



REPORT

BY THE MANAGEMENT BOARD OF TELELINK BUSINESS SERVICES GROUP AD
ON PAYMENT OF INTERIM DIVIDEND BASED ON THE 6-MONTH FINANCIAL STATEMENTA

SUBJECT AND SCOPE OF THE REPORT

This report (hereinafter referred to as the "Report") has been prepared by the Management Board of Telelink Business Services Group AD (hereinafter referred to as the "Company") pursuant to Art. 115 B, para. 2, p. 1 of the Public Offering of Securities Act (hereinafter "POSA"). The report has been prepared on the basis of the accounting information contained in the separate interim financial statements of the Company as of 30th June 2022.

The purpose of this report is to certify to the shareholders of Telelink Business Services Group AD that based on the disclosed six-month separate financial statements as of 30th June 2022, the Company has sufficient funds to pay the 6-month dividend and that its payment will not lead to indebtedness to creditors, staff, budget and others.

DIVIDEND POLICY OF THE COMPANY

The Company strives to maintain a sustainable dividend policy and according to the Articles of Association of Telelink Business Services Group AD the Company distributes as dividend not less than 50% (fifty percent) of the profit to be distributed for the year / half-year, if the conditions for this are met, in compliance with the requirements of the Act and the Articles of Association.



PROPOSAL FOR THE TERMS AND CONDITIONS OF THE 6-MONTH DIVIDEND

Pursuant to Article 115 B of the POSA and the amended Articles of Association of Telelink Business Services Group AD the Management Board has taken into account the following:

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- 1. the retained earnings as of 30th June 2022 on the basis of financial statements as of 30th June 2022 is in the amount of BGN 15,314 thousand, including:
 - the current accounting result for the period 1st January to 30th June of the current year on the basis of financial statements as of 30th June 2022 amount to BGN 12,884 thousand;
 - the retained earnings from previous years amount to BGN 2,430 thousand;
- 2. the required capital reserves a total amount of 10% (BGN 1,250 000) of the registered fixed capital;

Thus proposes to the General Meeting of Shareholders to take decision for distribution of the profit in the form of a six-month dividend in accordance with Art. 247a of the Commerce Act with the following parameters:

| | |
|--|--|
| <u>Type of dividend:</u> | cash |
| Total amount of the dividend / gross/: | BGN 10 125 000 |
| Dividend amount per share / gross/: | BGN 0.81 |
| Period of dividend payment | in compliance with the legally prescribed terms, but not later than 60 days from the decision of the General Meeting |

PURPOSE OF THE 6-MONTH DIVIDEND PAYMENT

The Company follows the announced expectations from the beginning of 2022 for the distribution of dividends in the second half of 2022.

The Management Board believes that the payment of a 6-month dividend will strengthen and increase the confidence of investors (both institutional and individual) and will ensure them at the same time the opportunity to obtain profit from the existing business of the Company.

ANALYSIS OF THE PARTS OF THE INTERIM REPORT AS OF 30TH JUNE 2021 RELATED TO THE 6-MONTH DIVIDEND

Key financial indicators

The Management Board considers the possibility for the payment of the 6-month dividend is determined to the greatest extent by the following financial indicators of the Company as of 30th June 2022:



| Financial indicator | Value | Note |
|--------------------------|--------|---|
| Pre-tax profit | 15,314 | Total retained earnings as of 30 th June 2022 |
| Absolute liquidity ratio | 19.31 | Ratio: current assets / current liabilities |
| Quick liquidity ratio | 19.25 | Ratio: short-term receivables + short-term investments + cash / current liabilities |
| Debt ratio | 0.02 | Ratio: liabilities / equity |

These financial indicators reveal that the Company generates a significant profit and is in a stable financial position, characterized by high liquidity and low indebtedness.

Review of the current assets and current liabilities

The parameters of the 6-month dividend (amount and payment period) depend to the most significant extent on the values of the current assets and current liabilities of the Company, which according to the Interim Report as of 30th June 2022 are as follows:

| Thousand BGN | |
|--|----------------------------|
| Current assets | 30 th June 2022 |
| Trade and other receivables from related parties | 13,205 |
| Trade and other receivables | - |
| Deferred income | 40 |
| Available cash and cash equivalents | 829 |
| Total | 14,074 |
| Current liabilities | 30 th June 2022 |
| Trade and other receivables from related parties | 16 |
| Trade and other receivables | 468 |
| Deferred income | - |
| Tax liabilities | 245 |
| Total | 729 |

The current assets significantly exceed the current liabilities whereas the main part are receivables from related companies and payables to the staff.



