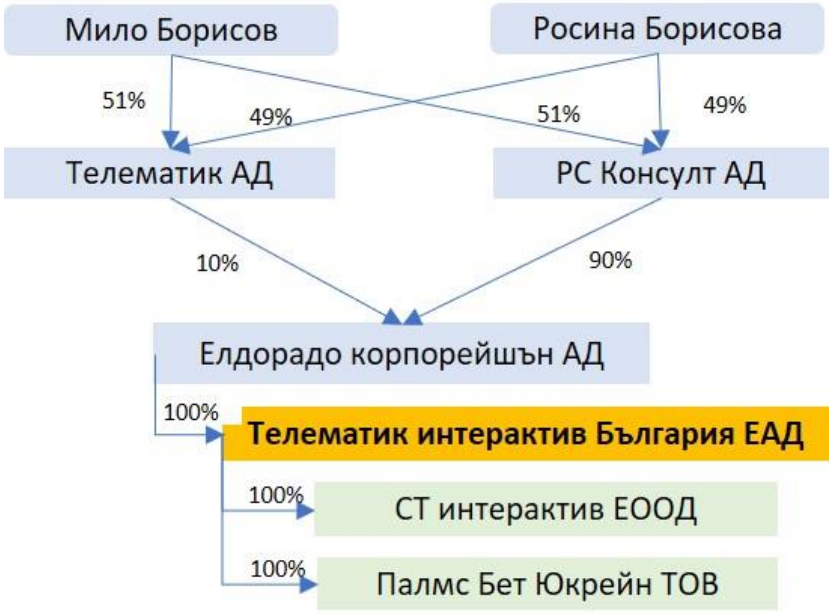
TIB and the Group companies do not have and do not plan to hold interest in joint ventures.

5.6.4. Problems related to environmental protection

The Group's activities are not related to operational activities that directly impact the environment.

SECTION 6. ORGANISATIONAL STRUCTURE

TIB is 100% owned subsidiary of Eldorado Corporation AD. The ultimate owners of the capital are Milo Borisov and Rossina Borisova, who indirectly control 100% of the Issuer's capital.



TIB holds directly 100% of the capital of CT Interactive EOOD, registered in Bulgaria, and Palms Bet Ukraine TOB. CT Interactive EOOD was registered in 2021 for production and online distribution of gaming content. Palms Bet Ukraine TOB was established in relation to entry into the Ukrainian market, and currently it has no assets and is not operational.

SECTION 7. OPERATIONAL AND FINANCIAL OVERVIEW

7.1.1. Historical overview and reasons for significant changes in the Issuer's business activities and financial position

TIB commenced operations seven years ago and over this short period has managed to position itself among the main players on the market of online games of chance in Bulgaria. The Company operates under the PalmsBet trademark (www.palmsbet.com) on the territory of Bulgaria and offers online over 250 slot games, live casino, bingo and table games, and over 20,000 sports events to place bets on. The games portfolio is constantly being expanded by adding various products; over the years, traditional slot games have been supplemented by live stream games, bingo, etc., and in the sports segment, virtual sports games and special events are offered.

Throughout its history of operations, the Company has been entirely focused on its principal activities, through which it generates 100% of its revenue. The revenue from casino games is the traditionally strong segment with 85-90% of revenue, while the rest is generated from sports bets (revenue is recorded as the difference between the bets placed by clients and the profit, bonuses and promotions paid thereto). Online gambling is a comparatively new sector in the industry, and globally, sports betting developed earlier and faster, and most companies in the sector operate in this field. Online casino games constitute a comparatively new segment and are still outside the focus of most global operators. This allowed TIB to achieve fast revenue growth in an environment of growing market and low competition.

For a brief period, sports betting accounted for a significant share in overall revenue, but after the first year since the launch this share has remained stable. In the year, this revenue significantly fluctuates, depending on the available sports events, in particular in football. Big sports events, such as world and European championships, Olympic Games and other similar, boost client activity. The solid growth continued also in 2021 – 59% on an annual basis, but there has been a considerable falling behind in the growth of casino games, due to the higher competition in the segment.

In 2021, TIB also consolidated CT Interactive EOOD, which during the year generated revenue under a management contract with CT gaming AD. Under the contract, CT Interactive EOOD manages the activity related to the online management of gaming content until obtaining the necessary licenses for gaming content distribution.

The biggest expenditure is for marketing and advertising. The Company uses practically all marketing channels – online, sponsorship, outdoor, TV, partnership programmes (affiliates). The latter receive a consideration based on the percentage of revenue generated from clients attracted thereby. Advertising costs mark the biggest increase in the cost structure and reached almost 20% of revenue. The dramatic growth of the market made operators significantly increase the intensiveness of their advertising presence in order to increase their market share. The competitions' aggressive campaign made the other operators also increase their advertising object in order to retain their market position. The competition for positioning in digital channels resulted in a multifold price increase in some of them.

Game suppliers provide content to casino operators in return for a contracted consideration, which is determined as a share of the revenue generated from the respective games. This share is usually determined based on a scale that fixes a lower percentage for higher revenue. In rare cases, a fixed amount is agreed. Over the years, there has been a permanent downward trend in this expense in terms of share of revenue, from 20% in 2018 to below 16% this year – as revenue increases, the percentage of consideration to suppliers has decreased.

In BGN'000	2018*	2019*	2020	9 months 20**	9 months 21**	9 months 21 cons.**
Employee benefits	**465**	**887**	**1,277**	**850**	**2 146**	**2 458**
Hired services	**797**	**1,836**	**11,859**	**7 132**	**23 051**	**23 508**
Game suppliers	*410*	*875*	*4,934*	*3 264*	*8 285*	*8 285*
Advertising	*167*	*599*	*5,067*	*2 784*	*10 436*	*10 496*
Payment services	*165*	*248*	*1,333*	*811*	*3 662*	*3 664*
Software and technical	*37*	*26*	*397*	*233*	*434*	*684*
Administrative	*18*	*88*	*128*	*40*	*234*	*379*
Other expenses	**638**	**1,401**	**7,096**	**4 551**	**11 562**	**11 568**
Tax under Art. 30, Para 4 of GA	*588*	*1,313*	*6,836*	*4 385*	*10 718*	*10 722*
Other taxes	*23*	*60*	*255*	*163*	*422*	*422*
Other	*27*	*27*	*5*	*3*	*422*	*424*
Materials	**5**	**6**	**23**	**9**	**237**	**237**
Depreciation and amortization	**200**	**214**	**208**	**156**	**147**	**410**
Total operating expenses	**2,105**	**4,343**	**20,463**	**12 698**	**37 143**	**38 181**
Share of revenue						
Employee benefits	**22.6%**	**19.3%**	**4.5%**	**4.8%**	**4.1%**	**4.6%**
Hired services	**38.8%**	**39.9%**	**41.7%**	**40.4%**	**43.6%**	**43.5%**
Other expenses	**31.1%**	**30.4%**	**25.0%**	**25.8%**	**21.9%**	**21.4%**
Materials	**0.2%**	**0.1%**	**0.1%**	**0.1%**	**0.4%**	**0.4%**
Depreciation and amortization	**9.7%**	**4.6%**	**0.7%**	**0.9%**	**0.3%**	**0.8%**

Total operating expenses	**102.5%**	**94.3%**	**72.0%**	**72.0%**	**70.3%**	**70.7%**
Net profit margin	**-2.5%**	**6.2%**	**26.0%**	**27.1%**	**27.1%**	**26.7%**

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.
** for the purpose of data comparability, the data has been reclassified in accordance with the policy adopted in year 2020*
*** unaudited interim financial data*

Participation in the games is related to the frequent disposal and withdrawal of small amounts, which is more clearly manifest in casino games. The clients' convenience when depositing and withdrawing funds is particularly important and TIB provides possibilities through a large number of payment operators – card payments, bank transfers, Easypay, Cash terminal, mobile wallet. In the prior year, the trend was for a decrease in the shares for payment services until 2020 and a significant increase in 2021. The increase this year is due to the higher fees of some payment operators and the growing share of clients using more expensive payment channels and depositing smaller amounts, more often.

The expenses for suppliers of games, advertising and payment operators, along with the license fee under Art. 30, para 4 of the Gambling Act form almost 40% of the Company's operating expenses. The license fee is statutorily fixed, and the costs for gaming content and payment fees are similar for all operator. For the Company's competitive position, an effective marketing strategy is key to attracting customers, as is the product quality and retention services. By means of its investment in gaming content (through CT Interactive EOOD), apart from prospective new growth segment, TIB also gained significant advantage, given the fact that these games accounted for about 18% of overall costs for game suppliers.

