INTERIM MANAGEMENT REPORT
of
TELELINK BUSINESS SERVICES GROUP AD
for the
FIRST SIX MONTHS OF 2020

THE PRESENT MANAGEMENT REPORT IS PREPARED IN ACCORDANCE WITH PROVISIONS OF ART. 100o PAR. (4) OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA) AND ART. 33 OF ORDINANCE NO 2 FROM SEPTEMBER 17 2003 REGARDING THE PROSPECTUSES FOR PUBLIC OFFERING AND ADMISSION TO TRADING ON A REGULATED SECURITIES MARKET AND THE DISCLOSURE OF INFORMATION

DEAR SHAREHOLDERS,

We, the members of the Managing Board of TELELINK BUSINESS ERVICES GROUP AD (the Company), guided by our commitment to manage the Company in the best interest of its shareholders and in accordance with the provisions of art. 100o of the POSA and art. 33 of Ordinance 2 from September 17 2003 regarding the Prospectuses for public offering and admission to trading on a regulated securities market and the disclosure of information by public companies and other issuers of securities, prepared the present Management Report (the Report). The Report presents commentary and analysis of key financial and non-financial indicators of results of the Company's activities. The Report features an objective review, providing a true and fair representation of the development and operating results of the Company, as well as of its condition, together with a description of the main risks thereto.

I GENERAL COMPANY INFORMATION

I.1 Establishment and Reorganization

Telelink Business Services Group AD (TBS Group, the Company, the Issuer) was established on July 12 2019 as sole-owner joint stock company owned by Telelink Holdings BV (the Netherlands).

As of the date of its establishment, Telelink Holdings BV was also the sole owner of Telelink Bulgaria EAD. In turn, the latter held investments in subsidiaries active in the fields of Information and Communication Technology in three main business lines, referred to as Business Services, Infrastructure Services and Product Development. Together, Telelink Bulgaria EAD and its subsidiaries formed the common Telelink group, as existing at the time.

The Company's purpose was to allow for the spinoff of investments in Telelink group's subsidiaries specialized in the Business Services business line in a separate company, group and corporate structure independent from Telelink Bulgaria EAD.

By resolution of its sole owner Telelink Holdings BV, Telelink Bulgaria EAD was reorganized through the spinoff of Business Services as a separated activity under the terms of art. 262c of the Commercial Act, whereby the part of Telelink Bulgaria EAD's worth comprising all assets, rights and obligations relative to the separated activity (including assets, liabilities and employees) was transferred to Telelink Business Services Group EAD (in its capacity of a receiving company) (the Reorganization, the Spinoff), in exchange for shares in the receiving company's capital issued to Telelink Holdings BV. The Reorganization was entered in the Commercial Register and came into effect on August 14 2019.

I.2 Investment portfolio

From the Reorganization's date, the Company consolidated investments in subsidiaries of the former Telelink group specialized in Business Services business line, including Telelink Business Services EAD (Bulgaria) (TBS EAD), Comutel DOO (Serbia) (Comutel), Telelink DOO – Podgoritsa (Telelink Montenegro), Telelink DOO (Bosnia and Herzegovina) (Telelink Bosnia), Telelink DOO (Slovenia) (Telelink Slovenia), and the recently established Telelink Albania Sh.p.k. („Telelink Albania“) incorporated earlier in 2019. In September 2019, the Group was also joined by the Company's newly established subsidiary Telelink Business Services DOOEL (Macedonia) („TBS Macedonia“).

As of June 30 2020, the Company maintain its direct shareholdings in the above seven subsidiaries and indirect interests in two more companies controlled by TBS EAD. All directly and indirectly owned subsidiaries are governed in their respective countries of incorporation. Together with the Company, the above entities constitute the economic group of TBS Group (The Group).

As of June 30 2020, the Company is the sole owner of all of its direct subsidiaries.

As of June 30 2020, all direct subsidiaries conduct active commercial operations. As of the same date, the indirectly owned Telelink BS Staffing EOOD, established with the prospect of carrying out joint operations with a leading financial advisory firm, was yet to deploy material business activities, while joint venture Green Border EOOD has exhausted its purpose with the completion of the project it was established to serve and is not expected to have a material impact on the Group's future results and financial position.

Subsidiary	Country of incorporation and management	Capital share held by TBS Group
(direct)		
Telelink Business Services EAD	Bulgaria	100%
Comutel DOOEL	Serbia	100%
Telelink DOOEL – Podgorica	Montenegro	100%
Telelink DOOEL	Bosnia and Herzegovina	100%
Telelink DOOEL	Slovenia	100%
Telelink Albania SH.P.K.	Albania	100%
Telelink Business Services DOOEL	Macedonia	100%
(indirect)		*(through TBS EAD)*
Telelink BS Staffing EOOD	Bulgaria	100%
Green Border OOD	Bulgaria	50%

I.3 Shareholding structure

I.3.1 Ownership structure prior to the Public Offering

In August 2019, all of the Company's shares were transferred from Telelink Holdings BV to new shareholders representing directly or indirectly the ultimate owners of Telelink Holdings BV, including Telelink group's co-founder Lubomir Michev as a direct majority shareholder in his capacity of a natural person. As a result thereof, the Company changed its legal form to an AD (joint stock company) and and ceased to be a direct part of the economic group of Telelink.

From the date of the above transfer until the start of the Public Offering described in sectionI.3.2, Telelink group co-founder Lubomir Minchev held directly 10 456 250 shares with a nominal value of BGN 1 each, representing 83.65% of the Company's total share capital. Other persons holding more than 5% of the Company's share capital included Ivo Evgeniev and Spas Shopov, each of whom holding directly 771 875 shares with a nominal value of BGN 1 each or 6.175% of the Company's total share capital.

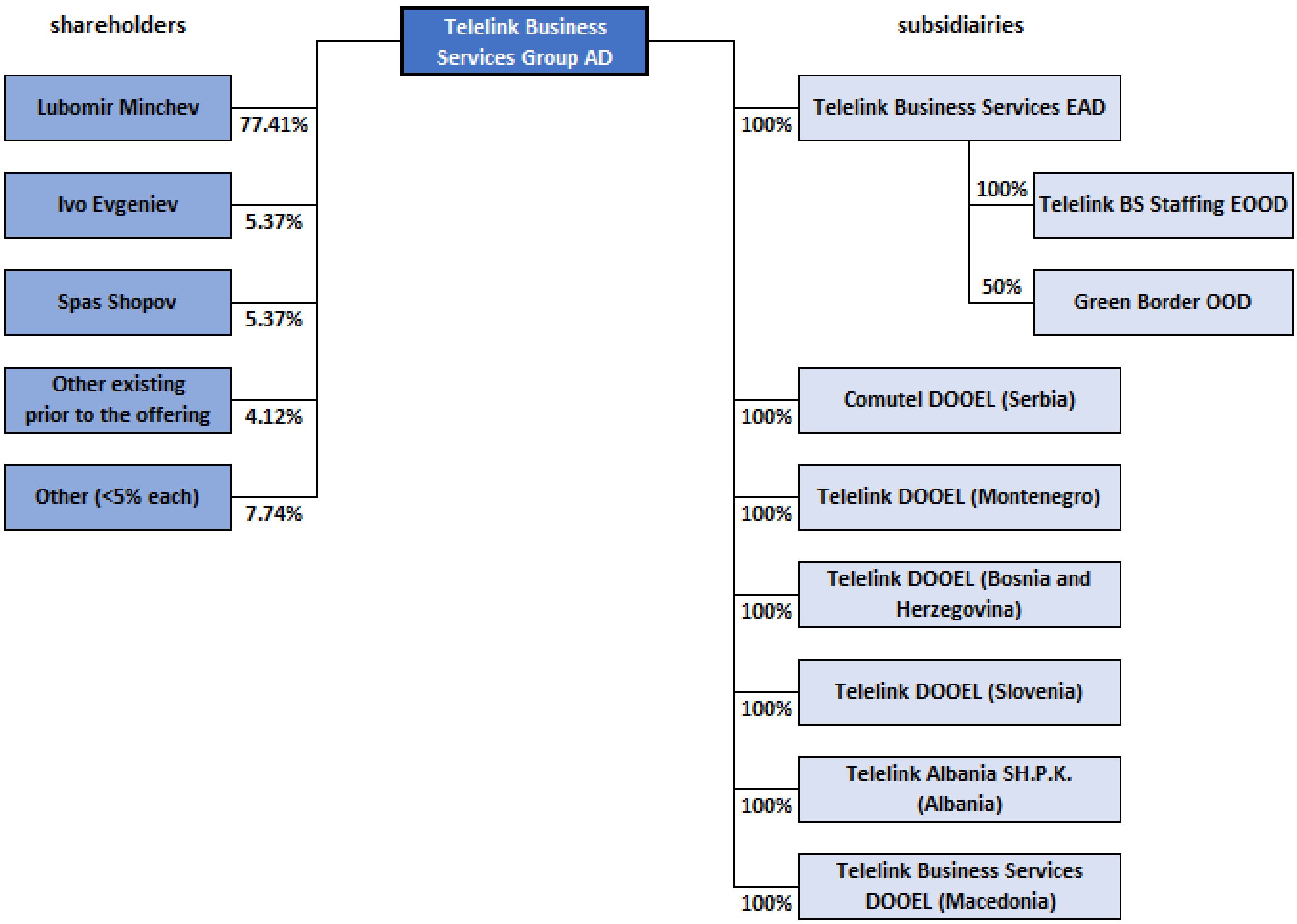
I.3.2 Public Offering and current shareholding structure

Based on a Prospectus for the admission of the Company's shares to trading on a regulated securities market (the Prospectus) approved by resolution of the Financial Supervision Commission (the FSC) from November 11 2029 and Supplements thereto approved with FSC resolutions from December 12 2019 and June 20 2020, and in accordance with the Agreement for the Restriction of the Disposal of Shares (the Lockup Agreement) signed among the Company and its shareholders on December 17 2019, the intentions of starting the offering in June 2020 disclosed in April 2020 and the Updated Procedure for the Sales of Company Shares from June 1 2020, a first tranche of the Company's planned offering on the BSE was carried out between June 08 and 11 2020, whereby selling shareholders Lubomir Minchev, Spas Shopov and Ivo Evgeniev sold a total of 982,487 shares or 7.86% of the existing 12,500,000 shares in the Company's total capital at a price of BGN 7.60 лв. per share, obtaining total proceeds of BGN 7,466,901. The conducted offering was limited strictly to existing shares and did not include any capital increase, nor any proceeds to the Company.

As of June 30 2020, persons holding over 5% of the Company's capital continued to include Lubomir Minchev with a stake of 77.41%, and Spas Shopov and Ivo Evgeniev holding 5.37% each.

Besides the above, as of the same date, the Company had five more shareholders with stakes equal to or greater than 1%, including one new institutional foreign investor with a stake of 4.20% and the other four shareholders existing prior to the Public Offering with holding between 1.00% and 1.06% each.

