CONSOLIDATED 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 THE PROVISIONS OF ART. 100o PAR. (4) AND (5) OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA) AND ART. 33 AND 33a 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 par. (4) and (5) of the POSA and art. 33 and 33a 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 Consolidated Management Report (the Report). The Report presents commentary and analysis of key consolidated financial and non-financial indicators of the results from the activities of the Company and its subsidiaries (the Group). The Report features an objective review, providing a true and fair representation of the development and operating results of the Group, as well as of its condition, together with a description of the main risks thereto.

I GENERAL COMPANY AND GROUP INFORMATION

I.1 Establishment and Reorganization of the Company

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 Formation and composition of the Group

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 DOO	Serbia	100%
Telelink DOO – Podgorica	Montenegro	100%
Telelink DOO	Bosnia and Herzegovina	100%
Telelink DOO	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 of the Company

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.

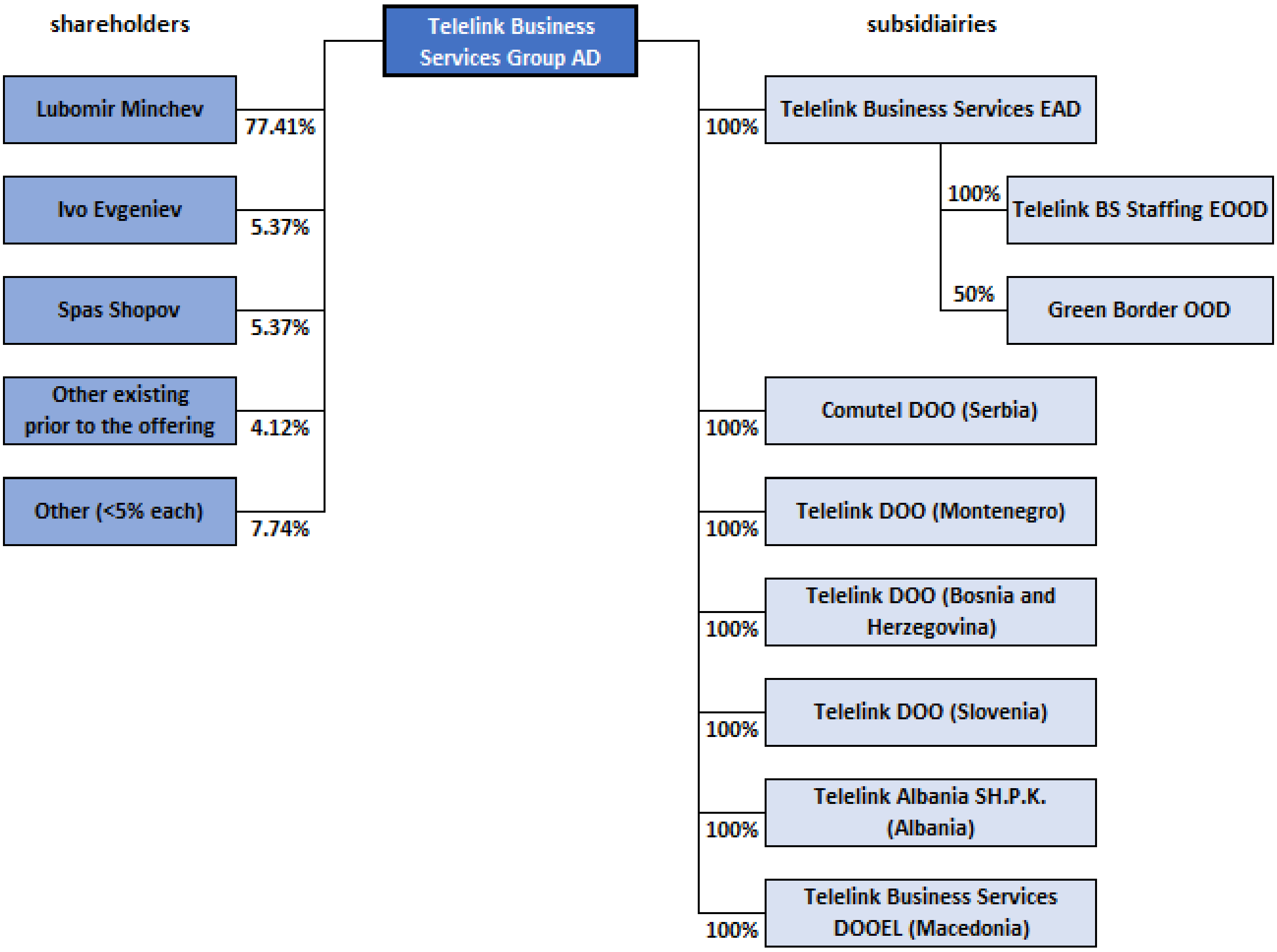
From the date of the above transfer until the start of the Public Offering described in section I.3.2, Telelink group co-founder Lubomir Minchev held directly 10,456,250 shares with a nominal value of BGN 1 each, representing 83.65% of the Company's total share capital. Other persons holding more than 5% of the Company's share capital during the same period 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 per share, obtaining total proceeds of BGN 7,466,901. The conducted offering was limited strictly to existing shares and did not involve any capital increase, nor any proceeds to the Company.