Revenue is determined based on the number of active clients (that placed at least one bet in the month) and the average revenue generated from each client. Over the past two years, the increased revenue is the result of both factors, and growth was particularly high in 2020. Usually clients in this segment have low loyalty to a competitive brand and have accounts with more than one operator, the leading factor for choice being the current promotional activity of the respective operator. The increase in average revenue indicates the higher retention rate thanks to the product, servicing and attractive conditions. In 2020, another factor was the restrictions in gaming clubs, which resulted in redirecting clients' budgets to online gaming. The main non-financial indicators related to the Issuer's activity are presented in the table below.

Average monthly	2018	2019	2020	9 months 20**	9 months 21**
Active clients	1 432	5 329	19 340	16 849	46 190
Growth		*272%*	*263%*		*174%*
Average revenue per client	120	72	122	116	127
Growth		*-40%*	*70%*		*9%*
Revenue growth		*124%*	*517%*		*200%*
% discontinued clients	20%	22%	9%	11%	7%
Retention rate*	37%	49%	53%	53%	57%

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.
** ratio between new active clients to registrations in the month*
*** unaudited interim financial data*

There is also a significant improvement trend in the share of discontinued clients, to the low levels of 7% on average per month, which is significantly below the industry average. The improvement in this indicator and the retention of the client base for a continued period is the result of the actions taken to continuously improve the offered product and satisfy clients' needs of varied content and services.

After 2018 there has been a significant improvement in the share of new customers in terms of percentage of all registrations on the website, as a result of the improved targeting of advertising, which attracts a larger number of potential clients to the website.

7.1.2. Significant factors, accidental events and new circumstances that have a significant impact on the Issuer's revenue

Online gambling is a relatively new segment in an early development stage and low saturation and long-term potential for growth dictated by the migration of clients from brick-and-mortar points to online services. Sports betting has been on the Bulgarian market considerably longer, represented by big international operators and locally established ones. The casino games segment is significantly newer and had insignificant presence until five years ago. The early entry into an emerging market allowed TIB to reach a three-digit growth in revenue per year. A significant change occurred in the market's development in 2020, as a result the increase in revenue reached 517%.

Restrictive measures related to the spread of COVID-19

The restrictive measures on movement and in particular the closing down of offline gaming clubs and the requirement for social distancing resulted in a shift towards demand for online services. In the changed environment, TIB reacted quickly by changing its development strategy and expanding the network of partnership programmes (affiliates) and marketing channels in all directions, offering varied and innovative bonus schemes and considerably increasing its advertising campaigns. The marketing content itself was adapted to the clients that migrated from brick-and-mortar gaming clubs with bonus schemes specially adapted for them. In the meantime, the channels were selected and tested for relevance and efficiency. This made it possible to control costs in view of achieving maximum results, while in the meantime the number of active clients and the time spent on the website dramatically increase. The relief of measures resulted in a limited withdrawal of clients and subsequent recovery, and TIB continues to account for a growth in revenue, though lower, in the remaining months. The suspension or postponing of sports and other events, in particularly football ones, had a very adverse effect on sports betting revenue, which quickly recovered to its former and even higher levels after the restrictions were lifted.

In BGN'000	2018*	2019*	2020	9 months 20**	9 months 21**	9 months 21 cons.**
Total revenue	**2,054**	**4,606**	**28,413**	**17,638**	**52,855**	**53,982**
Growth, %	**92%**	**124%**	**517%**		**200%**	-
Casino games	1,885	3,953	24,257	14,873	48,382	48,382
Growth, %	76%	110%	514%		225%	-
Sports betting	169	653	4,156	2,765	4,391	4,391
Growth, %	0%	287%	536%		59%	-
Other services	-	-	-	-	-	1,127
Other revenue	-	-	-	-	82	82

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.
** for the purpose of data comparability, the data has been reclassified in accordance with the policy adopted in year 2020*
*** unaudited interim financial data*

In order to meet the dramatic increase in volumes in an adequate manner, and along with the major task to ensure staff's security, significant changes were made to the organisation of practically all aspects of the Company's activities:

- *Staff was doubled to 50 people at the end of 2020.* Conditions were created for rotational remote work, providing the respective conditions for protected communication environment. The sharp increase of employees resulted in an overhaul of the internal organisation, the allocation of duties and work rules.
- *Enhanced technical capacity.* The almost 5-fold increase in active clients increased the traffic generated by the website, which is also related to the respective increased capacity of the network and technical equipment; migration was carried out from local servers to an external cloud computing infrastructure and the capacity of internet connectivity was significantly increased.
- *Platform development.* Significant investments were made in adding new capabilities and functionalities to the platform, in order to improve out flexibility and abilities to offer new and attractive conditions to clients and increase their satisfaction. It was important to ensure stability and capacity of the technical base, which is crucial for service quality and continuity. The connection to new operators and content suppliers was extended.

The pandemic significantly increased the migration to online services, and the adoption thereof by a wider range of users has an accelerating effect, since it increases the service popularity and clients' willingness to move onto a new method of gaming. This contributed to the higher than usual growth in 2021.

Discontinuing operation of the biggest online operator in the country

The dropout of a major competitor freed significant market potential for existing operators. A large number of existing clients sought an alternative, which increased the number of newly registered clients on our platform. The effect of this event was comparatively short-lived in terms of impact on revenue growth, mainly in the end of the 1st quarter and the beginning of the 2nd quarter. After this period, revenue remained at its new higher levels.

Operations were significantly impacted by the closing down of the State Commission on Gambling and the transfer of its activities to the NRA. This resulted in a significant delay in communication with the operators and when receiving the necessary approvals, which limited the possibilities to introduce changes, such as adding new suppliers to the platform. There was also an adverse effect of the unfair competition of unlicensed operators, which were allowed by the regulator's low activity to expand their market positions.

7.1.3. Expected future development, Issuer's R&D

Given the early stage of market development and the low saturation rate, online gambling has the potential for long-term high growth rates, both domestically and globally. The plans are to accelerate expansion in both segments, B2C (online casino) and B2B (gaming content distribution). The entry into the B2B segment allows TIB to expand its potential to generate additional revenue from the market it operates on, as well as to enter new markets through established local operators. It will continue to aggressively expand its capacity, both in terms of number and staff qualification, and to expand the technical infrastructure. The key to development is investing in the products offered by TIB, improving the platform's technical capabilities, expanding the games portfolio and client services.

B2C

Increasing market share on the Bulgarian market

In order to attract a wider range of clients, TIB is in the process of adding new content suppliers to increase diversity, target groups of customers with specific interests, and seek greater dynamics in entertainment. Investments are made in product development by adding new functionalities and improving flexibility. The development and implementation of programmes to analyze activity and provide client feedback allows the provision of more and more adequate offerings and increasing user satisfaction.

Entering new markets

In order to accelerate the development and diversify risks to operations, TIB plans to enter new markets. When selecting markets, the Company seeks one at an early development stage, with low saturation level and low competition intensity. Over the past years, there has been a marked trend of opening new markets that were previously unregulated or where gambling was entirely banned, which opens many new possibilities for development. Such is the Ukrainian market, which was licensed this year, and where TIB plans to enter in the second half of 2022; the activities will be carried out through the subsidiary Palms Bet Ukraine TOB. In the first half of 2022, it is planned to commence offering the service in Peru. Both markets are significantly larger than the Bulgarian one and for successful positioning, significant marketing investments are planned, and if appropriate opportunities exist – acquisition of a local operator.

Preparation for entry into Kenya is at an advanced stage and is expected to commence by the end of 2021. Due to the specifics of local legislation, which requires that an online license be issued only if brick-and-mortar operations exist, the service will be offered through a local related company, and the management will be done by TIB. When entering this market, it is not planned to make specific investments, and TIB will finance them with own funds.

An important advantage is the good knowledge of the specifics and features of the target markets as a result of the experience gained in operations in other gambling segments, and the product offered is familiar to the local market.

B2B

Development of the product portfolio

The newly incorporated subsidiary CT Interactive EOOD acquired rights over OGP (online gaming platform) and a portfolio of over 180 games from CT Gaming, which it will develop. The portfolio is planned to be expanded with internal developments and acquiring content from external companies.

Expanding market positions

CT Interactive EOOD obtained a license for the production and distribution of gaming content in Bulgaria, Romania and Malta. This will make it possible within several months to conclude contracts with the operators that are currently using the games owned by CT Interactive EOOD. It is at an advanced stage of negotiations with operators in Argentina, and the priority is entering leading markets such as Italy and Spain.

The Group companies do not have their own capacity and do not perform R&D activities. The software developments are acquired from external suppliers or assigned thereto. Any current modifications, improvements and customizations to the online platform are done by assignment of the Group companies and are implemented by external suppliers.

SECTION 8. CAPITAL RESOURCES

8.1. Information regarding the Issuer's capital resources

To finance its operations, TIB uses entirely own funds – capital contributions and retained earnings. Liabilities are entirely current and are formed from client deposits and expenses related to operations accrued for the prior month. With the exception of marketing, almost all other expenses are accrued at the end of the month and are due in the next month.