I.3.3 Combined Company ownership and Group chart



I.4 Scope of business activity

The Company was established with a scope of business activity of "Commercial operations in the country and abroad, commercial representation, mediation and agency in the country and abroad, construction and maintenance of transmission and telecommunication networks, acquisition, management, evaluation and sale of interests in Bulgarian and foreign companies, investments capital stakes and shares in companies, consulting, corporate governance, capital and asset management, commission-based activities, as well as any other activity not prohibited by law, provided that, if a permit, or licencing, or registration is required for the performance of any activity, such activity shall be carried out after obtaining such permission or licence, or after such registration."

The main commercial activity carried out by the company since its inception and up until the date of this Report comprises the provision of consulting and management services to Group subsidiaries. Detailed information on the type of provided services and the structure of revenues is presented in sections VIII.1 и VIII.2 of this Report.

Investment activities carried out up until the date of this Report include the establishment of TBS Macedonia in September 2019 and the increase in the capital stake held in Telelink Albania from 90% to 100% in February 2020.

I.5 Corporate Governance

The Company has a two-tier board system.

The Company's Managing (the MB) features five members, including:

- Ivan Zhitianov – Chairman of the MB and Executive Director;
- Teodor Dobrev – member of the MB;
- Paun Ivanov – member of the MB;
- Nikoleta Stanailova – member of the MB;
- Gojko Martinovic – member of the MB.

The Company's Supervisory Borad (the SB) features three members, including:

- Hans van Houvelingen – Chairman of the Supervisory Board;
- Ivo Evgeniev – member of the SB;
- Bernard Jean-Luc Moscheni – independent member of the SB.

I.6 Public Information

In accordance with the requirements of art. 43a and the subsequent provisions of Ordinance 2 of the FSC, with regard to art. 100t, par. 3 of the POSA, the Company discloses regulated information to the public though a selected media service. All of the information provided to that media, is available in full and unedited form on http://www.x3news.com/. The required information is presented to the FSC through the unified e-Register system for the electronic presentation of information, developed and maintained by the FSC.

The above information is also available on the Company's investor web page: https://www.tbs.tech/investors/.

Telelink Business Services Group AD has fulfilled its obligation as per art. 79b, par. 1 of the POSA, pursuant to whic it has obtained a legal entity identification (LEI) code: 894500RSIIEY6BQP9U56.

The Company's issued shares have been registered with an ISIN code: BG1100017190 and, as of the date of this Report, are being traded on the Standard Equities Segment of the BSE with a ticker: TBS.

II KEY FINANCIAL INDICATORS

Financials (BGN thousand)	(period end)		change
	30.06.2020	*30.06.2019*	
Net sales revenue	**1,286**	**0**	-
Cost of Sales	-1,252	0	-
Gross Profit	**34**	**0**	-
Sales and Marketing Expenses	-3	0	-
General and Administrative Expenses	-262	0	-
Other Operating Income/(Expenses) (net)	0	0	-
Operating Profit	**-231**	**0**	-
Financial Income/(Expenses) (net)	8,458	0	-
Income Tax Expense	-62	0	-
Net Profit	**8,165**	**0**	-
Depreciation & Amortization Expenses	-27	0	-
Interest Income/(Expenses) (net)	-29	0	-
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**8,283**	**0**	-
	30.06.2020	*31.12.2019*	
Total Assets	**24,810**	**15,920**	**56%**
Non-current Assets	15,943	15,833	1%
Current Assets	8,867	87	101.9x
Equity	**21,099**	**12,934**	**63%**
incl. Retained Earnings and Profit for the Year	8,382	217	38.6x
Total Liabilities	**3,711**	**2,986**	**24%**
Non-current Liabilities	42	0	-
Current Liabilities	3,669	2,986	23%
Cash & Cash Equivalents	**29**	**58**	**-50%**
Total Financial Debt*	**3,295**	**2,892**	**14%**
Net Financial Debt**	**3,266**	**2,834**	**15%**
	30.06.2020	*30.06.2019*	
Net Cash Flow from Operating Activities	**-324**	**0**	-
Net Cash Flow from Investment Activities	**-75**	**0**	-
Net Cash Flow from Financing Activities	**370**	**0**	-
Number of Employees as of Period End	**33**	**0**	-

** Incl. loans and finance lease contracts*

*** Total Financial Debt - Cash & Cash Equivalents*

Ratios	(period end)		change
	30.06.2020	*30.06.2019*	
Gross Margin	2.6%	0.0%	-
Operating Margin	-18.0%	0.0%	-
Net Margin	634.9%	0.0%	-
EBITDA margin	644.1%	0.0%	-
	30.06.2020	*31.12.2019*	
Current Ratio	2.4	0.0	2.4
Equity / Total Assets	85%	81%	4%
Financial Debt / Total Assets	13%	18%	-5%
Non-current Assets / Total Assets	64%	99%	-35%
Equity and Non-current Liabilities / Non-current Assets	1.3	0.8	0.5

III REVIEW OF THE COMPANY'S ACTIVITIES AND FINANCIAL POSITION

As of June 30 2020, the Company conducts active operations and reports positive net assets in the amount of BGN 21,099 thousand.

Results and cash flows from the Company's activities for the first six months of 2020 are presented in the Company's Income Statement and Cash Flow Statement and analyzed in sections III.1 and III.3 below. Considering the Company's establishment on June 12 2019, there are no results and cash flows for the same period of the previous year 2019.

The financial position, factors behind the formation and observed changes in the value of the Company's assets, liabilities and equity are presenting in the Statement of Financial Position and analyzed in section III.2 below.

III.1 Revenue, expenses and profitability

The Company's net sales revenue for the first six months of 2020 amounted to BGN 1,286 thousand. In accordance with the profile of its activities, the above revenues are derived entirely from the provision of administrative, financial, business development, marketing and sales support and management services provided to Group subsidiaries.

In accordance with the adopted pricing policy regarding services provided to subsidiaries and with regard to the avoidance of deviations from market terms, the Company avoids charging significant markups upon its internal costs for the provision of such services and does not charge any upon the part of respective cost of sales arising from externally sourced services. Reflecting the above policy, the Company recorded a typically low gross profit of BGN 34 thousand and a gross margin of 2.6%.

Reported marketing, general and administrative expenses for the period in the amount of BGN 265 thousand included mostly the cost of the Company's internal administrative units, including among others the remuneration of the Managing and Supervisory Boards, as well as expenses for externally sourced marketing, financial, legal and administrative services, which, by their essence and purpose, are of a general nature and are not attributable to the cost of realized sales.

Considering the significantly higher amount of the above costs as compared to recorded gross profit, the Company ended the first six months of 2020 with an operating loss typical of its activity profile, amounting to BGN -231 thousand.

At the same time, the Company recorded a significantly more sizeable net financial income in the total amount of BGN 8,458 thousand.

Financial income included in the above indicator originated from dividends distributed to the Company by directly controlled subsidiaries in the total amount of BGN 8,488 thousand, including distributions out of 5 subsidiaries from Bulgaria and the Mid-Western Balkans region with the leading contribution of TBS EAD.

Country	Region	Dividend Income (BGN thousand)			
		30.6.2020	30.6.2019	share 30.6.2020	share 30.6.2019
TBS EAD	Bulgaria	7,002	0	82%	0%
Comutel	Mid-Western Balkans	450	0	5%	0%
Telelink Montenegro	Mid-Western Balkans	160	0	2%	0%
Telelink Bosnia	Mid-Western Balkans	270	0	3%	0%
Telelink Slovenia	Mid-Western Balkans	606	0	7%	0%
Telelink Albania	South-Western Balkans	0	0	0%	0%
TBS Macedonia	South-Western Balkans	0	0	0%	0%
Total	Bulgaria	7,002	0	82%	0%
Total	Mid-Western Balkans	1,486	0	18%	0%
Total	South-Western Balkans	0	0	0%	0%
Total	Total	8,488	0	100%	0%

The main source of the financial expenses reported by the Company in the amount of BGN 30 thousand are interest expenses under the Cash Loan Agreement with TBS EAD, described in sections VI.8.3 and VIII.8.1 of this Report.

Reflecting the significant surplus of net financial income over recorded operating loss, the Company ended the first six months of 2020 with a significant pre-tax profit of BGN 8,227 thousand and a net profit of BGN 8,165 thousand exceeding substantially the amount of realized sales for the period.

III.2 Assets, liabilities and equity

Amounting to BGN 24,810 thousand, total assets reported by the Company as of June 30 2020 registered a significant 56% increase over December 31 2019.

The main factor behind above change was the multiple increase in current assets up to BGN 8,867, resulting from the formation of significant dividend receivables from distributions by subsidiaries, which were approved by the Company's Managing board on June 29 2020 and were yet to be paid, given the short time between the latter date and June 30 2020. In accordance with the Company's revenue profile, the rest of its trade and other receivables, which totaled BGN 8,804 thousand as of period end, was also generated almost entirely from counterparties making part of the Group.

Showing a minor increase by 1% over December 31 2019 as a result of moderate capital expenditures on the acquisition of tangible and intangible assets, the Company's non-current assets as of June 30 2020 amounted to BGN 15,943 thousand and continued to include mostly its investments in subsidiairies in the total amount of BGN 15,739 thousand. In accordance with the IFRS 16 in force since January 01 2019, non-current assets also included the right of use arising from a contract for the operating lease of vehicles, having a balance sheet value of BGN 57 thousand as of June 30 2020.

As of June 30 2020, the Company's liabilities registered an overall increase by 24% over December 31 2019 mostly as a result of its growing current obligations under the Cash Loan Agreement with TBS EAD, reflecting the need to finance the incurred operating loss and capital expenditures for the period and a growing spread between the Company's trade receivables and other current liabilities.

As of reporting period end, total funds utilized under the Cash Loan Agreement with TBS EAD amounted to BGN 3,295 thousand, resulting in a ratio of financial debt to total assets of 13%. The current and non-current lease liabilities of BGN 57 thousand reported by the Company were recognized in accordance with the IFRS 16 in force since January 01 with regard signed contracts for the operating lease of vehicles and do not constitute financial debt.

Reflecting the significant amount of realized net profit for the current period, the Company's equity increased by 63% over December 31 2019, reaching BGN 21,099 thousand or 85% of total assets as of June 30 2020. Besides the attained sum of retained earnings from the current and previous periods in the amount of BGN 8,382 thousand, the Company's equity continued to include a registered share capital of BGN 12,500 thousand and general reserves in the amount of BGN 217 thousand, both of which were formed upon the Reorganization from August 14 2019.

III.3 Cash Flows

Taking into account negative operating profit and the increase in net working capital over the reporting period, the Company recorded a negative net cash flow from operating activities in the amount of BGN -324 thousand.