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

I.4 Combined Company ownership and Group chart



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 – 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 REVIEW OF THE GROUP'S ACTIVITIES AND FINANCIAL POSITION

II.1 Main activities of the Company and the Group

The main activity of the Company comprises the management of its investments and the provision of services relative to the corporate management and administrative, financial and marketing activities of its subsidiaries specialized in the field of information and communication technologies ("ICT"). The Company itself does not carry out direct commercial operations in the field of ICT with regard to end customers outside the Group.

The main activity of the Group consists of the operating activities of the subsidiaries making part thereof and comprises the sale of products and services and the implementation of complex solutions in the field of ICT, including, but not limited to:

- delivery, warranty and post-warranty support of equipment and software produced by third-party technology suppliers, and applications and services developed at the client's request;
- system integration covering system design, configuration, installation, setup and commissioning of the supplied equipment, software or integrated ICT systems, combining functionally two or more product types;
- consultancy services comprising the analysis of the situation, requirements, transformation and future development of the client's ICT systems, processes and infrastructures;
- managed services whereby the client transfers the management and responsibility for a certain ICT function or group of functions to the Group, and the latter undertakes to maintain them on a certain level.

A part of delivered managed services include the provision of equipment and software as a service presenting the client with a flexible alternative to their own investments in such assets.

The products and services offered by the Group include seven technological groups and various types of technologies and services, aggregated in four main categories – Data Networks, Data Centers, Office Productivity and Information Security.

Product categories	Technology groups	Types of technology
Data Networks	Specific solutions for telecoms (Service Provider Specific)	Transmission networks, access networks, optical networks, cable networks, network functions virtualization (NFV), audio & video headend, customer-premises equipment (CPE), etc.
	Enterprise Connectivity	Corporate networks, network security, firewall, data center networking, virtualization, collaboration systems, contact center, etc.
Data Centers	Hybrid Cloud	Computing equipment, disk systems, backup and business continuity solutions, virtualization, orchestration, application monitoring and performance, public cloud Infrastructure (IaaS) and more.
	Platform-based ("Lean") Infrastructure	Container infrastructure, infrastructure optimized for application development automation (DevOps), infrastructure based on cloud platforms (PaaS), etc.
	Application Services	Software development, program interface integration (API), program interface gateways (API Proxy), data processing and presentation etc.
Office Productivity	Modern Workplace	Microsoft (Windows, Office 365, Enterprise Mobility, etc.), multi-factor authentication, management of end-user devices, computers, peripherals, etc.
Information Security	Information Security	Data encryption systems, data leakage prevention, vulnerability analysis, database protection, security analysis and monitoring as a service (Advanced Security Operation Center), etc.