The provision of online services does not require a big volume of investments in non-current assets. The existing ones constitute intangible assets (software products and licenses), and in 2021, office and technological equipment was capitalized and purchased. In 2021, TIB made contributions to the capital of CT Interactive EOOD at the amount of BGN 8.9 million, which was accounted for as investments in subsidiaries in the separate financial statements. The contributions made are invested in the acquisition of software products (online platform and games). On consolidated basis, as at 30 September 2021, intangible assets were accounted for with carrying amount of BGN 8 million, and non-current tangible assets of BGN 0.3 million.

Current assets comprise mainly cash. The Company does not maintain inventories, and for participation in games the clients deposit funds in advance, as a result of which no receivables from clients are stated. Current receivables are minimal and comprise mainly taxes and advances balances. The Company granted loans to related parties, and at the end of 2020 their amount was BGN 7.6 million. These loans were repaid in 2021. The outstanding loans and interest as at 30 September 2021 amount to BGN 591 thousand, of which BGN 405 thousand is to the subsidiary CT Interactive EOOD. On consolidated basis, receivables are for VAT refundable (BGN 720 thousand), month consideration under a management contract (BGN 228 thousand), deferred expenses (BGN 62 thousand under current licensing procedures). The accumulated receivables under the management contract are short-term in nature and will be repaid within 3 months in relation to the termination of the management contract.

	2018*	2019*	2020	9 months 21**	9 months 21 cons.**
Current assets	*1,275*	*1,367*	*6,439*	*15,716*	*17,175*
Cash and cash equivalents	1,171	1,125	5,311	15,410	15,854
Receivables	104	27	11	115	907
Receivables from related parties		215	1,117	19	242
Business loans	-	-	-	172	172
Non-current assets	*523*	*1,007*	*6,770*	*9,598*	*8,299*
Non-current tangible and intangible assets	521	486	277	288	8,299
Loans to related parties, etc.	2	521	6,493	400	-
Investments in subsidiaries	-	-	-	8,910	-
Total assets	**1,798**	**2,374**	**13,209**	**25,314**	**25,474**
Liabilities	*303*	*593*	*4,044*	*6,571*	*6,646*
Trade and tax payables	137	252	3,086	5,001	5,028
Client deposits	121	221	737	1,227	1,227
Payables to personnel	45	120	221	343	391
Equity	*1,495*	*1,781*	*9,165*	*18,743*	*18,828*
Share capital	2 909	2 909	2 909	4 000	4 000
Reserves				400	400
Retained earnings (uncovered loss) from prior years	-1 363	-1 415	-1 128	25	25
Current profit	-51	287	7 384	14 318	14 403
Total equity and liabilities	**1,798**	**2,374**	**13,209**	**25,314**	**25,474**

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.

** for the purpose of data comparability, the data has been reclassified in accordance with the policy adopted in year 2020*

*** unaudited interim financial data*

8.2. Explanation and description of the sources of Issuer's cash flows

In BGN'000	2018*	2019*	2020	9 months 20**	9 months 21**	9 months 21 cons.**
Proceeds from clients	6,041	13,239	88,164	54,186	186 465	187 105
Payments to clients	-3,879	-8,528	-59,247	-36,207	-133 307	-133 307
Payment of taxes and fees	-582	-1,204	-6,436	-4,083	-11 148	-11 148
Other payments	-1,430	-2,678	-11,603	-6,892	-25 323	-25 546
Cash flows from operating activities	*150*	*829*	*10,878*	*7,004*	*16 687*	*17 104*
Acquisition of non-current assets	-100	-170	0	0	-145	-9 427
Loan-related payments, net	0	-706	-6,687	-5,137	2 762	3 162
Acquisition of financial assets	0	0	0	0	-8 910	0
Cash flows from investing activities	*-100*	*-876*	*-6,687*	*-5,137*	*-6 293*	*-6 265*
Cash flows from investing activities	*-6*	*-*	*-*	*-*	*-281*	*-281*
Foreign exchange gains/losses	*-*	*-1*	*-5*	*-3*	*-14*	*-15*
Net cash flow	**44**	**-48**	**4,186**	**1,864**	**10 099**	**10 543**

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.

** for the purpose of data comparability, the data has been reclassified in accordance with the policy adopted in year 2020*

*** unaudited interim financial data*

Cash proceeds are from client deposits. Usually, clients deposit funds at the beginning of the game and withdraw the deposits and profits made shortly after the completion thereof and maintain minimum account balances. The cash flow from operations is formed by the difference between the client deposits made and payments to clients, suppliers, the state budget, and employees.

Until 2020, the cash flow from investing activities comprised mainly loans granted to and repaid by related parties. In the middle of 2021, these loans were repaid. In 2021 in the separate financial statements, the investments of BGN 8.9 million in financial assets constitute the contributions made to the capital of CT Interactive EOOD. In the consolidated statements, the intangible assets (software) acquired by CT Interactive EOOD amount to BGN 9.5 million.

The cash flow from financing activities has been insignificant in the past three years. In 2021, dividend was paid at the amount of BGN 281 thousand. The full amount of the distributed dividend is BGN 4,740 thousand, and the difference of BGN 4,459 thousand was offset against a receivable of TIB from the sole owner of the capital, Eldorado Corporation AD.

8.3. Information regarding the need of loans of structure of financing

TIB uses own financing. It used borrowed capital of BGN 7 thousand, repaid in full in year 2018. TIB has no loans or credit lines and does not plan to use such in the future.

8.4. Information regarding potential restrictions over the use of capital resources.

Card payment operators require a guarantee amount of 3% of the deposits received. When clients deposit funds, the value date to TIB may be within 7 days. In the meantime, clients; virtual accounts are credited immediately and the client can play or make a withdrawal on the same day. Thus, a significant portion of the available cash is not freely disposable for payment until the value date.

There are no other restrictions over the use of the Company's assets.

8.5. Information regarding the expected sources of funding necessary to fulfil the commitments under item 5.7.2.

The current investments in developing activities will be funded with own funds from the Company's retained earnings. To finance the expansion of its operations in Peru and Ukraine, the Company plans to use the funds received from the capital increase, subject to this offering.

SECTION 9. Legislative environment

This section provides a summary of the significant regulations related to the Company's operations and in particular the ones related to placing bets and games of chance in Bulgaria and in the countries where the Company intends to actively operate in the future, namely Ukraine, Peru and Kenya, at the date of this document. This section does not aim to provide an exhaustive or complete description of the entire regulatory framework referring to the Company's operation, but to highlight the main regulatory requirements that need to be observed so that the Company can operate as an operator of sports betting and gambling activities.

The Republic of Bulgaria is a market economy with a developed private sector and liberalized access to markets with over 560 million users and low corporate tax rate – 10%. Bulgaria has been a member of the World Trade Organisation since 1 December 1966, and since 1 January 2007 – also of the European Union (EU). The Bulgarian economy is characterized by macroeconomic stability, exchange rate fixed to the EUR, low inflation, low state debt and budget and fiscal sustainability. There is a possibility for applying zero income tax for investments in municipalities with high unemployment, and increased depreciation rates (50%) for investments in new machinery, production equipment and tools; computers, periphery and software. On the territory of Bulgaria, there is a possibility for tax credit under a special VAT procedure for import when implementing investment projects. The tax policy enforces 5% tax on dividend and 10% "flat tax rate" on the income of natural persons. Bulgaria has the smallest tax weight for households and business in the entire EU.

As an EU member, Bulgaria is significantly more attractive for foreign investments and the operations of foreign and mostly European companies in the country is facilitated. This applies in particular to the financial service sector, due to the possibility for credit, insurance and other financial institutions licensed in other EU member states to do business in Bulgaria under the conditions of free provision of services.

The Issuer's activity, the issue, acquisition, disposal, and exercise of rights over Issuer's shares is governed by and regulated by the Bulgarian legislation, as well as by the directly applicable legislative acts of the European law.

The main statutory acts regulating the Issuer's status and management, as well as its relations with shareholders are the Commercial Act and – after acquiring the status of a public company – the Public Offering of Securities Act and its implementing bylaws, the Measures Against Market Abuse with Financial Instruments Act and Council Regulation 596/2014 of the European Parliament and the Council of 16 April 2014 regarding market abuse (Regulation on Market Abuse).

The Issuer's activity as licensed operator of games of chance is governed by the Gambling Act and its implementation bylaws.

EUROPEAN UNION

Betting and games of chance are not subject to harmonization at EU level, and individual member state have full rights to determine the conditions for activities in this sector. The regulations applicable to the sector have been subject to multiple reviews by the European Court of Justice. In its decisions, the Court

states that it has no intention of treating the gambling business as a usual market sector that needs to be governed by free market rules. Due to the public and social attitude to the sector, as well as to ensure protection from criminal activity and fraud, it is admissible for the member states to restrict or even ban such activities or to require that a portion of revenue therefrom is used for social and charity activities, sports or culture.