The reported negative net cash flow from investing activities of BGN -75 thousand was entirely attributable to payments for the acquisition of tangible and intangible assets, including computer equipment for the operational assurance of employees, the development of a new website completed in March 2020 and the ongoing development of the Group's branding concept.

Balancing the above factors with additionally utilized short-term financing under the Cash Loan Agreement with TBS EAD, the Company recorded a positive net cash flow from financing activities of BGN 370 thousand and a moderate decrease in cash and cash equivalents by BGN 28 thousand.

IV MAIN RISKS FACED BY THE COMPANY

The risks associated with the Company's business can generally be divided into systemic (general) and non-systemic (related to its activity and the industry in which it operates). Similar risk categories inherent to the business and the industry in which its subsidiaries operate are also relevant to the Company, insofar as they are the Company's main source of income. Additionally, investors in the Company's financial instruments are also exposed to risks associated with investing in securities (underlying and derivative).

IV.1 Systemic risks

The common (systemic) risks are those that relate to all economic entities in the country and are the result of external factors that the Company cannot influence. The main methods for limiting the impact of these risks are the reporting and analysis of current information and the forecasting of future developments by specific and common indicators.

IV.1.1 Political risk

Political risk is the probability of a change of the government or a sudden change of its policies, or the occurrence of internal political disturbances and adverse amendments to the European and/or national legislation that could result in adverse changes in the environment in which local businesses operate and losses for investors.

In an international context, political risks concerning Bulgaria relate to the commitments made to implement serious structural reforms in the country as an equal member of the EU, increase social stability and reduce inefficient spending, on one hand, as well as to the acute destabilization of Middle East countries, the growing threat of terrorist attacks in Europe, refugee waves, and the instability in key countries neighboring Bulgaria, on the other.

Other determinants of this risk category include possible legislative changes, and particularly such affecting the business and investment climate in the country.

IV.1.2 General macroeconomic risk

Various macroeconomic factors and trends, including, but not limited to recession, trade barriers, currency changes, inflation, deflation, and other factors affecting consumer purchasing power, would affect the Company's operations. A slowdown in the economy of the European Union, Bulgaria and other markets, in which Telelink Business Services Group AD's subsidiaries operate, or any other uncertainty about economic development, can make consumers cautious and affect their willingness and ability to purchase the products and services provided by the subsidiaries of Telelink Business Services Group AD.

Most analysts expect a slowdown in growth and even contraction of the economies of developed Western European countries, with expectations that this process will reach, albeit at a slower and milder rate, Bulgaria and the Western Balkan countries. The slowdown in economic growth in the region and the associated cost constraints on the part of private companies and their under-compensation by counter-cyclical measures by national and supranational government authorities could impact adversely the sales and profitability of Telelink Business Services Group AD and its subsidiaries.

IV.1.3 Interest rate risk

Interest rate risk relates to possible negative changes in interest rates set by the financial institutions of the Republic of Bulgaria. The Company is exposed to the risk of increase in market interest rates in connection with financing that is linked indirectly to the use of overdrafts, revolving credit lines and finance lease by its subsidiaries in Bulgaria and Serbia based on the basic interest rate (BIR) of the Bulgarian National Bank, EURIBOR and USD LIBOR indices, and finance leases in Bulgaria based on the periodically updated average deposit index (ADI) of the creditor bank, and floating EURIBOR indexes.

IV.1.4 Currency risk

Exposure to currency risk represents the dependence and effects of changes in exchange rates. Systemic currency risk is the probability of a possible change in the country's currency regime (the Currency board), which would either result in depreciation of the Bulgarian lev or in appreciation of the Bulgarian lev against foreign currencies.

The Company and its subsidiaries operate in different markets and in currencies other than the reporting currency of the Company and the local currencies of its subsidiaries, and are accordingly exposed to transaction and translation currency risks. The major source of transaction-related currency risks are the US dollar denominated purchases of equipment made by subsidiaries from global technological partners and their financing from credit limits in the same currency.

IV.1.5 Tax risk

A change in tax legislation towards an increase in tax rates may result in unforeseen expenses, and thus, may have an adverse impact on net profit.

The taxation system in Bulgaria is still evolving, which may result in controversial tax practices. Similar risks also apply to other countries in which the Group's subsidiaries operate.

IV.2 Risks specific to the Company, its subsidiaries and the sector in which they operate

IV.2.1 Risks, specific to the Group's industry and operations

IV.2.1.1 Risks specific to the business strategy and growth

IV.2.1.1.1 INAPPROPRIATE BUSINESS STRAGEY

The choice of an inappropriate business strategy, as well as a failure to adapt it in a timely manner to the changing conditions of the environment can lead to losses and missed benefits for the Group. The management of strategic risk through the constant supervision and periodic tracking of fluctuations in the market environment and key performance indicators and the interaction among all levels in the organization in order to identify potential problems and implement the appropriate measures in a timely manner are of essential importance. Although this process has been recognized as of high priority and importance, it is possible that the Group's management and employees prove limited in the implementation of the above practices due to a lack of experience, timely information or insufficiency of human resources.

IV.2.1.1.2 INSUFFICIENT MANAGEMENT CAPACITY AND INCREASED GROWTH MANAGEMENT COSTS

Notwithstanding the availability of managerial staff with significant experience and competence sufficient to manage the Group in its current business size and scale, targeted expansion on new markets and in new segments of existing markets will require additional management. It is part of the Group's policy to cultivate such staff by promoting employees with sufficient experience and highly esteemed aptitude to grow in hierarchy. However, the number of suitable employees is limited and some of them may not meet the expectations on a managerial level. In turn, recruiting management staff with proven track record externally, especially on developed markets, can be difficult and may entail high costs with a potentially negative impact on profitability.

IV.2.1.1.3 INSUFFICIENT CAPACITY AND INCREASED COSTS FOR THE OPERATIONAL ASSURANCE OF GROWTH

The Group's expansion on both existing and new markets is highly dependent on the recruitment and successful integration of additional staff, including centralized and local teams of marketing and sales specialists and resource hubs for project management, engineering and technical personnel.

Identifying and recruiting appropriate marketing and sales professionals with the aim to attract new customers can be difficult, slow, or involve additional costs, which may slow growth or reduce sales profitability. Considering the overall growth trend and increased demand for engineering, technical and project staff in the ICT sector on the Group's markets and globally, the expansion of existing and the development of new resource centres may also be slowed down or may require higher costs. The lack of experience at group companies on new markets and segments, the shortage and increased price competition for the recruitment of personnel, can also result in high staff turnover due to recruitment of unsuitable specialists or solicitation by competitors that offer levels of remuneration, which the Group cannot afford to profitability match.

All of the above factors can lead to both missed benefits due to the impossibility to win and secure the implementation of new projects, services and customers, and the erosion or loss of the Group's competitive advantages based on the quality of service, number and cost of human resources.

IV.2.1.1.4 INSUFFICIENT ACCESS AND INCREASED COST OF EXTERNAL RESOURCES AND SUBCONTRACTORS

As far as external experts and subcontractors are also subject to increased demand on the ICT market, the risks outlined above also apply to the recruitment of such on a temporary basis to complement the Group's internal capacity.

IV.2.1.2 Risks relative to human resources and managerial staff

Besides their importance to the Group's growth, management staff and human resources are also essential to the assurance of its ongoing operations, and the Group is therefore exposed to various risks relative to the retention, increased turnover and costs of such personnel.

IV.2.1.2.1 LOSS, DEFICIT AND INCREASED COSTS OF MANAGEMENT STAFF AND KEY PERSONNEL

The Group's operational management and business development depend to a large extent on the contribution of a limited number of individuals managing key subsidiaries and the Group as a whole, playing key roles in the administration, sales and operations and/or possessing key certifications, experience and other knowledge essential to these functions that could be difficult to replace with similarly qualified personnel. A possible withdrawal of those persons from the relevant structures or their inability to fulfil their obligations over a long period of time could have adverse effects on the operating performance depending on the time of their absence or the time needed for their substitution and the training of their substitutes, their adequate familiarization with the organization and the specifics of the business and their full functional deployment. Possible retention measures could result in the increase of respective costs relative to their motivation through raises in base salaries, bonuses, fringe and other benefits, at the expense of the Group.

IV.2.1.2.2 LOSS, DEFICIT AND INCREASED COSTS OF IMPLEMENTATION STAFF

Considering the dynamic development and high demand for human resources in the ICT sector, the Group is exposed to the risk of high turnover and costs of retaining or replacing engineering and technical staff, marketing and sales specialists, and other personnel specialized in this field. A possible withdrawal of those persons from the relevant structures or their inability to fulfil their obligations over a long period of time could have adverse effects on the operating performance contingent on the time of their absence or the time needed for their substitution and the training of their substitutes, their adequate familiarization with the organization and the specifics of the business and their full functional deployment. Any possible retention measures could result in the increase of costs relative to their motivation through raises in base salaries, bonuses, fringe and other benefits, at the expense of the Group.

IV.2.1.3 Risks relative to the market environment and competition

IV.2.1.3.1 SLOWDOWN OR UNFAVOURABLE TRENDS IN DEMAND

Notwithstanding the observed positive development and positive growth forecasts by key expert organizations in the industry for key Group markets and the ICT market as a whole, there is no guarantee that future market developments will reaffirm these expectations and will continue to be positive or that the corresponding growth in demand will not slow down significantly compared to the expected growth rates for certain periods. The demand for ICT is also dependent on trends and circumstances specific to the various business sectors and customers that determine their willingness and ability to purchase the Group’s products and services, which may differ in one direction or another from the overall market trend. This may include the possibility that the Group's target customers in one or more markets may not demonstrate interest in the products and services being offered as they were expected to, or their adoption might take much longer than expected. The aforementioned factors can lead to both a slowdown in sales growth and a deterioration in operating performance due to lower prices and gross profitability, as well as delayed return on operating and investment expenditures on business development.

IV.2.1.3.2 REGULATORY CHANGES UNFAVOURABLE TO MARKET DEMAND

The Group generates a substantial part of its revenue from regulated or government policy-influenced sectors and market niches such as telecommunications, banking, distribution companies, national security, healthcare, etc. In that sense, demand for the Group's products and services, respectively its revenue and operating results, can be significantly influenced by possible adverse changes in local and supranational regulations and policies, including possible reduction or redirection to other areas of the EU and other structural funds which its current and target customers are eligible to utilize.

IV.2.1.3.3 INTENSE COMPETITION

The Group operates in a sector characterized by intense competition from both local and international companies. Local competitors have an established market presence in key segments, which limits the possibilities to enter or expand the Group’s operations in these segments and may serve as a basis for an expansion of the position of those competitors at the expense of the Group. Large international companies have widely recognized trademarks, a leading role in the implementation of innovative solutions and widely diversified customer base and market presence, as well as large-scale organizational and financial capacity that provides them with greater possibilities to exercise and withstand competitive pressures. A possible increase in competitive pressure on the part of existing or newly emerging market players in the current segments and markets, as well as any possible adverse reaction against the entry of the Group into new segments and markets, could result in decline in the performance and delays or failure of the planned expansion of operations.

