

**To the General meeting
of the shareholders of
Telelink Business Services Group AD**

**REPORT ON THE ACTIVITY OF THE
AUDIT COMMITTEE
for 2020**

Dear shareholders,

The Audit Committee of Telelink Business Services Group AD was appointed with a decision of the General Meeting of Shareholders (GM) of the Company as of 10th September 2020 for a three-year tenure as of the date of appointment. Members of the audit committee for the reporting period are as follows: Anelia Angelova-Tumbeva - president of the audit committee, Yordanka Klenovska and Elvira Dimitrova - members. The same GM adopted also the statute of the audit committee in compliance with the requirements of Art. 107, para. 7 of the Independent Financial Audit Act (PIFA).

Art. 108 of PIFA details the rights and obligations of the audit committee. All they are duly included in the approved statute of the audit committee. The key rights and obligations of the audit committee are: to monitor the process of financial reporting in the company, the effectiveness of its internal control systems, as well as the effectiveness of the risk management systems. Furthermore, the audit committee monitors the statutory financial audit of the company's annual statements, including by verifying and monitoring the independence of the registered auditor in accordance with the requirements of PIFA and Regulation (EU) № 537/2014. Last but not least, a task of the audit committee is to inform the management and supervisory bodies about the results of the statutory financial audit, as well as to explain how the statutory audit has contributed to the reliability of the financial reporting.

In this regard the activity of the audit committee in 2020 can be summarized as follows:

1. Monitoring of the financial reporting processes

The company prepares its financial statements (interim and annual financial statements) on the basis of the International Financial Reporting Standards (IFRS), adopted by the European Union (EU). It has a detailed and adequate accounting policy. The policy has not been changed compared to the previous year. In respect to the new standards, amendments and interpretations in force from 2020, they have no effect on the company's financial statements for 2020.

Company's accounting is performed by its internal financial and accounting office. Thus, the office is responsible for the current financial reporting and preparation of the company's quarterly and annual financial statements. For the purposes of internal and external reporting the company has implemented advisable / fixed deadlines for preparation and submission of the relevant reports for approval to the management and the audit committee prior to their publishing.

The audit committee is well aware of the minimum required content of the quarterly and annual financial statements disclosed up to the date of this report, and in this regard they had been discussed in advance, both among its members and with its compilers and the company's management from the point of view of their contents and structure. The results of these discussions have been duly recorded in the minutes of audit committee's sessions held during the reporting period. In 2020, as well as in respect to reporting dates the communication between the members of the audit committee and the company's financial office and management had been online given the epidemic situation in the country in connection with the Covid-19 pandemic.

In the past 2020, the company has prepared and published the relevant interim quarterly and annual financial statements within the statutory deadlines under the Public Offering of Securities Act /POSA/, thus complying to the requirement for their disclosure to regulators and the public, i.e. their publicity.

Regarding the completed process of the statutory financial audit of the company for 2020, it can be concluded that to the best of our knowledge, no weaknesses or irregularities have been identified in the financial reporting process that could affect the reliable presentation of the financial position of the company / the Group for the year ending on 31 December 2020. The information disclosed in the company's annual activity reports corresponds in all material respects to the information disclosed in the company's annual financial statements for 2020 (individual and consolidated).

2. Monitoring of the effectiveness of the internal control environment and the risk management system with respect to financial reporting

The company's Management Board (Management) is responsible for management of the corporate risks. The management is responsible for identifying, assessing and taking preventive and corrective measures to eliminate and / or mitigate the related risk, as well as for subsequent monitoring of the implementation and results of the implemented measures. The risk management policy is subject to ongoing analysis and control regarding the identification, forecasting, control and undertaking preventive and corrective measures towards the identified risks. A description of these risks is included in the annual financial statements and activity reports of the management for the past 2020. Special attention during the reporting period had been given to the risk assessment of the continuing impact of the pandemic in connection with which the management has included relevant disclosures in its annual financial statements and reports to the extent required by both the applicable IFRS and ESMA's public statement on the annual financial statements for 2020 in the context of the assessment based on the going concern assumption.

The performed independent financial audit for 2020 had not identified any gaps in the company's implemented and operating control system, nor had made recommendations for its improvement. In this regard the audit committee considers that the current control environment in Telelink Business Services Group AD provides reliable, adequate and accurate financial information.