In addition, the Court points out that the individual member states are free to not only determine the level of consumer protection and maintain public order with respect to the sector, but also in relation to the competition provisions. For instance, member states have the right to ban a certain game of chance on their territory, but may also provide the exclusive right to organize such a game to one entity or to a limited number of operators, thus restricting competition in the sector and protecting consumers from gambling addiction. On the other hand, according to the court practice, upon applying restrictive measures, it should be determined whether they are appropriate and proportional to achieve the aims pursued and whether they are discriminatory. The member states that permit competition in the sector should ensure conditions for making it transparent and non-discriminatory.

The development of European legislation (for instance, with respect to e-services) and further decisions of the European Court of Justice might impact the local legislation and result in changes to gambling-related regulations.

BULGARIA

In June 2012 the Bulgarian Parliament adopted the effective Act on Gambling (GA), which was subsequently amended and supplemented multiple times, the most serious changes being made in 2020. GA envisages the main principles for the regulatory regime over gambling operations, namely permitting an exhaustive list of approved games of chance that may only be organized by state or private entities holding a license to organize games of chance.

State oversight and licensing in the field of gambling and gambling-related activities is performed by the Executive Director of the National Revenue Agency (NRA), after pursuant to the amendments to the GA in 2020 the then existing State Commission on Gambling was closed down.

Licenses to organize any of the permitted games of chance, incl. online gambling, may be issued to Bulgarian legal entities or companies registered in another EU member state or in the Swiss Confederation. These entities should meet requirements regarding capital, owners, organisation and equipment, described in detail in the GA and different for the different types of games of chance.

The centralized computer system (CCS) of the organizer of online gambling should have a system for registration and identification of the participants in the games, as well as a system for storage and real-time transmission to a NRA server of information regarding simultaneous gaming sessions, the bet placed by each participant, and the profit paid out to each participant. The CCS should provide include online registration of each transaction in the NRA system. Receiving bets and paying profits should be done through a bank account with a bank licensed in the EU, Switzerland or another state that is party to the EEA Agreement.

The term of licenses to organize games of chance is five years, unless the applicant requested a shorter term. If the amount of investments specified in the GA is exceeded and preliminarily proven to NRA, the term may be ten years. A license may be revoked temporarily (for a period of 3 to 6 months) or permanently upon violations specified in the GA.

Games of chance may only be organized with gaming equipment registered with NRA /Art. 20 of GA – the Bulgarian Metrology Institute shall maintain registers of the types of modifications of gaming equipment and software/ produced by a local or foreign producer issued with a license and under the GA and certified

by the Bulgarian Metrology Institute. The gambling software, as well as each new version thereof, should be approved by the NRA.

The gaming server and the database server of the applicant may be located on the territory of Bulgaria or on the territory of another EU member, or the Swiss Confederation. Nevertheless, the applicant should have a backup server on the territory of Bulgaria, containing information about all bets and profits made on the territory of Bulgaria. This server should contain information about all simultaneous gaming sessions, bets placed and profits paid out to each client, to be presented to NRA if necessary.

The state may organize a traditional lottery, numerical lottery games, instant lottery, betting on sports results and horse and dog races and games organized online in a casino through the State Enterprise Bulgarian Sports Totalizator at the Ministry of Youth and Sports, in which the state holds 100% interest. Bulgarian Sports Totalizator does not hold exclusive and/or monopoly legal rights over any game of chance.

Types of games

According to the GA, only the games of chance exhaustively listed therein may be organized on the territory of Bulgaria, either offline or online. Such games include:

- Lottery games (traditional lottery, numerical lottery games, incl. pools, lotto, bingo, keno and varieties thereof; instant lottery and raffle may not be organized online);
- Games with betting on sports results and horse and dog races;
- Games with betting on chance events;
- Betting games related to knowledge of facts;
- Slot machine games;
- Casino games (including roulette, poker and other card games).

In order to reduce or avoid potential adverse economic, social or personal consequences for vulnerable people and their families, protection measures are applied that aim to ban or not permit these persons to participate in games of chance. Vulnerable persons are minors; persons placed under complete or limited restriction; people considered to have gambling issues; persons whose social status and/or income level may make them more susceptible to participation in games of chance and developing a gambling addiction. In order to prevent the occurrence and solution of problems related to gambling addiction, the organizers of games of chance should place on a visible place on their webpages a message notifying users of the risk of gambling addiction and the possibilities for consultations and treatment of gambling addiction. The organizers of games of chance (including online) are obliged to not permit the presence/participation in games of chance of persons under 18 years of age.

The regulations on advertising ban direct advertising of games of chance. It is permitted to announce the names and rules of the games, including prizes, discounts, bonuses, coefficients and free bets, without participant/s in games of chance that have won prizes; the organizers' registered trademark; results from games and profits made. The organizers of games of chance that have obtained a license pursuant to this Act, are allowed to sponsor events supporting sports, culture, healthcare, education and social activities. The legal entities and sole traders that publish, air or disseminate the advertisement are obliged to publish on their websites the National Ethical Rules on Advertising and Communication, including advertising games of chance. The legal entities and sole trades which publish, air or disseminate the advertisement are obliged to comply with the rules in the above sentence.

Taxation of games of chance

To maintain a license for organising games of chance (traditional lottery, raffle, pools, lotto, bingo, keno and varieties thereof, games with betting on sports results and horse and dog races, games with betting on chance events, with the exception of online bets, a state fee is collected at the amount of 15% of the pledges made for each game, and for games of chance for which fees and commissions are collected for participation – at the amount of 20% of the amount of the fees and commissions received.

To issue and maintain an online gambling license, a two-component state fee is collected comprising a one-off fee at the amount of BGN 100 thousand and a variable portion of 10% of the difference between the amount of bets placed and profits paid out, and for games of chance for which fees and commissions are collected for participation – at the amount of 20% of the amount of the fees and commissions received. The latter is deposited on a monthly basis within 15 days from the end of the respective month, based on a declaration submitted to NRA.

Other regulations applicable to the Company's operations

The operators of games of chance are obliged under the Measures Against Money Laundering Act to have a system for identification and inspection of their clients and clarification of the source of the funds they operate with. They are required to establish the necessary system for internal control and storage of the information related to these checks.

The operators of games of chance are also obligated persons under Council Regulation 2016/679 regarding personal data protection (GDPR). Pursuant to this Regulation, each operator should be registered as a personal data processor and adopt a Personal Data Policy that includes rules and procedures for granting and withdrawing consent for personal data processing, rights and procedures for video surveillance and processing personal data on video recording, rights for storage and provision of these data to third parties, and well as rights for destruction thereof.

UKRAINE

Until the new Gambling Act was approved in 2019, games of chance in Ukraine were entirely illegal and in the grey sector. Despite the resistance of some MPs, following the personal interference of President Vladimir Zelenski and following some amendments and supplements, it was adopted by the Supreme Rada (Parliament) in January 2020.

The companies applying for a license should be registered in Ukraine and should meet requirements regarding capital, owners, organisation and equipment, described in detail in the Act. The software used by the operators may be connected to an online monitoring system operating in accordance with international standards and certificates and should meet the technical requirements.

Currently, the Ukrainian legislation determines the following rules governing the gambling industry:

- The companies working in the gambling industry, including casinos, gaming clubs, game machines and bets, should pay: (i) corporate tax on their financial result (profit) at 18% general rate; and (ii) additional tax ("tax on gambling") on their revenue from gambling activities;
- The "tax on gambling" is currently determined in the following way: (i) 10% of the gross income from gaming machines; and (ii) 18% of the revenue from bets and other games of chance less the amount of profit paid out to clients;
- The "tax on gambling" is not deducted from the profit.

In addition, all profits paid out to clients are currently charged 18% withholding tax on personal income and 1.5% military tax. The gambling operator making the payment is responsible for withholding and depositing the taxes due on such profits.

PERU

Peru is among the few countries in Latin America that have a successfully functioning gambling sector. The General Directorate of Casino Games and Slot Machines (DGJCMT) at the Ministry of Foreign Trade and Tourism is the body responsible for oversight of games of chance and for ensuring that all operators meet the set standards and rules enacted with the Gambling Act in 2006 and subsequent updates thereof. However, this Act only regulates offline operations, not online ones. There are no restrictions for Peruvians to gamble with online operations, registered in Peru, or licensed outside the country.

Operators of games of chance registered outside Peru are not obliged to hold a license for gambling operations from DGJCMT and may offer without restrictions online games, and transfers to and from these operators aren't restricted either. The same applies to the companies registered in Peru and operating online. They are not imposed additional fees and taxes, unlike offline operators, and are charged the general 29.5% corporate tax. There are no additional rules on tax adjustments on gambling profit.