IV.2.1.3.4 UNFAIR COMPETITION

As a part of competitive pressure from other market players, the Group may be exposed to various forms of unfair competition that may impair the Group's performance and limit its expansion opportunities. Such actions may include soliciting key personnel with the aim to reduce its technical and organizational capacity, implying a negative image before certain customers or on the market as a whole, covert lobbying by and for the benefit of competitors, biased use of legal and contractual mechanisms with the aim to impede or delay the execution of public procurement and other activities, making competitive bids based on unprofitable prices or a hidden decrease in the utility offered, which may result in choices on the part of the Group’s counterparties that deviate from the actual cost-benefit ratio between the offerings of the Group and its competitors.

IV.2.1.4 Risks relative to public procurement

IV.2.1.4.1 DELAYED TENDERING AND IMPLEMENTATION

The implementation of projects in the public sector depends on their timely definition, the approval of budget or program financing, announcement and tendering, contracting and acceptance of performed works by the relevant governmental entities or local and central government. The failed or late implementation of any of these steps may result in discarded or delayed revenues and a corresponding deterioration in the Group's current performance or slowdown in its growth.

Factors that can lead to a delay at the aforementioned key stages include current and future changes in managerial and expert staff in the context of local and/or central elections, the appointment of temporary authorities and other factors, which can lead to delays in decision making and executive action at the contracting organizations. Delays may also arise as a result of appeals filed by competitors against tendering procedures announced or the results thereof. Regardless of their merits, considering the applicable statutory hearing terms, appeals result in more or less significant delays in tenders and the award of contracts for their implementation.

IV.2.1.4.2 COMPETITION FOR PUBLIC PROCUREMENT

Due to the large volume and attractiveness of the public ICT market, public procurement is subject to relatively more intensive and unfair competition compared to sales to the private sector. Commonly employed instruments of unfair competition include the unscrupulous use of legal means to appeal tendering procedures or the results thereof, with competitors aiming to procure more time for their own preparation or to affect negatively the Group's financial results by delaying the project's implementation and the realization of respective revenues and profits.

IV.2.1.5 Concentration risks

IV.2.1.5.1 ADVERSE CHANGES IN KEY CLIENT RELATIONSHIPS

By virtue of its specialization in high-grade technological solutions and professional services targeted mostly at large and medium organizations and projects, the Group is inherently exposed to a concentration risk with regard to key clients and client groups. Such counterparties with substantial portions of the Group's revenues for the past three financial years and/or with potential significance to future development include telecommunication operators, public organizations, banks, multinational clients and other private enterprises. In spite of the Group's progress towards growing revenue diversification, the potential loss, a drastic decrease in sales or a deterioration in the terms of cooperation with such clients could have an adverse effect on the volume and results from operations in the short term, as well as a potentially negative reputational effect on the Group in perspective.

IV.2.1.5.2 ADVERSE CHANGES IN RELATIONSHIPS WITH KEY TECHNOLOGICAL PARTNERS

Accounting for the significant importance of innovative and large-scale technologies offered by leading global vendors to the offered products and services, the Group is exposed to a concentration risk with regard to its key technological partners. Such counterparties accounting for substantial portions of the Group's purchases for the past three financial years include several leading vendors in the fields of networking, data center and office productivity solutions. Although the Group's vendor policy is flexible and open to various technological partners, a potential termination or a deterioration in key terms of such partnerships, such as requirements for the maintenance of technological specializations, levels of discounts, terms of payment, etc., could have an adverse effect on the cost and volume of operations.

IV.2.1.6 Risks relative to changes in technology and technological choices

IV.2.1.6.1 TIME AND COST OF ADPATING TO NEW TECHNOLOGIES

The ICT sector is characterized by a fast pace of technological innovation, reducing the life cycle of products and requiring a constant update of the Group's technological specializations in accordance with trends in market demand and opportunities for generating revenue from the introduction of new solutions and services. Despite the Group's consistent practices in this respect and its open approach to establishing new and extending the scope of existing technological partnerships, in some cases they may require additional time or costs for researching and establishing relationships with relevant suppliers.

IV.2.1.6.2 LOSS OF CLIENTS DUE TO THEIR TRANSITION TO ALTERNATIVE TECHNOLOGIES

Notwithstanding the wide range of technologies and technological partners offered by the Group and its open approach and extensive experience in establishing new partnerships with equipment and software vendors, customers may still opt to change current technologies and vendors with others with whom the Group does not have and cannot establish partnerships providing the respective competences and attractive delivery terms. Due to the presence of competitors with better positioning in respect of a technological partner and better delivery terms for their products, it is possible for the Group to not be preferred as a supplier by the client in spite of having an established partnership with the same vendor. Such circumstances could also lead to substantial decreases in revenues and operating results.

IV.2.1.6.3 DELAYED ADOPTION OF NEW TECHNOLOGIES BY THE CLIENTS

The main geographical markets, in which the Group operates, are lagging behind in the adoption of many innovative ICT products and services. In spite of the market segmentation applied by the Group in accordance with the clients' technological maturity, it is possible for the target client groups to also react more conservatively than expected, delaying significantly the implementation of the Group's strategy and growth targets.

IV.2.1.6.4 DELAYED OR UNSUCCESSFUL POSITIONING OF PROPRIATARY PRODUCTS AND SERVICES

To tap identified market opportunities in given market segments, the Group may continue to invest in the development of proprietary complex solutions and services adapted to the needs and specifics of the respective markets and client groups. Despite this adaptation, there is a risk that the new products and services will not meet the actual requirements or that they will not be adopted fast enough or at all by the Group's current and targeted clients, which could lead to a delayed, limited or negative return on the undertaken investments.

IV.2.1.7 Risks relative to long-term contracts

IV.2.1.7.1 COST OF COMMITMENTS FOR REGULAR SERVICE AND SUPPORT

Many contracts signed by the Group include commitments for warranty and post-warranty servicing and maintenance of hardware, software and complex systems and infrastructures, or the provision of managed and other services against fixed one-off or subscription fees. The costs of fulfilling these commitments may exceed the amount of revenue without the Group being able to compensate additional costs at the expense of the customer or the respective primary suppliers and technological partners, having an accordingly negative impact on results from operations.

IV.2.1.7.2 EARLY TERMINATION

Medium and long-term contracts for multiple deliveries or regular service in the form of maintenance, managed and other services can be terminated unilaterally and early at the client's initiative. While some of these contracts include provisions limiting the above risk and respective losses for the Group, such as penalties, buyout commitments etc., they can prove insufficient to cover missed benefits or the incurred additional costs. The earlier termination of such contracts could lead to a decrease in the Group's recurring revenues, which may not be compensated with new sources of revenue and may lead to an overall decrease in sales and results from operations.

IV.2.1.7.3 SPECIFIC RISKS RELATIVE TO THE PROVISION OF EQUIPMENT AS A SERVICE

Depending on changes in the IT policies of respective clients or other factors, the long-term contracts signed by the Group for managed services including the provision of equipment-as-a-service can be terminated unilaterally and prior to their expiry. Despite the provisions enforcing preliminary notifications and compensations for expenses incurred up to that point, a potential termination could be a factor for a decrease in the Group's recurring revenues and overall sales.

Under certain circumstances of termination, some contracts provide a possibility for the leased equipment to remain the property of the Group instead of being bought out by the client. This could lead to additional costs for dismantling, transportation, etc., as well as delayed or non-materializing resale of the equipment to other clients.

Some contracts provide the option to expand their scope at the client's initiative through the delivery and integration of additional equipment provided as a service based on prices or conditions identical to or subject to limited indexation compared to the initial ones. If, in the meantime, the market price of the equipment has increased, and/or there has been a significant rise in the expenses for the provision of respective services, this could lead to an uncompensated increase in the Group's expenses and an overall decrease in the profitability of similar operations.

IV.2.2 Financial risks

IV.2.2.1 Currency risk

The Group operates on different markets and in currencies different from its functional currency and is accordingly exposed to transaction and translation currency risks. The main source of transaction-driven currency risk is the purchase of equipment from global technological partners denominated in US dollars and financed with credit limits in the same currency. Despite the presence of mechanisms of currency indexation in some contracts and the practice of voluntary forward hedging of larger purchases at the discretion of respective Group companies, such transactions continue to generate net results (including losses) from foreign currency operations Group subsidiaries. Accounting for the fixed exchange rates of the Bulgarian Lev and the Bosnia and Herzegovina Convertible Mark to the Euro and the adoption of the latter as the national currency in Slovenia and Montenegro, the Group is exposed to a translation risk relative mainly to the floating Serbian Dinar, as well as to the Macedonian Denar and the Albanian Lek.

IV.2.2.2 Liquidity risk

The Group's cash flows can undergo significant momentary fluctuations as a result of various factors such as peaks in net working capital, increased investment activity, payment of dividends, etc., which may result in a given Group company's cash and cash equivalents being insufficient to meet its due liabilities. In spite of the signed financing contracts providing significant limits for funding working capital and the financing of a significant portion of investments with finance lease contracts, there is a risk that these limits may be insufficient in certain moments or periods. Such deficits may result in one or more Group companies' temporary inability to service its obligations to third parties in a timely manner with various adverse effects on its reputation and financial position.

IV.2.2.3 Insufficient financial capacity for the implementation of big projects

Besides their impact on the current liquidity of respective Group companies, possible instances of uncovered cash deficits may also lead to the impossibility of committing the working capital need to start new projects or implement ongoing ones, resulting in delayed revenues, penalties for delayed implementation and respective damage to the Group’s reputation. In the event that it is not possible to prove sufficient financial resources in front of potential clients or in accordance with the requirements of public and private tenders for large projects, the respective company may not be able to negotiate sufficient additional financing in due time and miss the opportunities to win the respective projects and the benefits of their implementation.

IV.2.2.4 Credit risk

Although the Group's key accounts are well-established and solvent companies and institutions with proven payment track records, the Group remains generally exposed to the risk of significant delays or non-payment of receivables due to a variety of factors relative to internal processes, financial condition and current trends in the cash flows of those and other customers. Significant past-due receivables may affect the cash flows and immediate liquidity of one or more Group companies and its ability to service its obligations to third parties in due course with a various adverse effects on its reputation and financial condition.

IV.2.2.5 Asset impairment risk

Under certain circumstances (such as impairment and write-off of receivables, intangible assets, investment property, inventories, held-for-sale assets, etc.), it is possible for the Group to record substantial expenses and reductions in the book value of its assets.

IV.2.2.6 Interest rate risk

The Group is exposed to the risk of increase in market interest rates in connection with the use of overdraft limits, revolving credit lines and finance leases in Bulgaria and Serbia based on the base interest rate (BIR) of the Bulgarian National Bank, EURIBOR and USD LIBOR indexes, and finance leases in Bulgaria based on the periodically updated average deposit index (ADI) of the financing bank and floating EURIBOR indexes. Due to the dynamic nature of overdraft and credit line exposures and the low actual variability of BIR and EURIBOR in recent years, which is limited by the use of fixed minimum total interest rates by financing banks corresponding to zero market interest rates, currently, the Group does practice the hedging of interest rate risk and a potential sharp rise in market indexes could have a negative effect on its results.