As of June 30 2020, the Group carried out active commercial operations in all directly owned Company subsidiaries and reported positive net assets of BGN 15,306 thousand.

The Group's financial position and the factors behind the formation of its assets, liabilities and equity are presented in the Statement of Financial Position included in the Consolidated Financial Statements and analysed below.

II.2 Key financial indicators

(continues on next page)

Financials (BGN thousand)	(period end)		change
	30.06.2020	*30.06.2019*	
Net sales revenue	**65,040**	**46,840**	**39%**
Cost of Sales	-52,338	-38,605	36%
Gross Profit	**12,702**	**8,235**	**54%**
Sales and Marketing Expenses	-3,118	-2,472	26%
General and Administrative Expenses	-2,039	-2,301	-11%
Other Operating Income/(Expenses) (net)	207	153	35%
Operating Profit	**7,752**	**3,615**	**114%**
Financial Income/(Expenses) (net)	-431	-460	-6%
Income Tax Expense	-916	-358	156%
Net Profit	**6,405**	**2,797**	**129%**
Depreciation & Amortization Expenses	-1,244	-993	25%
Interest Income/(Expenses) (net)	-142	-162	-12%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**8,707**	**4,310**	**102%**
One-off and Extraordinary Income/(Expenses) (net)	0	0	-
Normalized EBITDA	**8,707**	**4,310**	**102%**
	30.06.2020	*31.12.2019*	
Total Assets	**66,702**	**53,389**	**25%**
Non-current Assets	14,923	13,235	13%
Current Assets	51,779	40,154	29%
Equity	**14,185**	**7,784**	**82%**
incl. Retained Earnings and Profit for the Year	16,036	9,631	67%
Total Liabilities	**52,517**	**45,605**	**15%**
Non-current Liabilities	8,806	7,238	22%
Current Liabilities	43,711	38,367	14%
Cash & Cash Equivalents	**6,046**	**2,199**	**175%**
Total Financial Debt*	**5,182**	**6,361**	**-19%**
Net Financial Debt**	**-864**	**4,162**	**-121%**
	30.06.2020	*30.06.2019*	
Net Cash Flow from Operating Activities	**6,858**	**-5,130**	**-234%**
Net Cash Flow from Investment Activities	**-1,064**	**5,597**	**-119%**
Net Cash Flow from Financing Activities	**-1,950**	**-1,331**	**47%**
Number of Employees as of Period End	**225**	**167**	**35%**

** Incl. loans and finance lease contracts; ** Total Financial Debt - Cash & Cash Equivalents*

Ratios	(period end)		change
	30.06.2020	*30.06.2019*	
Gross Margin	19.5%	17.6%	1.9%
Operating Margin	11.9%	7.7%	4.2%
Net Margin	9.8%	6.0%	3.9%
EBITDA margin	13.4%	9.2%	4.2%
	30.06.2020	*31.12.2019*	
Current Ratio	1.18	1.05	0.14
Equity / Total Assets	21%	15%	7%
Financial Debt / Total Assets	8%	12%	-4%
Non-current Assets / Total Assets	22%	25%	-2%
Equity and Non-current Liabilities / Non-current Assets	1.5	1.1	0.4
	30.06.2020	*30.06.2019*	
Net Financial Debt / EBITDA	-0.1	1.0	-1.1
Average Return on Assets (ROA)	10.7%	-	-
Average Return on Equity (ROE)	58.3%	-	-

II.3 Business development and revenue trends

Favored by parallel growth in all Group regions, the consolidated net sales revenues of BGN 65,040 thousand recorded for the first half of 2020 exhibited 39% of positive growth over the same period of 2019.

The major contributing factor was the 41% growth achieved in Bulgaria, where TBS EAD realized a much broader mix of projects, as compared to the same period of 2019, in all sectors of the local market, as well as continuous recurring revenues from multinational clients. With a share of 57%, the Company continued to play a major part in the formation of consolidated revenues over the reporting period.