Three draft acts have been submitted to Parliament, including one prepared by DGJCMT, all of which envisages a 12% tax on the net revenue from online gambling, as well as some regulations for operators (analogous to land-based). None of them was developed further and they have not been voted on. In the current Congress (July 2021 – 2026) no draft was been submitted (at October 2021), but this is expected to happen and an Act should be approved in 2022, whose main parameters will not deviate from the previous drafts.

KENYA

Games of chance are legal in Kenya, but the regulatory framework is quite incomplete, obsolete, and subject to frequent changes. The state regulator, the Betting Control and Licensing Board (BCLB), is responsible for the licensing and control of gambling operators. The Kenyan legislation allows most games of chance, including lottery games, betting on sports events and chance events, casino games and slot machines. No legal distinction is made between betting on chance events or knowledge-based betting games, and there are no restrictions on the placing of bets (with the exception of an age restriction).

A license is required to perform gambling activities, which is separate for sports betting and for casino games. Online sports betting has been regulated for over 10 years. In 2020, a requirement was introduced for licenses for the provision of online casino games. The approval is free of charge and is only granted to the operators of casinos and gaming clubs.

The taxation of gambling operations in Kenya changes often and is subject to legal disputes and problems in applying the regulations. The latest changes adopted in 2021 introduce the following tax rates for online gambling operations in Kenya:

- Operators are to be imposed a tax of 15% of the difference between the bets placed and the profits paid out;
- Clients are withheld 7.5% of the amount of bets placed;
- 20% tax is charged on profits paid out to clients;
- Corporate tax of 30%.

The taxes payable by clients are withheld and deposited by the operators.

Apart from the above described, there aren't other factors that affected or could affect significantly, directly or indirectly, the Issuer's operations.

SECTION 10. INFORMATION ON TRENDS

10.1. Description of trends

The main trends are discussed in detail in Sections 5, 7 and 8 of the Registration Document. Below is a brief summary of the main trends since the beginning of the year.

In 2021, the trend of fast growth of the online gambling market increased, supported by several COVID-19 waves. The continuing restriction of operations, and in some cases – complete closing down – of the gaming clubs, and the restriction of social contacts made some clients switch to online entertainment. As client interest and market expansion continued, there was a significant increase in the intensiveness of competition on the domestic market, on the part of both existing operators and new ones. This resulted in an increase in the expenditure to attract and retain clients. The increased volumes contributed to lowering the costs for staff and games suppliers, which have so far been fully offset by the increased costs for advertising and payment services.

Following the date of the latest financial period for which financial information was published, there haven't been changes to the Group's financial position.

10.2. Known trends, fluctuations, requirements, commitments and events expected to have a material impact on the Issuer

There is a long-term trend for increase in users using online services, supported by the growing share of people used to the online environment. The population share with access to the internet is also continuously rising, supported by the supply of affordable smartphones. The restrictive measures are a catalyst that significantly accelerated the rate of migration to online games among offline users. There has also been a significant increase in the share of people adopting online and remote payments. This expands the potential client base and makes it possible to sustain the quick development rates of the industry.

CT Interactive EOOD holds exclusive rights for the distribution of gaming content. At the end of October, the subsidiary obtained the necessary licenses. After performing the respective legal actions, which are planned to be completed by the end of 2021, CT Interactive EOOD will generate revenue from the new activity, which will have a significant impact on the results of Telematic Interactive in subsequent years.

Over the last years, there has been a trend of more and more countries introducing legal regulation over online gambling operations, which opens new opportunities.

SECTION 11. PROFIT FORECAST OR ESTIMATE

The Issuer has not published and does not plan to publish forecast financial information.

SECTION 12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

Item 12.1. Key persons

The Issuer has a one-tier management system consisting of a Board of Directors with three members – natural persons. The term of office of the current Board expires on 30 April 2024.

- Zhivka Milanova Atanasova – Member
- Desislava Peeva Panova – Chairperson of the Board
- Lachezar Tsvetkov Petrov – Executive Director.

Apart from the above mentioned Board members, the Issuer has identified another person with management functions applicable to assessment of the Issuer's knowledge and experience in relation to its principal activity – Roman Alyoshev Dimitrov – Sports Betting Product Manager.

ZHIVKA MINALONA ATANASOVA

Zhivka Atanasova has higher education, major Accounting and Control – Bachelor's Degree, and over 30 years' experience as accountant. In the last five years, apart from the Issuer, she has held the following positions:

Company	UIC	Position	Period from-to
Farel Consult EOOD	203113578	General Manager	March 2020 - present
Kristaliya EOOD	123749198	General Manager	April 2017 - present
DVD EOOD	825361906	General Manager	March 2016 - present

Zhivka Atanasova's business address coincides with the Issuer's address. Zhivka Atanasova has no family relations to other Board members.

DESISLAVA PEEVA PANOVA

Desislava Panova has higher education, Master of Law, with more than 25 years' experience at different positions in the public administration and business entities as head of legal departments, as well as at management positions. In the last five years, apart from the Issuer, she has held the following positions:

Company	UIC	Position	Period from-to
RS Consult AD	121340854	Executive Director	March 2016 – present
Casino Technology Georgia LLC	404527614	Director	January 2017 – present

Desislava Panova's business address coincides with the Issuer's address. Desislava Panova has no family relations to other Board members.

LACHEZAR TSVETKOV PETROV

Lachezar Petrov has higher education, Bachelor in Public Administration and MBA in Accounting and Control, over 10 years' experience in the gambling industry. In the last five years, apart from the Issuer, he has held the following positions:

Company	UIC	Position	Period from-to
CT Interactive EOOD	206387659	General Manager	March 2021 - present
CT Gaming AD	130134141	Board Chair	2019 to 02.08.2021
Eldorado Corporation AD	121425308	Board Member	2019 to 17.03.2021

Lachezar Petrov's business address coincides with the Issuer's address. Lachezar Petrov has no family relations to other Board members.

ROMAN ALYOSHEV DIMITROV

Roman Dimitrov has higher education B.A. in Social Activities, and more than 15 years' experience in the gambling industry. In the past 10 years, he has held senior management positions at leading operators in Bulgaria and Greece. Of them, the last five years at TIB.

Roman Dimitrov has not held any positions outside the Issuer in the past five years. Roman Dimitrov's business address coincides with the Issuer's address. Roman Dimitrov has no family relations to other Board members.

The Board Members and Roman Alyoshev Dimitrov hereby declare that they:

a) have not been convicted of fraud;

b) have not been associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;

c) have not been officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);

d) have not been deprived by a court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer;

e) have not been enforced administrative measures or administrative penalties.

Item 12.2. Conflicts of interests of the administrative, management and supervisory bodies and senior management

The Board Members have declared to the issuer that there are no potential conflicts of interests between their duties as Board Members and their private interests and/or other duties. Roman Alyoshev Dimitrov has declared to the Issuer that there are no potential conflicts of interest between his duties in the function performed thereby and his private interests and/or other duties.

The Issuer is not aware of agreements between the sole owner of the capital, clients, suppliers and other, under which a Board Member is elected as such, respectively – Roman Dimitrov is appointed and assigned duties with the Issuer.

The Board Members and Roman Dimitrov do not own Issuer's shares. There are no envisaged restrictions for Board Members or Roman Dimitrov to dispose with shares or other Company securities, if they hold or acquire such in the future.

SECTION 13. REMUNERATION AND BENEFITS

13.1. Remuneration paid

For the last financial year, 2020, Zhivka Atanasova and Lachezar Petrov received remuneration. Contractual relations with Desislava Panova at TIB commenced on 30 June 2021.

Other than the remuneration listed hereinbelow, in their capacity as Board Members, the abovementioned persons did not receive in the last financial year other consideration or benefits from the Company.

	Accrued remuneration and social security contributions, including provisional and deferred	Bonuses	Contribution in kind	Accrued expenses for pensions, compensations, etc.
Zhivka Milanova Atanasova	BGN 12 180	-	-	-
Desislava Peeva Panova	-	-	-	-
Roman Alyoshev Dimitrov	BGN 92 555	BGN 102 549	-	-
Lachezar Tsvetkov Petrov	BGN 45 047	BGN 102 799	-	-

* The remuneration is received from Telematic Interactive Bulgaria EOOD, whose full legal successor is the Issuer.

13.2. Pensions paid or accrued and other similar compensations

The Issuer has not accrued pensions, compensations or other apart from the statutory amounts for social security contributions.

SECTION 14. PRACTICES OF THE MANAGEMENT BODIES

The Issuer has a one-tier management system, consisting of a Board of Directors with three Board Members:

- Zhivka Milanova Atanasova
- Desislava Peeva Panova
- Lachezar Tsvetkov Petrov

The Company is represented by Lachezar Petrov and Desislava Penova, jointly and separately.

14.1. Term of office

The term of office of the current Board of Directors expires on 30 April 2024 and commenced on 30 June 2021.

Zhivka Milanova Atanasova was the General Manager of the transformed company Telematic Interactive Bulgaria EOOD from 4 April 2016 until its deletion from the Trade Register.