IV.2.3 Operational risks

IV.2.3.1 Deviations in processes and quality of service

Group companies are exposed to the risk of losses or unforeseen costs that may arise due to incorrect or inoperative internal processes, human errors, external circumstances, administrative or accounting errors, business interruptions, fraud, unauthorized transactions and asset damages. Any failure of the risk management system to establish or correct an operational risk may have a substantial adverse effect on the Group’s reputation and operating results.

IV.2.3.2 Inaptitude or malfunction of specific IT equipment and systems

In carrying out their principal activities, Group companies use specific IT equipment and systems, any potential malfunction, misuse or inaptitude of which would have a substantial impact on their ability to fulfil undertaken commitments to counterparties or which may result in unforeseen technical, legal and other costs affecting negatively the Group's reputation and operating results.

IV.2.3.3 Assuring compliance with standards and norms

Certain Group require their suppliers to ascertain the compliance of their competence and rules for the organization of processes and activities with various international quality management standards, procedures for the handling of confidential information, etc. Notwithstanding the certification of TBS EAD under a number of such standards and norms, the imposition of similar requirements on other Group companies not having the corresponding certifications, or a change in the current requirements and the inability of the Group to respond thereto on a short notice could have a negative impact on the Group's revenue and operating results.

IV.2.3.4 Leakage of personal and sensitive information of clients and employees

In the process of carrying out its activities, the Group stores and processes personal and sensitive data of its employees, customers and third parties. Any loss or unauthorized external and internal access and misuse of such data could have various negative consequences to the competitiveness, reputation and performance of the Group, including judicial or out-of-court proceedings and proceedings against respective subsidiaries and substantial pecuniary sanctions by the relevant authorities.

IV.2.4 Other risks

IV.2.4.1 Litigation risk

Group companies are generally exposed to the risk of litigation, including collective claims filed against them by clients, employees, shareholders, etc. by the initiation of civil actions, actions by competent authorities, administrative, enforcement and other types of judicial and extrajudicial proceedings. Some of these proceedings may be accompanied by restrictive and enforcement measures against the Group's assets and activities that could limit its ability to carry out a part or all of its activities for an indefinite period of time. Plaintiffs in similar cases against the Group may seek refund of large or undetermined amounts or other damages that could significantly deteriorate the Group's financial position. The defense costs in future court cases can be significant. Public information on such events or their negative business impact may impair the reputation of respective subsidiaries and the Group as a whole, regardless of whether or not the underlying claims and negative rulings are justified. The potential financial and other consequences of such proceedings may remain unknown for an extensive period of time.

IV.2.4.2 Risks relative transactions with related parties

In the course of their business, Group companies carry out transactions and make commitments to each other as well as to related parties outside its membership. In spite of its good practices and its commitment to comply with the applicable provisions of the POSA and other applicable regulations, it is possible because of ignorance, employee negligence, etc. that one or more such transactions may be concluded under conditions deviating substantially from market terms, which could have an adverse effect on the results of the Group's operations and its financial position.

IV.2.4.3 Cyber attacks

In addition to unauthorized access to data of the Group data and its counterparties, possible attacks against the Group and its counterparties could be targeted at or result in a malfunction or inability to use information and communication systems, including specialized IT systems for the provision of services. Although the Group specializes in information security and has advanced competences in preventing, limiting, monitoring and recovering systems and data in the aftermath of such attacks, the latter may take some time, during which the effects of these attacks may affect adversely operating results and compromise the Group's reputation.

IV.2.4.4 Force majeure

Like all economic agents, the Group is exposed to the general risk of natural disasters, hostilities, terrorism, political, public and other acts and events beyond its control and not subject to insurance, which could have a substantial adverse effect on the results of its activities and prospects in one or more territorial and other business domains.

V DISCLOSURE OF INTERNAL INFORMATION, AS REQUIRED BY ART. 33, PAR. (1) – 5 OF ORDINANCE 2 OF THE FSC

Internal information as per art. 7 of Regulation (EC) 596/2014 of the European Parliament and the Council from April 16 2014 regarding market abuse, regarding circumstances arising over the last six months is presented in appendix to the Company's interim financial statements as of June 30 2010, together with this Report.

VI ADDITIONAL INFORMATION AS PER ART. 33, PAR. (1) – 7 OF ORDINANCE 2 OF THE FSC

VI.1 Changes in the accounting policy during the reporting period, reasons therefor and effects thereof on the Issuer's equity and financial results

The Issuer has not made any changes to its accounting policy during the first six months of the year.

VI.2 Changes in the Issuer's group of companies under the terms of the Accountancy act

There were no changes in the composition, type and hierarchy of participation and control relationships within the Issuer's Group over the first six months of the year.

In accordance with a resolution of the MB and SB from January 31 2020, on February 25 2020 the Issuer signed an agreement with Picard Ivanov DOOEL for the purchase of 1 (one) share, representing 10% of the capital of Telelink Albania, against a total purchase price of EUR 1,000 (one thousand), paid in full on February 26 2020. As a result, the Issuer's stake in Telelink Albania's capital increased from 90% to 100%.

Except for the above increase, there were no further changes in the amount or percentage of the Issuer's participations in the capital of its subsidiaries.

VI.3 Results from organizational changes within the Issuer, such as reorganization, disposal of subsidiaries, contributions in kind, leased-out assets, long-term investments and discontinued operations

Over the first six months of the year, the Issuer has not participated in any reorganization, nor has it made any disposals of shares in subsidiaries, contributions in kind to the capital of subsidiaries and other companies, nor has it leased out any of its assets or discontinued, in part or in full, any of its activities.

Except for the increase in its stake in the capital of Telelink Albania, described in section VI.2 above, the Issuer has not made any investments in the acquisition of shares in other companies during the reporting period. Material capital expenditures on the acquisition of tangible and intangible assets are described in section III of this Report.

VI.4 Opinion on the feasibility of published forecasts for the current financial year, taking into account results from the first six months and factors and circumstances relevant to the achievement of projected results

On January 10 2020, the Company disclosed the following expectations for the distribution of dividends in 2020:

"In accordance with its Articles of Association, the company intends to distribute in the form of dividends at least 50% of its distributable net profit for the past financial year or first six months of the current year. The management of Telelink Business Services Group AD expects to propose an interim dividend for 2020 in the amount of BGN 4 million."

Based on the above information, the number of outstanding shares in the Company's capital and the determined minimum initial price of BGN 7.60 per share for the first tranche of the Public offering, IPO manager Elana Trading AD announced on its web page an expected dividend yield of BGN 0.32 per share of 4%.

The assessment made by the Company's management with regard to the feasibility of the above forecasts takes into account the following factors:

- According to the Issuer's Articles of Association in force, the General Meeting of the Shareholders of TBS is entitled to resolve on the distribution of profit in the form of a six months' dividend, pending on the approval of financial statements for the respective six months period, which would allow for the legitimate distribution of dividends in the third quarter of the year;
- According to the interim financial statements as of June 30 2020 presented with this report, the Company has retained earnings from the previous and profit for the current period totaling 8,382 thousand;
- In accordance with the Commercial Act, the Company must allocate mandatory capital reserves in the amount of 10% of profit for each ended reporting period until reaching a total of 10% of its registered share capital, amounting at BGN 1,250 thousand;
- Considering the BGN 217 thousand of reserves formed upon the Reorganization and available as of December 31 2019, the remainder that the Company must add from realized profits for 2020 and subsequent financial years assuming an unchanged registered share capital amounts to no more than 1,033 thousand;
- In accordance with the Company's Prospectus, the completed first tranche of the offering was realized at the planned minimal initial price of BGN 7.60 per share.

Considering the above information, the Company's management continues to deem the published forecast and dividend yield estimate based thereon feasible as a minimum and confirms its intention to propose to the General Meeting of Shareholders the distribution and payout of an interim dividend of at least BGN 4,000 thousand in the third quarter of 2020.

VI.5 Persons owning directly and/or indirectly at least 5% of the votes in the General Meeting of Shareholders as of the end of the first six months of the year and changes in the number of votes held over the reporting period

By virtue of the ordinary voting shares in the Company's capital held thereby, as designated in section **Error! Reference source not found.** of this Report, the persons owning directly or indirectly at least 5% of the votes in the General Meeting of Shareholders as of June 30 2020 include majority shareholders and Telelink group founder Lubomir Minchev, Ivo Evgeniev (member of the SB) and Spas Shopov.

As of the date this Report, the Company has never issued preferred shares without voting rights.

VI.6 Shares owned by the Issuer's managing and controlling bodies towards the end of the first six months of the year and changes therein over the reporting period

As of June 30 2020, members of the MB and SB holding shares in the Issuer's capital included:

- Members of the MB holding shares of the Issuer:
  - Ivan Zhitianov (Chairman of the MB and Executive Director), holding a stake of 1.05%;
  - Paun Ivanov (member of the MB), holding a stake of 1.00%;
  - Teodor Dobrev (member of the MB), holding a stake of 0.03%;
  - Nikoleta Stanailova (member of the MB), holding a stake of 0.02%;
- Members of the SB, holding shares of the Issuer:
  - Ivo Evgeniev (member of the SB), holding a stake of 5.37%;
  - Hans van Houvelingen (Chairman of the SB), holding a stake of 0.01%.

Changes in the composition of MB and SB members, holding shares in the Issuer's capital and respective stakes held included:

- Members of the MB, having changed the number of held shares of the Issuer:
  - Ivan Zhitianov (Chairman of the MB and Executive Director), having increased his stake by 0.05% through the purchase of shares during the completed first tranche of the Public offering;
  - Teodor Dobrev (member of the MB), having acquired his stake of 0.03% through the purchase of shares during the completed first tranche of the Public offering;
  - Nikoleta Stanailova (member of the MB), having acquired her stake of 0.02% % through the purchase of shares during the completed first tranche of the Public offering;
- Members of the SB, having changed the number of held shares of the Issuer:
  - Ivo Evgeniev (member of the SB), havind reduced hist stake by 0.81% through the sales of shares during the completed first tranche of the Public offering;

- Hans van Houvelingen (Chairman of the SB), having acquired his stake of 0.01% through the purchase of shares during the completed first tranche of the Public offering.

As of the date of this Report, the Company has not issued and there are no members of the MB, SB or its top management holding options on shares in its capital or other securities issued thereby.

VI.7 Information on pending court cases, administrative and arbitration proceedings concerning receivables or payables equal or greater than 10% of the Issuer's equity

As of the date of this Report, there are no pending court cases, administrative or arbitrary proceedings to which the Company is party and/or concerning receivables or payables thereof equal or greater than 10% of its equity.