The reporting 2020 is the first calendar year for the company, during which the company's shares were admitted to trading on the regulated stock market in the country - the Bulgarian Stock Exchange. In addition, due to the significant investor interest and the good financial performance of the company and its economic Group, at the beginning of March 2021 its shares were included in the official stock exchange index - SOFIX.

Financial risk management is related to the management of the company's capital. The main goal of the company's capital management is to ensure stable capital ratios in view of the continued operation of the business and maximizing its value for shareholders.

There are no externally imposed capital requirements on the company, other than those concerning the capital of joint stock companies according to the Commerce Act. For the reporting year 2020, due to the good financial performance, the company had distributed an advance dividend for the year according to the possibility provided in the POSA.

3. Monitoring of the statutory financial audit, including its implementation

In accordance with the requirements of the Independent Financial Audit Act, the company is subject to statutory financial audit.

Given this, on 10th September 2020 the general meeting appointed registered auditor to check and certify the annual financial statements of the company for 2020, namely - auditing firm "Ernst & Young Audit" OOD with key auditor Nikolay Garnev. This engagement of the auditing firm is the second full ongoing engagement for statutory audit of the company. The choice of the auditor is in accordance with Art. 48, para. 3 of PIFA and is for a period of 1 year.

According to Art. 48, para. 1 and para. 2 of PIFA on 12th October 2020 the company and the registered auditor signed a Letter of Commitment for the audit engagement. The audit committee received a copy of the documents and participated in the preliminary discussion and negotiation of its terms and conditions.

The audit committee reviewed the independence of the registered auditor during the initial undertaking in compliance with the provisions of PIFA and Regulation (EU) 537/2014. For this purpose the auditing firm has declared with an explicit declaration at the start of the annual audit process its independence from the company in accordance with the requirements of Chapters Six and Seven of PIFA, as well as with Art. 6 of Regulation (EU) № 537/2014.

The independence of the auditor had been further observed throughout the audit of the company, including until the date of the auditor's report – 29th March 2021 for the annual individual financial statements and 28th April 2021 respectively – for the consolidated financial statements.

Furthermore, the audit reports of the independent auditor for 2020 include an additional reporting under Art. 10 of Regulation (EU) 537/2014 in line with Art. 60 of PIFA. As a part of this additional reporting, its independence for the period of the respective audit engagement (individual and consolidated) is replicated.

During the reporting period and until the date of issuance of the audit reports on the annual financial statements for 2020, the auditing firm has not communicated to the audit committee possible non-compliance with the requirements of Art. 66 of PIFA, respectively, the committee had not taken any special decisions in this regard.

During the past 2020 the auditor had not requested and, accordingly, had not received approval from the audit committee under Art. 64, para. 3 of PIFA to perform additional services outside the audit.

After the completion of the individual audit of the company, in April 2021 the auditing firm submitted a request to the audit committee for approval of the performance of an additional tax services. After verifying compliance with the independence and other statutory and audit requirements (for possible threats to the audit work and applying safeguards to avoid such threats in accordance with the International Code of Ethics for Professional Accountants), the audit committee approved the registered auditor for performance of additional services, outside the scope of the audit engagement for the financial year 2020, undertaken by letter dated 12th October 2020. Pursuant to Art. 107, para. 1, p. 7 of PIFA, the president of the audit committee duly notified the Commission for Public Oversight on Statutory Auditors (CPOSA) for the granted approval within the prescribed period in line with the provisions of Art. 64, para. 3 of PIFA.

The auditor's audit opinion on the annual individual financial statements of the company for 2020 is unmodified. In the audit report for 2020 in the section "Key audit matters" the auditing firm, based on its professional judgment, has identified as such the issue related to the *Related parties disclosure*, as the identification of the relationship and the nature of transactions with these parties is essential for the completeness and appropriateness of their presentation and disclosure in the financial statements of the company.

With regard to the auditor's report on the consolidated financial statements of the Group, the auditor's opinion is that the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2020 and of the consolidated financial results of its activities, as well as of its consolidated cash flows. Regarding the included in the section "Key audit matters" issue related to the *Recognition of revenue from contracts with customers*, the assessment of the auditing firm is the recognition of revenue to remain a significant matter for 2020 in view to the heterogeneous and specific terms of conditions, duration and nature of the obligations, included in the contracts of the Telelink Business Services Group AD Group companies.