14.2 Service contracts of members of the administrative, management or supervisory bodies concluded with the Issuer or with a subsidiary thereof

The Board members have the following contracts with the Issuer and its subsidiaries:

- Zhivka Milanova Atanasova – Contract for management and control with TIB
- Desislava Peeva Panova – Contract for management and control with TIB
- Lachezar Tsvetkov Petrov:
  - Contract for management and control with TIB
  - Employment contract with TIB
  - Contract for management and control with CT Interactive EOOD

Upon termination of the management contracts, the respective Board Member shall receive not less than 30% (for Zhivka Atanasova and Desislava Panova) and 50% (for Lachezar Petrov) of the base remuneration under the contract for a period of up to 12 months, unless they have other employment income in this

period. Upon termination of the management contract with CT Interactive EOOD, Lachezar Petrov shall receive not less than 50% of the base remuneration under the contract for a period of up to 12 months, unless he has other employment income in this period.

There are no compensations, other than the ones envisaged in the Labour Code, in the employment contract of Lachezar Petrov with the Issuer.

14.3. Information about the Issuer's Audit Committee

The Issuer has not set up an Audit Committee. If the Issuer's capital is successfully increased, respectively, if the Issuer's shares are admitted to trading on a regulated market in accordance with this Prospectus, the Issuer will be obliged to set up an Audit Committee in accordance with the requirements of Art. 107 of the Independent Financial Audit Act. Within 6 months from admitting the Issuer's shares to trading on a regulated market, the Board of Directors will convene a General Meeting of Shareholders, whose agenda will include the selection of the Company's Audit Committee and approval of its status.

The Issuer has not set up a Remuneration Committee and at present does not intend to set up one.

14.4. Statement as to whether the Issuer complies with the applicable corporate governance regime.

Upon successful increase of the capital, respectively, admission of the Issuer's shares to trade on a regulated market, the Issuer will obtain the status of a public entity and therefore declares that it will observe a regime of corporate governance in its capacity as a public entity pursuant to the national Corporate Governance Code of the National Corporate Governance Commission, respectively, the Issuer's annual management report will also include a Corporate Governance Statement pursuant to Art. 100m, Para 7, item 1, in conjunction with Para 8 of POSA.

14.5 Potential material impacts on corporate governance

The Issuer is not aware of potential material impacts on corporate governance, other than the setting up of and Audit Committee stated in item 14.3 hereinabove, and no forthcoming changes to the management and committees have been approved by the Board of Directors and/or the sole owner of the capital.

SECTION 15. EMPLOYEES

15.1. Number of employees

As operations expanded, there was a significant increase in the number of personnel. The biggest increase was in the Customer Service and Marketing departments.

Average annual number of employees by categories (on an annual basis)

	2018	2019	2020	2021	2021 cons.
Managers	3	3	3	6	8
Specialists	3	5	6	17	21
Technicians and applied specialists	2	3	4	10	13
Supporting administrative staff	7	9	12	22	22
Other	1	1	1	1	1
Civil service contracts	1	6	25	29	30
TOTAL STAFF	**17**	**27**	**51**	**85**	**95**

The Issuer does not hire a considerable number of temporary staff.

The consolidated figures include employees of CT Interactive EOOD, who are responsible for the management and development of the online content acquired in 2021.

Palms Bet Ukraine TOB is not operational and has no remunerated staff.

15.2. Shareholding and stock options

The Board Members have no interest in the capital or stock options in TIB or any subsidiary.

15.3. Description of agreements for employee's interest in the Issuer's capital

There are no agreements for employee's interest in the Issuer's capital, including by issuing shares, options or other Company securities.

SECTION 16. MAJOR SHAREHOLDERS

16.1. List of major shareholders

The sole owner of the capital is Eldorado Corporation AD, UIC 121425308, which directly and through subsidiaries operates gaming clubs in Bulgaria and Kenya.

16.2. Different voting rights

At the Prospectus' date, the Issuer has a single shareholder. After the public offering is completed, the Issuer's major shareholders will not have different voting rights from all other shareholders.

16.3. Direct and indirect control over the Issuer

The ultimate beneficial owners of the capital are Milo Stratiev Borisov and Rosina Stratieva Borisova, who indirectly (through the companies controlled thereby, Telematic AD, UIC 121371433, and RS Consult AD, UIC 121340854, holding respectively 10% and 90% of the capital of Eldorado Corporation AD) control 100% of the Issuer's capital.

The Issuer has not introduced special measures against abuse of direct or indirect control.

16.4. Agreements that may result in change of control over the Issuer

At the date of this document, the Company is not aware of agreements whose effect would result in a future change in control.

SECTION 17. RELATED PARTY TRANSACTIONS

The main related party transactions are related to loans granted and license fees for gaming content. At the end of the interim period, all loans have been repaid, with the exception of loans granted to the subsidiary CT Interactive EOOD. By obtaining in October a license of gaming content in Bulgaria by CT Interactive EOOD, the license fees to be due by TIB in the future will be paid to the subsidiary, as well as the costs for technical maintenance related to maintaining the online platform.

The other expenses to related parties are for accounting and legal services, office rental, etc.

In BGN'000	2018	2019	2020	2021*	2021 cons.*
Transactions with owners					
Purchases of goods and services	5	13	13	12	22
Loans granted	36	100	4 398	600	600
Accrued interest	1	3	82	120	120

Transactions with subsidiaries					
Purchases of goods and services				394	-
Loans granted				400	-
Accrued interest				10	-

Transactions with companies under common control					
Purchase of non-current assets					8 900
Purchases of goods and services	86	274	1 414	2 752	2 177
Services granted					1 824
Loans granted	96	618	2 490	1 689	1 689
Accrued interest	1	24	101	87	87

Transactions with key management personnel	**152**	**259**	**357**	**828**	**878**
Salaries, incl. bonuses	139	245	343	813	863
Social security benefits	13	14	14	15	15

Related party balances at period end					
Non-current receivables, incl.:	**0**	**518**	**6 486**	**400**	**0**
- owners		100	3 578		
- subsidiaries				400	0
- companies under common control		418	2 908		
Current receivables from:	**0**	**215**	**1 117**	**28**	**18**
- owners		3	1 005		
- subsidiaries				10	
- companies under common control		212	112	18	18
Total receivables from related parties	**0**	**733**	**7 603**	**428**	**18**

Current payables to:	**16**	**15**	**367**	**233**	**105**
- owners	5				0
- subsidiaries				188	0
- companies under common control	11	15	367	45	105

The data for years 2018, 2019 and 2020 is from the audited separate financial statements.

** unaudited preliminary financial data*

The transactions with related parties are concluded at arm's length.

SECTION 18. FINANCIAL INFORMATION REGARDING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, PROFIT AND LOSS

18.1. Financial information for past periods

18.1.1. Audited financial information for past periods, comprising the last three financial years

The Company's audited separate annual financial statements, in accordance with IFRS, along with the auditor's reports thereon and the management activity reports for 2018, 2019 and 2020 financial years have been duly disclosed and are available on the Issuer's webpage www.telematic.bg. Telematic Interactive Bulgaria EAD has been registered with the Trade Register on 30 June 2021. The financial data for periods before that are of the transforming company Telematic Interactive Bulgaria EOOD, of which the Issuer is full legal successor.

18.1.2. Change in the reference balance sheet date

The Issuer has not changed its reference balance sheet in the period for which financial information for past periods is required.

18.1.3. Accounting standards

The Issuer's financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which have been effective since 1 January of each year presented, and have been accepted by the Commission of the European Union.

18.1.4. Change to the accounting framework

TIB does not intend to change the adopted accounting framework in subsequent published annual financial statements when accounting for accounting standards, policy and legislation applicable to these annual financial statements.

For the 2020 financial year, a change was made to the policy for accounting for revenue. The change made constitutes accounting for revenue on a net basis following the deduction of certain trade discounts and promotions, instead of the pre-2018 accounting for gross revenue and recognition of these deductions within operating expenses.

In the same period, a change was made in the policy for VAT expenses not subject to recovery, and these expenses are now carried to the category of the underlying expense on which the non-refundable VAT was accrued, unlike prior years, when they were carried to a separate category within other operating expenses.

In the audit of the annual financial statements for year 2020, in accordance with the comparability principle, a restatement was made of the comparative information for the prior financial period (year 2019).

In view of the comparability of the financial data presented, in this Prospectus, the financial information for year 2018 has been restated in accordance with the policy adopted in year 2020.

18.1.5. Audited financial information in accordance with NAS

The Issuer does not prepare and present financial information in accordance with NAS.

18.1.6. Consolidated financial statements

In its capacity as parent company in an economic group, the Issuer is obliged to prepare both separate and consolidated financial statements, and this Prospectus contains the relevant information from the separate and consolidated financial statements. It should be taken into consideration that this obligation arose in 2021, respectively, consolidated financial statements of the Group have only been prepared for the interim unaudited period until 30 September 2021.