VI.8 Loans granted by the Issuer or a subsidiary thereof, provided guarantees or undertaking of liabilities to the benefit of a person or a subsidiary thereof, including related parties

VI.8.1 Loans granted by the Company

As of June 30 2020 and during the reporting period as a whole, the Company did not have any loans granted to subsidiaries, related or other third parties.

VI.8.2 Provided guarantees and undertaking of liabilities by the Company

As of June 30 2020 and during the reporting period as a whole, the Issuer maintained its capacity of a guarantor, respectively pledgor under the following contracts signed in 2019 as security to TBS EAD's obligations under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit available for utilization by TBS EAD as of agreement date in the amount of EUR 11,000 thousand;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit available for utilization by TBS EAD as of agreement date in the amount of EUR 11,000 thousand.

By resolution of the General Meeting of Shareholders from June 30 2020, a preliminary approval was granted for issuing a corporate guarantee by TBS Group in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, up to the amount of USD 5,100 thousand.

VI.8.3 Loans granted by subsidiaries

As of June 30 2020 and during the reporting period as a whole, there were the following agreements for loans granted by the Issuer's subsidiaries:

- a Cash loan agreement from September 02 2019 between TBS EAD (lender) and TBS Group (borrower) with a revolving limit of up to BGN 4,000 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2020, interest rate of 2.25% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of June 30 2020 amounting BGN 3,295 thousand;
- a Cash loan agreement from September 02 2019 between TBS EAD (lender) and Telelink Albania (borrower) with a revolving limit of up to EUR 800 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2020, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of June 30 2020 amounting to EUR 84 thousand;
- a Cash loan agreement from November 2019 between TBS EAD (lender) and TBS Macedonia (borrower) with a revolving limit of up to EUR 500 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2020, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of June 30 2020 amounting to EUR 100 thousand.

VI.8.4 Provided guarantees and undertaking of liabilities by subsidiaries

As of June 30 2020 and during the reporting period, there were no provided guarantees and undertakings of liabilities made by subsidiaries of the Issuer in favor of third parties.

VII INFORMATION ON LARGE TRANSACTIONS WITH RELATED PARTIES AS PER ART. 33, PAR. (3) OF ORDINANCE 2 OF THE FSC

VII.1Transactions with related parties singed during the reporting period with a substantial impact on the Company's financial condition or operating results for that period

During the reporting period, there were no new contracts signed between the Company and related parties.

The Company continued to perform activities under contracts signed in previous periods with its subsidiaries for the provision of services relative to the respective subsidiary's corporate and business development, including but not limited to product positioning, business planning consultancy, financial reporting and audit, legal consultancy and consulting and services relative to the PR and marketing activities and the popularization of their business:

- Agreement from August 15 2019 between the Company and TBS EAD, with provided services for the reporting period amounting to BGN 1,010 thousand;
- Agreement from August 15 2019 between the Company and Comutel, with provided services for the reporting period amounting to BGN 150 thousand;Agreement from August 15 2019 between the Company and Telelink Montenegro, with provided services for the reporting period amounting to BGN 18 thousand;
- Agreement from August 15 2019 between the Company and Telelink Bosnia, with provided services for the reporting period amounting to BGN 24 thousand;

- Agreement from August 15 2019 between the Company and Telelink Slovenia, with provided services for the reporting period amounting to BGN 6 thousand;
- Agreement from August 15 2019 between the Company and Telelink Albania, with provided services for the reporting period amounting to BGN 43 thousand;
- Agreement from August 15 2019 between the Company and TBS Macedonia, with provided services for the reporting period amounting to BGN 35 thousand.

During the reporting period, the Company and TBS EAD maintained their contract for the rental of equipped workplaces signed on November 1 2019, with the Company's workplace rental expenses for the period amounting to BGN 99 thousand.

As a purchaser under an IT service agreement with TBS EAD from October 09 2019, for the reporting period, the Company received services in the amount of BGN 39 thousand.

During the reporting period, the Company (as a borrower) and TBS EAD (as a lender) maintained their Cash loan agreement from September 02 2019 with a limit of up to BGBN 4,000 thousand and an interest of 2.25% p.a. over utilized funds, with the Company's corresponding interest expenses for the period amount to BGN 28 thousand.

VII.2Changes in signed transactions with related parties reported in the annual financial statements with a substantial impact on the Company's financial condition or operating results during the reporting period

During the reporting period, there were no changes in contracts signed with related parties.

VIII ADDITIONAL INFOPRMATION PROVIDED AT THE COMPANY'S DISCRETION

VIII.1 Main types of goods, products and/or provided services

With regard to the strategic goals set for the Group's development as an expanding and functionally integrated international structure, the Company's function of managing investments in subsidiaries comprises both their general corporate governance and control, and assistance to their sales and business development. In accordance with these goals, the Company's sales are divided in two main groups of services provided under contracts with Group subsidiaries:

- administrative and financial services, including:
    - consulting services for the development of internal processes, project management rules, implementation of internal information systems, assistance to the implementation and internal audit of the compliance with security and quality management systems, standards and regulations and specific requirements by commercial partners (clients and vendors);
    - consultancy in the field of human resources, including the company's popularization among professional communities and the recruitment of personnel;
    - financial management services, including business planning, financial reporting and audit, tracking and analysis of financial results, commentary and recommendations for efficiency improvement, consulting relative to financial products, loans, factoring, leasing, etc.;

- tax policy consulting;
- legal consultancy and assistance on matters requiring in-depth legal know-how;
- other adjacent to the above services.

- services in the field of business development, sales and marketing, including:
    - management services, including assistance in strategic decision making, setting goals and strategies, development and application of policies and guidelines;
    - business development services, including product positioning and the presentation of products and services in front of potential clients, consultancy on the potential development of new products, services and functionalities;
    - consultancy and services relative to PR and marketing activities and business popularization;
    - other adjacent to the above services.

VIII.2 Revenue mix

The Company's revenues for the first six months of 2020 consisted entirely of the types of services described in section VIII.1 provided to directly controlled Group subsidiaries. The predominant part of their composition corresponds to services in the field of business development, sales and marketing, accounting for 74% of total revenues for the reporting period, against 26% coming from administrative and financial services.

Considering the above composition, the geographical structure of the Company's revenues is determined entirely by their distribution among serviced subsidiaries and the countries of their incorporation and management.

Country	Region	Net Sales Revenue (BGN thousand)			
		30.6.2020	30.6.2019	share 30.6.2020	share 30.6.2019
Bulgaria	Bulgaria	1,010	0	79%	0%
Serbia	Mid-Western Balkans	150	0	12%	0%
Albania	South-Western Balkans	43	0	3%	0%
Macedonia	South-Western Balkans	35	0	3%	0%
Bosnia and Herzegovina	Mid-Western Balkans	24	0	2%	0%
Montenegro	Mid-Western Balkans	18	0	1%	0%
Slovenia	Mid-Western Balkans	6	0	0%	0%
		0	0	0%	0%
Total	Bulgaria	1,010	0	79%	0%
Total	Mid-Western Balkans	198	0	15%	0%
Total	South-Western Balkans	78	0	6%	0%
Total	Total	1,286	0	100%	0%

With a predominant share of 79% of total sales, local market revenues are formed of services provided to TBS EAD. The rest of revenues is generated mostly in the Mid-Western Balkan region, accounting for 15% of total sales with the predominant contribution of services provided to Comutel, amounting to 12% of the Company's total sales.

VIII.3 Significant suppliers

For the reporting period as awhole, the Company had just one supplier accounting for more than 10% of recorded purchases – subsidiary TBS EAD with a share of 49% formed in relation to a contract for the lease of equipped workplaces and an IT service agreement.

TBS EAD was also the only supplier with a share of more than 10% in the Company's trade payables as of June 30 2020, amounting to 84%.

VIII.4 Information on large transactions and such of substantial importance to the Issuer's activities

All of the Company's significant transactions are made with related parties and summarized in section VII of this Report.

VIII.5 Company outlook

In accordance with the established activity profile, the Company intends to keep on playing an active role in the corporate management, business development and marketing activities of Group companies with regard to the formulation and assisting the implementation of its strategy for local and international development and growth.

Considering the internal structure for the implementation of the above activities already deployed in the first six months of 2020, as of the date of this Report the Company has not planned on significant future increases in personnel, operating expenses and capital expenditures for the general assurance of its activities in the near term.

Similarly to the previous year, the Company plans to finance the difference between realized gross profit and marketing general and administrative expenses with dividend income recorded as of the end of the reporting period and from future periods, applying the remainder of realized income to the distribution of dividends, share buyback for the purposes of the Long-term incentive plan and the gradual repayment of obligations under the Cash loan agreement with TBS EAD.

The planned dividend distribution out of the Company for 2020 is described in section VI.4 of this Report.

Possibilities for the buyback of shares for the purposes of the Long-term incentive plan are described in section VIII.18 of this Report.

As of the date of this Report, the Company has no immediate plans and specific expectations for the acquisition of capital interests in other companies. However, the management remains open to considering potential future capital investments bearing potential synergies that could support or accelerate the implementation of the Group's strategy for local and international development and growth. The Company's policy regarding possible future investments is described in section VIII.12 of this Report.

VIII.6 Transactions with related parties made during the reporting period, other than described in section VII of this Report

On June 29 2019, the Company, in its capacity of single shareholder, accepted the financial statements of its subsidiaries for 2019 and resolved on the following distribution of dividends:

- out of TBS EAD, in the amount of BGN 7,002 thousand;
- out of Comutel, in the equivalent of BGN 450 thousand;
- out of Telelink Montenegro, in the equivalent of BGN 160 thousand;
- out of Telelink Bosnia, in the equivalent of BGN 270 thousand;
- out of Telelink Slovenia, in the equivalent of BGN 606 thousand.

As of June 30 2020, the above dividends were yet to be paid out to the Company.

During the reporting period, the Company and Group subsidiaries have not made any transactions beyond the scope of their usual activities or deviating substantially from market terms.

VIII.7 Information on capital participations of the Issuer and its main investments in the country and abroad

As of June 30 2020, the Company reported total investments in directly owned subsidiaries in the amount of BGN 15,739 thousand, BGN 15,718 thousand of which transferred under the Reorganization from August 14 2019 as a part of the assets attributable to the separated activity of Business Services, and BGN 21 thousand – stemming from the establishment of TBS Macedonia in September 2019 and the increase in the participation in Telelink Albania in February 2020. Shares in the capital of subsidiaries are shown in percentage by subsidiary in section I.2 of this Report. The value of reported investments by subsidiary as of June 30 2020 is shown in section 10 of the notes to the Company's interim financial statemenets.

Intangible assets owned by the Company include and externally developed branding concept transferred to the Company under the Reorganization as a part of the assets attributable to the separated activity of Business Services, and the development of the Group's new website completed in March 2020. The initial cost of these investments amounts to BGN 139 thousand, and their balance sheet value as of June 30 2020 – to BGN 100 thousand.