Making up for the significant slowdown experienced in the first half of 2019, sales in Serbia, Montenegro, Bosnia i Herzegovina and Slovenia (region Mid-Western Balkans) also scored a significant growth rate of 25% as a result of re-accelerating deliveries to traditional telecom accounts. Altogether, the region maintained its substantial importance to the formation of consolidated revenues during the period with a share of 39%.

Launched in the fourth quarter of 2019, sales in Macedonia and Albania (region South-Western Balkans) for the first half of 2020 came entirely as an upside in revenues over the same period of 2019. The bigger part of the above contribution stemmed from the Macedonian market, where the Group started the year with a broad mix of projects, while revenues in Albania remained focused mainly on one key telecom account. The region's overall contribution to Group revenues for the period remained relatively limited, reaching 4%.

II.4 Expenses and profitability

II.4.1 Gross profit

In parallel with revenue growth, the Group registered a significant increase in its consolidated gross margin from 17.6% in the first half of 2019 to 19.5% for the reporting period, as a result of which consolidated gross profit grew ahead of sales at a rate of 54%, reaching BGN 12,702 thousand.

The above trend reflected parallel gross profitability gains in both Bulgaria, where TBS EAD recorded a ratio of 24% as compared to 22% for the same period of 2019, and the Mid-Western Balkan region, wherein Comutel, Telelink Montenegro, Telelink Bosnia and Telelink Slovenia achieved a combined margin of 13% as compared to 12% for the first half of the previous year. With a combined margin of 18% for the reporting period, revenues from the operations launched in Macedonia and Albania in the second half of 2019 also contributed to the improvement of gross profitability outside Bulgaria and in the Group as a whole.

II.4.2 Sales and marketing expenses

While exhibiting a substantial growth rate of 26% over the same period of 2019, the consolidated sales and marketing expenses of BGN 3,118 thousand reported for the first half of 2020 increased at a slower pace than Group revenues, amounting to 4.8% of the latter as compared to 5.3% for the first half of the previous year.

Main factors behind the observed increase included the allocation of further activities and human resources towards the management of current sales growth and the strategic market development goals of the Group as a whole, as well as the expansion in local level expenditures along with sales in the South-Western Balkan region and, mostly, on the Macedonian market.

II.4.3 General and administrative expenses

Compensating in part the increase in sales and marketing costs, the general and administrative expenses of BGN 2,039 thousand recorded in the first half of 2020 were reduced by 11% from the same period of 2019, exhibiting a nonetheless substantial relative decrease to 3.1% of consolidated revenues as compared to 4.9% for the first half of the previous year.

To a large extent, the observed reduction reflected factors relative to the formation and structuring of the Group over the last twelve months, including the discontinuation of expenses for corporate management consultancy services provided by Telelink Bulgaria EAD after the spinoff of Business Services as an independent activity in 2019 and the transfer of administrative personnel from TBS EAD into the new structure for management and assistance of business development, sales and marketing activities of TBS Group.

II.4.4 Operating profit and earnings before interest, taxes, depreciation, and amortization (EBITDA)

In the context of faster growth in gross profit as compared to sales and marketing expenses and decreasing general and administrative expenses, consolidated operating profit reported for the first half of 2020 increased by 114% or BGN 4,137 thousand over the same period of 2019, reaching BGN 7,752 thousand along with a concurrent operating margin improvement from 7.7% to 11.9%.

Furthermore, the increase in depreciation and amortization expenses reflecting the expanding pool of non-current assets consisting of rights of use under rental contracts and operating leases and equipment provided as a service contributed to accelerated growth in the recorded consolidated EBITDA of BGN 8,707 thousand by 102% or BGN 4,397 thousand over the same period of 2019 along with a concurrent respective margin improvement from 9.2% to 13.4%.

II.4.5 Financial income and expenses

Consolidated financial income for the reporting period included interest income from loans granted.