18.1.7. Validity of the financial information

The latest financial information presented in this Prospectus is from the interim unaudited consolidated financial statements of the Issuer's group at 30 September 2021 and from the Company's interim unaudited separate financial statements at 30 September 2021. The latest audited financial information presented in this Prospectus is from the Company's audited annual financial statements at 31 December 2020.

18.2. Interim and other financial information

Along with the financial information from the Issuer's audited annual financial statements for years 2018, 2019 and 2020, this Prospectus has also used financial information from the interim consolidated financial statements of the Issuer's group as at 30 September 2021, and the Issuer's separate financial statements at 30 September 2021 and 30 September 2021; these consolidated and separate financial statements have not been audited. The interim financial information has been prepared in accordance with IFRS. 2017 data has been used based on audited financial statements for year 2018 for the purpose of calculation of dynamic ratios.

18.3. Auditing of financial information for past periods

18.3.1. Audited annual financial statements

The Issuer's annual financial statements for years 2018 and 2019 have been certified by Silvia Rangelova, ICPA with registration No 0038. The Issuer's annual financial statements for 2020 have been certified by Grant Thornton OOD audit firm, UIC 831716285, with seat and management address: Sofia 1421, 26, Cherni Vrah Boulevard, ICPA with registration No 032. The registered auditor in charge of the engagement is Mariy Apostolov, Registered Auditor No 488.

There have not been adverse auditor's opinions on the financial information by the registered auditors, nor do they contain reserves, change of opinion, restriction of liability or essential remarks.

In the auditor's report on the 2020 financial statements, the following Emphasis of Matter paragraph was included: "We pay attention to Note 2 *Basis for preparation of the financial statements*, where it is disclosed that in 2020 there was a significant increase in the Company's operating volume and revenue as compared to the previous reporting period. The Company's management is currently in the process of analysis and update the existing processes and controls, and taking actions to implement new mechanisms to build an effective system of internal controls that corresponds to the scale and specifics of operations and ensures the effective management of processes and the successful achievement of the Company's objectives. Our opinion has not been qualified with respect to this matter."

The Issuer's consolidated financial statements have not been audited, since the Issuer was only obliged to prepare consolidated financial statements in 2021.

There is no other information in this Prospectus which has been audited by the auditors.

18.3.2. Financial information from other sources

This Prospectus also contains interim-period data. This data has been taken from the Issuer's interim unaudited financial statements at 30 September 2020 and 30 September 2021. There is no financial information from other sources.

18.4. Pro-forma financial information

At the point of preparation of this Prospectus, there are no circumstances that necessitate the presentation of pro-forma financial information.

18.5. Dividend policy

18.5.1. Description of the Issuer's policy on dividend distribution

Dividend is only paid if according to the audited and approved financial statements for the respective year the net value of property less dividends and interest payable is not less than the amount of the Company's capital, the Reserve Fund and other funds the Company is legally obliged to set aside.

By means of a decision of the sole owner of the Capital, TIB, dated 1 October 2021, a Statute was adopted under the condition that the Issuer acquires a public entity status, according to which the Issuer will distribute a dividend of not less than 40% (forty percent) of the prior-year profit. The Issuer may deviate from this policy if this is approved with majority of over 85% of the represented capital or if any of the following conditions is present:

1. Sales revenue for the financial year which the for which profit is subject to distribution has decreased by more than 25% compared to the previous financial year;
2. The profit for the financial year for which profit is subject to distribution has decreased by more than 40% compared to the previous financial year;
3. The interest debt/equity ratio according to the financial statements for the year for which profit is subject to distribution exceeds 1.

18.5.2. Dividends distributed in prior years

TIB has only distributed dividend in the current year. Pursuant to a decision dated 30 June 2021, it distributed dividend at the amount of BGN 4,740,000 or BGN 1.19 per share.

18.6. Legal and dispute proceedings

There are no state, legal or dispute proceedings filed by or against the Issuer and companies from the Issuer's group, and there are no pending proceedings known to the Issuer which might be initiated in the period covering the past 12 months, which may have or recently had a material impact on the issuer and/or the Issuer's group's financial position or profitability.

18.7. Material changes to the Issuer's financial position

There is no material change to the Issuer's financial position, respectively, on a consolidated basis, to the Issuer's group, which occurred after the end of the last financial period for which the audited financial statements or interim financial information were published.

SECTION 19. ADDITIONAL INFORMATION

19.1. Share capital

19.1.1. Amount of issued capital for each class of share capital

The issuer is registered as a sole-owner joint stock company in the Trade Register with the Registry Agency on 30 June 2021, as a result of transformation of a sole-owner limited liability company. The Company's registered share capital is BGN 4,000,000, distributed into 4,000,000 ordinary registered dematerialized shares with nominal value BGN 1 each. All shares from the Issuer's capital have been paid in full. There have been no subsequent changes to capital until the Prospectus' date.

The period covered by the historical financial information covers both the period from the Issuer's registration in the Trade Register on 30 June 2021, and the prior period until the transformation of Telematic Interactive Bulgaria EOOD from a sole-owner limited liability company into a sole-owner joint stock company. Before the transformation, the capital of the predecessor company amounted to BGN 2,909,000, distributed in 29,090 shares, with nominal value BGN 100 each, deposited in full.

In the period covered by the historical financial information, no non-cash considerations or other changes to capital have been made to the Issuer, respectively to Telematic Interactive Bulgaria EOOD.

19.1.2. Shares that do not constitute capital

The Issuer has not issued shares that do not constitute capital.

19.1.3. Own shares

There are no Issuer's shares owned by or on behalf of the Issuer or the Issuer's subsidiaries.

19.1.4. Convertible, exchangeable securities or securities with warrants

The Company has not issued convertible or exchangeable securities or securities with warrants.

19.1.5. Acquisition rights or obligations regarding the share capital not issued and possibilities for capital increase

There are no acquisition rights and/or obligations regarding the share capital not issued.

By means of a decision of the Issuer's sole owner of the capital dated 1 October 2021, a decision was made to increase the Company's capital by up to BGN 400,000 by issuing 400,000 ordinary registered dematerialized shares under the conditions of the initial public offering subject to this Prospectus. Other than the capital increase subject to this Prospectus, no decisions were made and no actions were taken to increase the Issuer's capital.

19.1.6. Capital of a group member which is subject to a stock option or has been conditionally or unconditionally agreed to be subject to stock option

There is no capital of the Issuer or of a member of the Issuer's group which is subject to a stock option or has been conditionally or unconditionally agreed to be subject to stock option.

19.1.7. History of the share capital

In the period since the Issuer's registration in the Trade Register on 30 June 2021 until the date of this Prospectus, there have not been any changes to its share capital.

As far as the period covered by the historical financial information comprises both the period since the registration of the Issuer in the Trade Register on 30 June 2021 and a prior period until the transformation of Telematic Interactive Bulgaria EOOD from a sole-owner limited liability company into a sole-owner joint stock company, it should be pointed out that in this period until the termination of Telematic Interactive Bulgaria EOOD by means of transformation, its capital was BGN 2,909,000, distributed in 29,090 shares, with nominal value BGN 100 each, and after the transformation the capital of Telematic Interactive Bulgaria EAD is BGN 4,000,000, distributed into 4,000,000 ordinary registered dematerialized shares with nominal value BGN 1 each.

19.2. Articles of Association and Statute

19.2.1. Register and registration number. Issuer's principal activities and objectives

The Company was registered with the Trade Register under No 20210630123013. The registration was made on 30 June 2021.

The Company's Statute valid at the date of this Prospectus was posted to the Trade Register with registration No 20210723101004. According to Art. 3 of the Company's Statute, its principal activities are: Organising and holding online gambling (after receiving the necessary license) and all other activities not prohibited by law.

In the provisionally approved Statute (subject to the Issuer acquiring a public entity status pursuant to POSA) with a decision under minutes of the sole owner of the capital dated 1 October 2021, Art. 3 specifies identical principal activities: Organising and holding online gambling and all other activities not prohibited by law.

Neither the currently effective Statute nor the provisional one specify Company objectives.

19.2.2. Rights, preferences and restrictions for each share class

The Company only issues dematerialized shares registered with Central Depository AD. The Company may issue two classes of shares: ordinary shares and preference shares (entitled to additional or guaranteed dividend and/or guaranteed liquidation share, no voting right). Restricting the rights of individual shareholders within a class is not permitted.

All shares from the Company's capital registered at the Prospectus' date, and the shares subject to public offering under this Prospectus are ordinary, registered dematerialized shares. Each ordinary shares gives holders the right to vote in the General Meeting of Shareholders, a right to dividend and liquidation share, in accordance with the nominal value thereof. The summary below provides a brief description of the right to exercise these rights according to the applicable legislation and the Company's provisional Status, applicable after the Issuer acquires the status of a public entity.