As of June 30 2020, the Company did not have any investments in financial instruments and real estate, nor in equities of other companies outside the Group.

VIII.8 Loan agreements signed by the Issuer, a subsidiary thereof or a parent company in their capacity of borrowers

VIII.8.1 Loan agreements, guarantees and undertakings of liabilities of the Company

As of June 30 2020 and over the reporting period as a whole, the Company continued to be a party (borrower) under the Cash loan contract with TBS EAD (lender) from September 02 2019 with a limit of BGN 4,000 thousand, as described in section VI.8.3. The loan does not have a contractually defined specific purpose and can be used without corresponding limitations to meet the Company's needs. No security, including no suretyships or undertaking of liabilities by third parties, has been stipulated by or established under the agreement.

As of June 30 2020, outstanding principal drawn under the loan amounted to BGN 2,088 thousand.

VIII.8.2 Loan agreements, guarantees and undertakings of liabilities of subsidiaries

VIII.8.2.1Agreements signed by TBS EAD

In May 2020, TBS EAD signed an Annex for the extension of the availability period under the Agreement for undertaking credit commitments under an overdraft credit line with Unicredit Bulbank AD from May 31 2020 to June 30 2020.

On June 30 2020 the company also signed an Annex for the annual renewal of the same agreement with an availability period until May 31 2021.

The provisions of the latter Annex regarding the limits for the effective drawing of cash funds and the undertaking of contingent commitments under the agreement include:

- an unchanged overdraft limit of up to EUR 3,000 thousand for the general funding of working capital needs;
- an increase of the revolving credit limit for the partial financing of specific projects up to 80% of the difference between their total value and advances received, subject to utilization on the basis of separate requests and approvals by project, from EUR 2,000 thousand to EUR 10,000 thousand;
- an increase of the limit for issuing bank guarantees and letters of credit from EUR 10,000 thousand to EUR13,000 thousand, as well as of the total credit amount, including utilized overdraft, revolving credit and issued bank guarantees and letters of credit – from EUR 11,000 thousand to EUR 13,000 thousand.

All cash limits remain available for drawing in Leva, Euro or US dollars at respectively applicable interest rates of BIR + 1.357%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% (regardless of the utilization currency).

In respect of the extended availability period, the repayment deadline for utilized overdraft is extended until July 31 2021, and that for the repayment of utilized revolving credit – until the receipt of proceeds from clients under each financed project, but no later than May 31 2022. The agreement remains subject to annual renewal based on an annual review of the borrower and approval by the lending bank.

Security provided under the agreement continues to include:

- pledge over receivables from accounts with the bank;
- pledge of all existing and future receivables from individualized contracts of TBS EAD securing utilized overdraft funds and additional pledges of current and future receivables of TBS EAD from projects financed with revolving credit;
- pledge over 100% of the shares in the capital of TBS EAD and related receivables;
- a suretyship by TBS Group, including the commitment to preserve its participation in the capital of TBS EAD.

Considering the Annexes to the agreement signed on February 21 2020 and April 04 2020, whereby the conditional commitment to establish enterprise pledges over TBS EAD and TBS Group in case the procedure for the listing of the latter's shares on the BSE was not completed by February 14 2020 was amended with the extension of the above deadline until April 04 2020, respectively July 31 2020, and the Company's successful listing in June 2020, this commitment has definitively expired.

As of June 30 2020, TBS EAD did not have any outstanding obligations for utilized overdraft and revolving credit.

VIII.8.2.2 Agreements signed by Comutel

On January 28 2020, Comutel signed an Annex for the annual renewal of its Credit facility agreement with Raiffeisen Banka AD Beograd (Serbia) from 2015.

The limit for the effective drawing of cash funds under the agreement in the form of revolving working capital facility, subject to utilization on the basis of separate requests up to the amount of respectively pledged receivables from clients, was kept unchanged at USD 5,000 thousand.

The interest rate applied under the agreement remained unchanged at 1m. LIBOR + 1.6%.

The currently agreed availably and repayment term is January 27 2021. The agreement remains subject to annual renewal with the approval of the lending bank.

Security provided under the agreement continues to include pledges over specified receivables from a key account of the Company, presented at each separate drawdown.

As of June 30 2020, funds utilized by Comutel under the agreement amounted to an equivalent of BGN 2,891 thousand.

VIII.8.2.3 Agreements signed by Telelink Albania

On February 20 2020, Telelink Albania signed a Short-term financing agreement with First Investment Bank – Albania with a limit of EUR 500 thousand for the financing of receivables as per invoices issued to a specified telecom account of the company.

Interest expenses under the credit are undertaken by the above client.

Security provided under the agreement includes the pledge of receivables from financed invoices.

As of June 30 2020, funds utilized by Telelink Albania under the agreement amounted to an equivalent of BGN 437 thousand.

As of June 30 2020 and during the reporting period as a whole, Telelink Albania also continued to be a party (borrower) to a Cash loan agreement with TBS EAD (lender) from September 02 2019. Obligations under the agreement are unsecured. The principal terms and funds utilized under the agreement are given in section VI.8.3 of this Report.

VIII.8.2.4 Agreements signed by TBS Macedonia

As of June 30 2020 and during the reporting period as a whole, TBS Macedonia continued to be a party (borrower) to a Cash loan agreement with TBS EAD (lender) from November 06 2019. Obligations under the agreement are unsecured. The principal terms and funds utilized under the agreement are given in section VI.8.3 of this Report.

VIII.9 Use of proceeds from new securities issued during the reporting period

During the reporting period, including the Public offering carried out in June 2020, the Company did not issue and did not receive any proceeds from new shares, other securities and options thereon.

VIII.10 Used financial instruments

VIII.10.1 Financial risk management goals and policy, including hedging

The Company did not use any financial instruments during the reporting period.

Due to the formation of its revenues and costs predominantly or entirely in local currency (Leva) or Euro under the regime of a currency board, the Company has no direct exposure to significant currency risk.

Under the terms of the Cash loan agreement with TBS EAD, interest due by the Company is based on a fixed interest rate. As of reporting period end, the Company dis not have and had not planned on the utilization of other financial debt. In that sense, as of June 30 2020, the Company was not exposed to and had no reasons to expect the occurrence of interest rate risk.

To the extent Group subsidiaries are exposed to interest rate risk arising from their activities and their financing, the Company monitors, recommends and approves the use of instruments for the hedging of such risks or approaches and methods for their minimization by limiting or matching currency, maturity and other structures of exposures and cash flows in the process of providing consultancy and management services to respective subsidiaries, with the objective of optimizing their individual results and the Group's consolidated performance.

VIII.10.2 Exposure to price, credit, liquidity and cash flow risk

Due to the formation of revenues from consultancy and management services to subsidiaries, a substantial part of which, by their nature, cannot be replaced with services form other suppliers, and entirely in Euro under the regime of a currency board, the Company is not exposed significant price risk.

Due to the formation of revenues predominantly or entirely from subsidiaries controlled by the Company, the credit risk associated therewith can be regarded as immaterial.

The Company manages liquidity and cash flow risks by the consistent tracking of the quality and maturity of its receivables and payables and the timely planning of cash inflows and outflows. In cases of expected cash deficits in a given period and with regard to covering unforeseen fluctuations, the Company secures their financing by negotiating appropriately structured loans or revolving credit limits from leading Group companies and/or by forming reserves with resolutions on the timely and appropriately sized dividend distributions from its subsidiaries.

To the extent Group subsidiaries are exposed to price, credit, liquidity and cash flow risks arising from their activities, the Company monitors, recommends and approves the application of approaches and methods for their minimization by limiting or matching exposures and cash flows in the process of providing consultancy and management services to respective subsidiaries, with the objective of optimizing their individual results and the Group's consolidated performance

VIII.11 Policy for the management of financial resources, ability to honor obligations, potential threats and measures for their elimination

The policy of managing financial resources with a view to the timely and due service of the Company's obligations is based on the assurance of cash funds from three main sources:

- revenue from the sale of administrative and financial services and services in the field of business development, sales and marketing, provided to Group subsidiaries;
- dividend income from direct participations in the capital of Group subsidiaries;
- financing the deficit of funds for the service of obligations towards third parties and other subsidiaries by loans from leading Group companies.

The Company expects the above sources to be sufficient to meet the needs for working capital funds, purchases of non-current assets for general business assurance, dividend payouts and the buyback of shares for the purposes of the Long-term incentive plan, while maintaining a readiness for the timely renegotiation of the maturity of the

Cash loan agreement with TBS EAD in case service revenues and dividend income from subsidiaries after the funding of the above expenditures prove insufficient to secure its repayment by December 31 2020.

VIII.12 Ability to implement investment plans, available funds and possible changes in the financing structure of such activities

As of the date of this Report, the Company has not planned and does not expect to face the need for significant capital expenditures.

The Company's management recognizes that potential future acquisitions of capital interests in new subsidiaries and other investments exceeding available funds should only be undertaken after the timely preliminary procurement of additional funds from intra-Group loans, debt financing from third parties and/or capital increase.

VIII.13 Information about changes in the fundamental principles of governance of the Issuer and its economic group

During the reporting period, there were no changes in the fundamental principles of governance of the Company and the Group.

VIII.14 Information about changes in the Company's governing bodies

During the reporting period, there were no changes in the composition, rights or obligations of the Managing and Supervisory Boards.

VIII.15 Information about the amount of remuneration, bonuses and benefits of each of the members of the governing bodies for the reporting period

The amounts and non-monetary remunerations of the members of the Managing and Supervisory Boards, paid out or transferred by the Company and its subsidiaries during the reporting period are disclosed as follows:

	Remuneration (issuer) BGN	Remuneration (related companies) BGN	Under employment contracts (issuer) BGN	Under employment contracts (related companies) BGN	Total BGN
Ivan Zhitiyanov	30 000	228 147			258 147
Teodor Dobrev	12 000		44 100	59 619	115 719
Paun Ivanov	12 000				12 000
Nikoleta Stanailova	12 000		53 107		65 107
Gojko Martinovic	12 000			114 022	126 022
Hans van Houvelingen	15 000				15 000
Ivo Evgeniev	15 000				15 000
Bernard Jean-Luc Moscheni	15 000				15 000

The amounts of remuneration of the Managing and Supervisory Boards accrued by the Company and its subsidiaries for the period are disclosed as follows:

	Remuneration (issuer) BGN	Remuneration (related companies) BGN	Under employment contracts (issuer) BGN	Under employment contracts (related companies) BGN	Total BGN
Ivan Zhitiyanov	30 000	108 360			138 360
Teodor Dobrev	12 000		52 920	6 540	71 460
Paun Ivanov	12 000				12 000
Nikoleta Stanailova	12 000		44 178		56 178
Gojko Martinovic	12 000			114 022	126 022
Hans van Houvelingen	15 000				15 000
Ivo Evgeniev	15 000				15 000
Bernard Jean-Luc Moscheni	15 000				15 000

The difference between the remunerations accrued and paid for the period arises from their usual payment during the month (for bonuses – the year) following the month (respectively the year) for which they are due.