In its audit reports Ernst & Young Audit OOD has expressed its opinion on the other information that the company is required to submit along with its financial statements also activity report and corporate governance statement pursuant to the requirements of Art. 37, para. 6 of the Accountancy Act and Art. 100H, para. 10 of POSA in line with Art. 100H, para. 8, p 3 and 4 of LPOS, as well as an opinion regarding the report on the implementation of the company's remuneration policy according to Art. 116B of the POSA. The latter is a new requirement to the auditors of public companies according to the addition of the new p.6 in Art. 37, para. 6 of the Accountancy Act (AA), adopted in 2020. This new reporting is required only on an individual basis, unlike the other opinions that the auditor should express under Art. 37, para. 6 of the AA.

Furthermore, the auditor has made statements under Art. 100H, para. 4, p. 3, letter б“ of POSA in respect to the related parties and under Art. 100H, para. 4, letter в of POSA concerning the significant transactions and events.

Upon completion of the audit of Telelink Business Services Group AD for 2020, Ernst & Young Audit OOD submitted to the audit committee additional reports under Art. 60 of PIFA. According to Art. 11 of Regulation (EU) 537/2014 in these reports is systematized the information from the meetings and communication between the audit committee and the auditing firm during the planning and final audit of the company in respect to the audit strategy and audit plan, schedule for the interim and final audits, materiality and performance levels, significant audit findings, key audit matters and other significant risks and matters related to the audit of the company's individual and consolidated financial statements. The auditor's responsibilities for the audit of the company's annual financial statements and auditor's independence from the company, which is an extremely important condition for validation of the audit engagement, are also disclosed.

It shall be noted that during the audit for 2020 the independent auditor had not informed the audit committee about weaknesses of the financial reporting system and the internal control system, which gives us reason to assume that these company systems function effectively. The management of the company, as well as its

financial and accounting office, have rendered full assistance to the audit firm, presented in a timely manner and in full all the documents and other information required during the audit. The same is the finding of the auditor regarding the assistance provided by the subsidiaries included in the consolidated report of Telelink Business Services Group AD.

In 2020 and until the date of issuance of its audit reports, Ernst & Young Audit OOD had maintained good online communication with the audit committee on important matters, related to the implementation of the audit, planned audit procedures and other ongoing matters.

During 2020 and until the date of this report the audit committee had not received any reports of irregularities in the company's activities, affecting the interests of its shareholders. It had not received any signals for omissions and irregularities in the course of performance of the duties of the selected independent external auditor of the company.

Until 30th April 2021 pursuant to Art. 62, para. 3 of PIFA, the registered auditor of the company for 2020 is obliged to publish its transparency report for 2020, in which Telelink Business Services Group AD to be specified as an audited public interest entity. As at the date of this report the audit committee considers that the Transparency Report of the independent auditor for 2020 had been published within the due deadline and that the audit engagement concerning Telelink Business Services Group AD is duly included.

On 9th March 2021 on the website of the Commission for Public Oversight of Statutory Auditors (www.cposa.bg) was published the result of the audit, aimed at ensuring the quality of professional activity of the auditing firm "Ernst & Young Audit" OOD - reg. 108 in the register pursuant to Art. 20 of the Independent Financial Audit Act, as the auditing practice is given an "A" rating - the professional activity of the auditing firm is in accordance with the essential aspects of the requirements of the auditing standards and the statutory requirements, and there is no need for immediate improvements in auditing practice.

This information is an additional guarantee for the reliable reporting of the financial positions of the company, which is audited and certified by an auditing firm, rate high for its professional practice. The availability of such information is necessary in order the audit committee's obligation to comply with the findings and conclusions of the Commission on the application of Art. 26 (6) of Regulation (EU) № 537/2014 in its proceedings and evaluation of the performed financial audit to be validated.

This report of the audit committee of Telelink Business Services Group AD has been prepared in compliance with Art. 108, para. 1, p. 8 of PIFA, requiring reporting of its activity to the appointing authority - the General Meeting of Shareholders. It was prepared by the president of the audit committee and unanimously adopted by all its members during an online meeting held on 7th May 2021.

Sofia, 7th May 2021

President of the audit committee:
A. Angelova-Tumbeva