Voting rights of ordinary shares

The right to vote in the General Meeting of Shareholders is exercised by persons registered as shareholders with voting rights in the central securities register of the Central Depository 14 days before the date of the General Meeting. Shareholders participate in the General Meeting in person or through a proxy, authorized

by means of a notary-certified written power of attorney, prepared in accordance with the requirements of Art. 116, para 1 of POSA.

Entitlement to dividend

Each ordinary share entitles its holder to a dividend, according to its nominal value. The Company distributes dividends under the terms and conditions envisaged by the Commercial Act, POSA, and the Company's Statute. The General Meeting of Shareholders makes a decision to distribute dividend following the approval of the annual financial statements and in accordance with the provisions of the Commercial Act and POSA. It is envisaged in the Company's Statute, to be effective if the Issuer acquires a public entity status, that the Issuer will distribute a dividend of not less than 40% (forty percent) of the distributable profit for the respective year; this percentage may be lower, if any of the following conditions is present: (a) sales revenue for the financial year which the for which profit is subject to distribution have decreased by more than 25% compared to the previous financial year; (b) the profit for the financial year for which profit is subject to distribution has decreased by more than 40% compared to the previous financial year; or (c) the interest debt/equity ratio according to the financial statements for the year for which profit is subject to distribution exceeds 1. If the distributed dividend is below 40% of the profit and none of the conditions (a) to (c) is present, this decision should be made with a majority of more than 85% of the represented voting shares.

Entitled to dividend are the persons registered with Central Depository AD as such on the 14th day after the day of the General Meeting at which the annual financial statements were approved and a decision was made on profit distribution. The Central Depositary provides to the Company a list of shareholders at the above stated date. Dividend expenditure is covered by the Company. The Company is obliged to ensure the payment to shareholders of the dividend approved at the General Meeting within 60 days of holding it. The dividend payment is done in cooperation with the Central Depository. The persons entitled to dividend may exercise this right until the expiry of the 5-year limitation period, after which the right will be cancelled and the dividend not received will be retained by the Company.

Entitlement to liquidation share

Each ordinary share entitles the holder to liquidation share corresponding to its nominal value. This right arises and may only be exercised if (and as far as) upon the Company's liquidation after the satisfaction of all creditors' claims there is remaining property to be distributed among shareholders and up to the amount of this property. Only the persons registered with CD as shareholders at the moment of Company's liquidation are entitled to liquidation share.

Additional rights granted by the shares:

- Each shareholder, upon capital increase, may acquire shares that correspond to their share in the capital before the increase, which is done by issuing rights to the persons registered as shareholders 5 business days before publishing the offering note (there is an exception for capital increase only available to workers or employees or Board members, and capital increase intended only for certain persons, but only for the purpose of merger, tender offering for share exchange or for warrants or convertible securities);
- Each shareholder, in case of issue of warrants or convertible bonds, has the right to acquire financial instruments of the issued class that correspond to their share before the issue;
- Right to participation in governance by solving matters that lie within the competence of the General Assembly, including electing and being elected in management bodies;
- Right to information, including right to preliminary access to the written materials for the General Meeting agenda and free receipt thereof upon request; right to ask questions at the General Meeting;

- Protective rights, incl. the right to request the District Court responsible for the Company's seat to repeal a decision of the General Meeting of Shareholders that contradicts the imperative provisions of the law of the Statute, right to claim to protect the right to membership and individual membership rights upon violation thereof by Company bodies, the right to request appointment of registered auditors by the Registry Agency if none have been elected.

Rights of minority shareholders

Persons holding jointly or separately at least 5% of the capital of a public entity, upon failure to act on the part of its management bodies that threatens the Company's interest, may file a claim with the court on the Company's part against third parties. The Company itself is summoned as a party to the case. The persons under the previous sentence may:

- File a claim with the District Court responsible for the Company's seat for compensation of damages suffered by the Company as a result of actions or failure to act of the Board Members and Procurators;
- Request the General Meeting or the District Court to appoint controllers to check all of the Company's accounting documentation and prepare a report on findings;
- Request that the District Court convenes a General Meeting of the Company or enforce a legal representative thereof to convene a General Meeting with an agenda determined thereby;
- To request that matters be included and request decisions on matters already included in the agenda of the General Meeting pursuant to Art. 223a of the Commercial Act.
- If the Company has concluded a joint venture agreement – to file a claim with the District Court responsible for the Company's seat for compensation of damages suffered by the C as a result of actions or failure to act of the persons managing the joint venture.

Shareholders who for more than three months have held shares constituting at least 5% of the Company's capital, may request the Board of Directors to convene a General Meeting of Shareholders. If within a month from the request it is not fulfilled or if the General Meeting is not held within three months from submitting the request, the District Court responsible for the Company's seat shall convene a General Meeting or authorize the shareholders who requested the meeting, or a representative thereof, to convene the meeting.

Pursuant to Art. 5, Para 5 of the provisionally approved Statute (subject to the Issuer acquiring a public entity status pursuant to POSA) with a decision under minutes of the sole owner of the capital dated 1 October 2021, the Company may only issue privileged non-voting shares that provide holders thereof with one or more of the following rights: right to additional or guaranteed dividend, right to liquidation share. The specific rights that privileged shares, if issued, will grant shareholders, will be determined by means of the decision of the General Meeting of Shareholders for capital increase, respectively, by means of the decision of the Board of Directors for capital increase within the authorization under the Statute, and through the respective amendment thereof.

19.2.3. Conditions that may result in delay, postponement or prevention of change of control over the Issuer

There are no provisions in the Statute that might result in delay, postponement or prevention of change of control over the Company.

SECTION 20. MATERIAL CONTRACTS

In the March-November 2021 period, six contracts were concluded by means of which CT Interactive EOOD acquired from CT Gaming AD the exclusive rights for Bulgaria and abroad over the Leopard online gaming platform, RGS (remote game server) for gaming content management and the exclusive rights for 10 years for the distribution of a total of 180 games. The total amount of consideration under the contracts is BGN 8,900,000, paid in full. All contracts have identical subject, rights and obligations of the parties. Pursuant to the contracts concluded, CT Interactive EOOD obtained the exclusive rights to reproduce, translate into other languages, revise and offer wireless and via cable to an unlimited number of people access to the games and platforms on the territory of the whole world, and to delegate this right to third parties.

The exclusive rights are granted after obtaining the necessary licenses by CT Interactive EOOD for distribution of gaming content in Bulgaria, Romania and Malta. CT Gaming AD is obliged to terminate prior contracts with third parties whose subject is identical to the abovementioned contracts, and to allow CT Interactive EOOD to replace it as a party thereto. At the Prospectus' date, CT Interactive underwent the process of approval by the regulatory bodies of the respective countries and obtained the requested licenses. By obtaining the abovementioned licenses, CT Interactive EOOD commenced the process of replacing as a party to and signing contracts with third parties using the acquired gaming content. The counterparts and the progress are described in item 5.1.1. There are no other material conditions under these contracts.

Apart from the contracts mentioned hereinabove, there are no other material contracts, other than the ones concluded in the course of the Company's usual business, to which the Issuer or any Group member is a party and which was concluded in the two years immediately preceding the publication of the Registration Document.

There are no contracts concluded by Group members (other than the ones concluded in the course of the usual business) that contains provisions according to which at the date of the Registration document a Group member has an obligation or right material to the Group.

SECTION 21. AVAILABLE DOCUMENTS

The Issuer declares that during the term of validity of the Registration Document, the following documents have been provided for review:

- Issuer's Statute and draft Statute;
- Issuer's audited separate annual financial statements for years 2018, 2019 and 2020;
- Issuer's unaudited interim separate financial statements as at 30 September 2020 and 30 September 2021;
- Issuer's unaudited interim consolidated financial statements as at 30 30 September 2021
- The above listed documents are available for viewing at the following webpages: www.sis.bg and www.telematic.bg

This PROSPECTUS has been prepared by:

Martin Petrov
Executive Director of
SOFIA INTERNATIONAL SECURITIES AD

Lachezar Petrov
Executive Director of
Telematic Interactive Bulgaria EAD

Krasimir Tahchiev
General Manager of
Primo Siglo OOD

Svetozar Abrashev
Procurator of
SOFIA INTERNATIONAL SECURITIES AD

The undersigned, in their capacity as Executive Director of the Issuer, by means of the signature below declares that this Registration Document complies with the requirements of POSA, Council Regulation 2017/1129 and their implementation acts:

_____
Lachezar Petrov
Executive Director of
SOFIA INTERNATIONAL SECURITIES AD

The undersigned, in their capacity as legal representatives of the Offeror, hereby declare that this Registration Document complies with the requirements of POSA, Council Regulation 2017/1129 and their implementation acts:

_____
Rudi Bakov
Executive Director of
Eldorado Corporation AD

_____
Silviya Doncheva
Chairperson of the Board of Directors of
Eldorado Corporation AD