During the reporting period, there were no contingent or deferred remunerations arising to the benefit of the members of the Company's Managing and Supervisory Boards.

VIII.16 Agreements known to the Company that may result in changes in the capital stakes held by current shareholders

On October 22 2019, the Company became a party to a Consultancy service agreement among Lyubomir Minchev, Spas Shopov, Ivo Evgeniev and Investment Intermediary Elana Trading AD for the provision of services relative to obtaining public company status, admission to trading on a regulated market and the sale of up to 30% of the shares in the Company's capital on the BSE. With a view to the planned offering, Lyubomir Minchev, Spas Shopov and Ivo Evgeniev also signed individual Contracts for brokerage services with Elana Trading AD.

On December 17 2019 an Agreement for the Restriction of the Disposal of Shares (Lockup Agreement) was signed among the Company and Lyubomir Minchev, Spas Shopov, Ivo Evgeniev, Ivan Zhitiyanov, Paun Ivanov, Iordan Velchev and Iordan Popov, in their capacity of shareholders, according to which:

- the shareholders participating in the Agreement intend to sell on the BSE up to 30% (3,750,000) of the Company's existing shares by the end of 2020, whereby Lyubomir Minchev is entitled to sell up to 23.825% (2,978,126 shares), Spas Shopov and Ivo Evgeniev are entitled to sell up to 3.0875% (385,937 shares) each, and the other four shareholders participating in the Agreement are not be entitled to sell shares during the above period;
- in addition, Lubomir Minchev is be entitled to offer up to 6.175% (771,874 shares) more, so that the offering would reach up to 30% in total, in case and to the extent Spas Shopov and Ivo Evgeniev do not exercise or exercise only in part their rights to sell shares on the BSE, as described in the above paragraph;
- at the same time, Lyubomir Minchev has made a commitment to maintain a stake of at least 51% (6,375,000 shares) in the Company's capital by the end of 2021.

On June 01 2020 an Updated procedure for the sale of shares was adopted among Lubomir Minchev, Spas Shopov, Ivo Evgeniev and II Elana Trading AD, providing for the realization of a first tranche of the Public offering for 7% of the shares in the Company’s capital with the option of offering additional 7% in June 2020, and a subsequent second tranche with a maximum volume corresponding to the remainder up to 30% of the Company’s shares.

Given that shares sold during the completed first tranche of the Public offering amounted to 7.86% of the allowed total of up to 30%, and that the above agreements and undertakings remain in force as of the date of this Report, they continue to present premises for an additional overall decrease in the shares held by Lubomir Minchev, Spas Shopov and Ivo Evgeniev by up to 22.14% by the end of 2020.

According to the Company’s Prospectus, the management and the majority owner have planned on the preparation and adoption of a Long-term incentive plan for the motivation of employees with shares and/or options, whereby employees and managers of the Company could acquire between 10% and 20% of the Company’s capital over the next five years. It has been stated that the necessary shares will be procured by means of repurchasing existing shares from the market, and accordingly, no issuance of new shares has been planned and no capital dilution is expected to occur as a consequence of the plan.

As of the date of this Report, the Managing Board has been authorized by resolution of the General Meeting of Shareholders, as described in section VIII.18 below for the buyback of up to 3% of the Company’s shares by December 31 2020 and their allocation in accordance with a program for the motivation of members of the corporate management and employees of the Company and its subsidiaries, but no such program has been adopted yet.

VIII.17 Information about the acquisition of own shares

VIII.17.1 Number and nominal value of own shares acquired and transferred during the reporting period, the part of capital they represent and price of acquisition or transfers made

During the reporting period and as of the date of this Report, the Company has not acquired or transferred own shares.

VIII.17.2 Number of own shares held and the part of the capital they represent

During the reporting period and as of the date of this Report, the Company has not held and does not hold any own shares.

VIII.18 Authorizations of the board members, particularly in respect of issuing or repurchasing shares

The rights and limitations of the Managing Board for the buyback of shares have been determined by resolution of the General Meeting of the Shareholders (GMS) from June 30 2020, as follows:

- maximum shares authorized for repurchasing – up to 3% of all voting shares issued by the Company;
- buyback term – no later than December 31 2020, until which date the MB can carry out an unlimited number of buyback procedures in compliance with the terms of the GMS resolution and the Public Offering of Securities Act;
- minimum and maximum (range) of the repurchase price – between BGN 7.40 and BGN 11.00, within which the MB can adopt specific resolutions for each separate procedure, as well as to alter the price within each such procedure, depending on market conditions;

- authorized purposes of the buyback – investment activities and/or a program for the motivation of members of the corporate management and employees of the Company and its subsidiaries by the allocation of shares;
- electing an investment intermediary for the buyback;
- defining all other specific parameters of the buyback and taking all necessary legal and practical action towards the fulfillment of the GMS resolution, including the implementation of an unlimited number of buyback procedures in compliance with the terms of the GMS resolution and applicable law, specifying buyback start and end dates and the duration for each separate procedure;
- disposing with repurchased shares in compliance with applicable law and the terms of the program for the motivation of the corporate management and employees of the Company and its subsidiaries.

As of the date of this Report, the Managing Board has not been authorized to issue new shares in the Company's capital.

VIII.19 Important events after the date of preparation of the interim financial statements

On July 01 2020 Telelink Business Services Group AD issued a corporate guarantee in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, in the amount of up to USD 5,100 thousand.

On July 27 2020, the following resolutions were adopted on a meeting of the Managing Board of Telelink Business Services Group AD:

- approval of the nominations for members of the Audit committee to be presented for approval to the Supervisory Board and the General Meeting of Shareholders;
- based on submitted offers for the independent financial audit of the Company's financial statements, ranking and nomination of an auditing company to be proposed to the General Meeting of Shareholders for the election of an auditor for the conduct of the independent financial audit of the Company's financial statements for 2020;
- election of Elana Trading AD as an investment intermediary for the buyback of Company shares.

VIII.20 Coronavirus COVID-19 Epidemic

VIII.20.1 Situation in the country

In February 2020 the coronavirus COVID-19 emerging from China reached a stage of global spread, affecting a growing number of European countries. Its spread in Bulgaria has also been confirmed, since March 03 2020.

In March, a national state of emergency was declared, imposing advanced anti-epidemic measures and restricting the population's freedom of movement in the country and abroad, as well as foreign citizens arriving in the country and the regime of work in public and private organizations.

In spite of the emergency's suspension in May, various restrictions have remained in force or have been temporarily reintroduced over the rest of the reporting period.

Measures in force as of the date of this report include obligations for all employers or recruitment bodies in respect of mandatory anti-epidemic measures in working areas, including disinfection, preventing the access to working areas by persons showing symptoms of acute respiratory conditions, personnel training, procuring disinfectants, minimum physical distance among employees, procurement of personal safety apparel for employees corresponding to the specifics of their work and the assessment of the risk of their workplace, and organizing remote forms of work for the collective management bodies and employees to the extent possible and depending on their job profiles. Restrictions and requirements to foreign citizens entering the country, such as the availability of negative test results and the abidance by certain quarantine terms, also remain in force.

VIII.20.2 Situation of the Company

From the declaration of emergency in March until the date of this Report, the Company has undertaken all measures prescribed by the competent authorities to the effect of preventing the spread of the epidemic, including but not limited to the formulation of safety-at-work rules and the instruction and tracking of employees in respect of their abidance thereby, the procurement of safety apparel and disinfectants, restrictions on business traveling and accommodation, restricting external access and the encouragement of homeworking among managers and employees, which has been accordingly assured with the appropriate technological means, IT and network infrastructure.

As of the date of this Report, there have been no interruptions in the supply of goods and services of substantial importance to the Company's operational assurance and it has continued to operate without interruption.

VIII.20.3 Situation of Group subsidiaries

To the extent subsidiaries are the source of the Company's revenue and financing, the impact the epidemic may have on the operations of Group companies is of substantially importance to the Company's financial condition.

As of the date of this Report, the spread of the virus and the adoption of measures for its limitation encompasses to a more or less significant extent the countries of incorporation of all Group companies. The impact of similar factors on their clients and suppliers from other countries and regions is also relevant to their activities. Similarly to Bulgaria, most relevant countries exhibit trends of relative relaxation of the restrictive regimes in force as compared to the initially adopted measures, but while continuing to apply more or less stringent ongoing restrictions.

As of the date of this Report, the Company is not aware of any actual or planned interruptions or significant delays in the workflow and deliveries from US, Chinese and other equipment vendors of key importance to the Group.

As technological companies with an advanced IT infrastructure, Group subsidiaries have assured technologically and introduced successfully teleworking arrangements for their employees, allowing for the continuity of internal and external services and processes realizable on a remote basis. Key external processes such as the signing of contracts and meetings with customers have also been digitalized. Considering the implemented communication and collaboration tools, utilization and efficiency monitoring systems and the high average level of IT literacy of employees, the Company does not expect teleworking to result in substantial reduction of the Group's productivity. With regard to the performance of fieldworks involving activities outside company offices, employees have been provided with personal safety apparel, and the realization of such works on territories under travelling and access restrictions has been assured with the involvement of qualified local subcontractors.

As of the date of this Report, governments in the countries of relevance to the Group maintain active positions in the sense of supporting private businesses and assuring premises for the continuity of public procurement tendering and implementations, and there have been no indications that significant projects with key and other private sector accounts will be suspended as a result of the epidemic.

VIII.20.4 Expected impact on the Company's results and financial condition

As of the date of this Report, the development of the epidemic remains dynamic and difficult to forecast. On the other hand, Group companies continue to operate successfully under the circumstances and the Company's management has not established substantial negative trends in demand, supply and key processes on the part of key vendors and accounts. At the same time, market researchers point out both risks of a general slowdown in economic growth and temporary limitations of the investment potential of certain industries and expoectations for a significant acceleration of investments by client groups in technologies related to their digitalization, virtualization and collaboration capacity in a teleworking environment, including various products, services and complex solutions offered by the Group.

Considering the above factors, as of the date of this report, the Company's management has not established or formed a clear and concrete quantitative assessment of any negative overall impact of the epidemic affecting substantially its results and financial condition. Nevertheless, the Company will continue to monitor the situation's development with a view to the timely identification of actual and potential adverse effects and the undertaking all possible measures towards the limitation of their impact in due course.

VIII.21 Information about the Investor Relations Director

As of June 30 2019, the Company's Investor Relations Director is Ivan Daskalov, with the following contact details: telephone number +359 2 9882413, e-mail address IR-TBS@telelink.com.

Ivan Krasimirov Zhitiyanov

Digitally signed by Ivan Krasimirov Zhitiyanov
Date: 2020.08.20 16:50:51 +03'00'