Information on the liabilities related to the possibility 6-month dividend to be paid

The payment of the 6-month dividend as a payment to shareholders at the expense of equity alone will not lead to indebtedness of the Company to third parties - creditors. Proposing the payment of the six-month dividend, the Management Board proceeds from the current indebtedness, specified in Art. 115 v, para. 2, p. 1 of POSA, namely to creditors, staff, budget and others, which are as follows:

| Thousand BGN | |
|---|----------------------------|
| Trade, tax and other liabilities | 30 th June 2022 |
| Liabilities to related parties | 16 |
| Payables to suppliers and clients | 12 |
| Payables to the staff and under management agreements | 112 |
| Payables for unused paid leaves | 22 |
| Payables to social insurance institutions | 21 |
| Payables for income tax | 25 |
| Other tax liabilities | 220 |
| Complicity obligations | 301 |
| Total | 729 |

The main parameters of these liabilities are:

- the trade liabilities are not interest-bearing and are usually settled within 30-60 days;
- the public obligations are settled within the legally established terms;
- the loan obligations are interest-bearing, being entirely to related parties and are settled at the respective maturity, provided in the loan agreement;
- the other liabilities are not interest-bearing and are usually settled at the respective maturity.

The reduction of current assets with the funds that will be distributed to shareholders upon payment of the 6-month dividend will not significantly change their ratio to the current liabilities neither will lead to delays or arrears in the payment of the current liabilities.

As of 30th June 2022 the Company has no liabilities under loans to related parties and third parties.

As of the date of preparation of the report the Company has no assumed and unpaid debts, the repayment term of which has expired before this proposal for a decision for distribution of a 6-month dividend.



Review of the net cash flows from operating, investing and financing activities

During the reporting period the net cash flow from investing activities amounts to BGN 917 thousand and is formed mainly by a partially received dividend from TBS EAD in June 2022 pursuant to Decision of 17th June 2021 of the Company in its capacity of sole owner of TBS EAD, which accepted the report of the subsidiary for 2021 and approved decision for distribution of dividends in the amount of BGN 10,366 thousand.

On 30th June 2022 the Company in its capacity of sole owner has accepted the reports for 2021 of all its other subsidiaries and has decided to distribute dividends as follows:

- from Comutel (Serbia) with an equivalent of BGN 1 408 thousand;
- from Telelink Business Services (North Macedonia) with an equivalent of BGN 196 thousand;
- from Telelink Slovenia with an equivalent of BGN 1 369 thousand.

As of 30th June 2022 the receivables of the Company from dividends amount to BGN 11 843 thousand after the partially paid dividend by TBS EAD in the amount of BGN 1,500 thousand.

In the first half of 2022 the Company has used and repaid in full financial resources, based on a loan Agreement with TBS EAD, in the amount of BGN 900 thousand principal and BGN 12 thousand interest, as well as repurchased its own shares in the amount of BGN 51 thousand , as a result it reports a negative net cash flow from financing activities in the amount of BGN – BGN 54 thousand.

Even after the above payments the net proceeds from investment activities are sufficient to cover the negative net cash flow from operating activities in the amount of BGN -935 thousand, reflecting the natural operating loss and the negative changes in the net working capital for the period, as well as the significant increase in cash and cash equivalents by BGN - 54 thousand.

Dividend receivables will ensure the payment of a 6-month dividend to the shareholders of Telelink Business Services Group AD, as well as the needs for funds for the operating activities of the Company.

Summary

Based on the six-month financial report as of 30th June 2021 the Management Board considers that the conditions under Art. 115 v, para. 2, p. 1 of the POSA for payment of a 6-month dividend have been met, namely:

- the available funds of the Company as of 30th June 2021 and expected to be available in the second half of 2021 are sufficient for the payment of the 6-month dividend; and
- the payment of the 6-month dividend does not jeopardize the current servicing of the Company's liabilities to creditors, staff, budget and others in the normal course of its activities.



CERTAIN CONDITIONS FOR THE 6-MONTH DIVIDEND

In view of the disclosed financial information the Management Board considers that the conditions provided in Art. 247a of the Commerce Act and Art. 115b, para. 2 of POSA for the payment of the 6-month dividend are met and the Company has available the necessary funds and that there will be no liquidity risk after payment of the planned amount for distribution of dividend.

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