Consolidated financial expenses for the reporting period consisted of interest expenses, including bank fees and other direct expenses on loans, finance lease contracts and expenses accounted in connection with rental contracts and operating leases under IFRS 16 in force since January 1 2019, net negative exchange rate differences from foreign exchange transactions for the year and other financial costs, including charges for bank guarantees and fees and commissions for other banking services.

The net financial expenses of BGN 431 thousand reported for the first six months of 2020 exhibited a slight decrease by 6% from the same period of 2019 owing to slightly lower interest expenses and other financial costs. Relative to consolidates sales, net financial expenses were reduced to 0.7% as compared to 1.0% for the first half of the previous year.

II.4.6 Net profit

In the context of stable and relatively low levels of net financial expenses and notwithstanding the observed moderate increase in the Group's consolidated effective tax rate to 12.5% as compared 11.3% for the same period of 2019, the consolidated net profit of BGN 6,405 thousand recorded for the first six months of 2020 exhibited a positive trend similar to operating profitability, growing by 129% over the first half of 2019, while showing a concurrent net margin improvement from 6.0% to 9.8%.

II.5 Assets, liabilities and equity

II.5.1 Assets

Reaching BGN 66,702 thousand as of June 30 2020, consolidated total assets exhibited a significant increase by 25% from the end of 2019.

The main factor behind the above growth was the BGN 11,625 thousand or 29% increase in consolidated current assets, which reached BGN 51,779 thousand or 78% of the Group's total assets as of period end. In turn, growth on this level reflected mostly the BGN 8,150 thousand increase in trade and other receivables and contract assets, driven predominantly by sales in the Mid-Western Balkans, as well as in cash and cash equivalents, showing an increase by BGN 3,847 thousand mostly as a result of the positive net cash flow realized in Bulgaria by TBS EAD.

Amounting to BGN 14,923 thousand or 22% the Group's total assets as of period end, consolidated current assets also exhibited a substantial increase by 13% from December 31 2019. The major contributor to the latter growth was the BGN 1,595 thousand increase in long-term prepayments accounted mainly with regard to the cost of equipment support commitments with a term of over 1 year, related mostly to growing sales in the Mid-Western Balkans. A moderate increase was also observed in non-tangible assets, which accrued as a result of continuing developments by TBS EAD in the field of the Internet of Things and generally continued to reflect mostly the Group's research and development activities in Bulgaria. Maintaining a substantially unchanged total value of BGN 8,078 thousand, the Group's property, plant and equipment as of June 30 2020 continued to include mostly equipment provided for use to clients under long-term managed service contracts by TBS EAD with a total balance sheet value of BGN 3,479 thousand and rights of use under long-term rental and operating lease contracts recognized in accordance with the IFRS 16 applied since January 1 2019, totaling BGN 3,568 thousand.

II.5.2 Liabilities

Covering 52% of the growth in assets over the reporting period, the consolidated total liabilities of BGN 52,517 thousand reported as of June 30 2020 increased by 15% from the end of 2019.

The main factor behind the above growth was the BGN 5,344 thousand or 15% increase in consolidated current liabilities, which reached BGN 43,711 thousand or 83% of total liabilities and 66% of the Group's total assets as of reporting period end. Similarly to current assets, growth in this level reflected mostly an increase in trade and other payables and contract liabilities by BGN 5,758 thousand, driven predominantly by sales and purchases in the Mid-Western Balkans. At the same, the Group recorded a significant decrease in current financial debt obligations, wherein the balances of drawn funds under credit lines utilized by subsidiaries decreased by BGN 797 thousand as a result of their full repayment in Bulgaria on the background of a relatively immaterial increase in current obligations under finance leases. As of period end, the latter amounted to BGN 960 thousand, while, in accordance with the applied IFRS 16, the Group also continued to report significant current liabilities under rental and operating lease contracts in the amount of BGN 823 thousand.

Amounting to BGN 8,806 thousand or 17% of total liabilities and 13% of the Group's total assets as of reporting period end, consolidated non-current liabilities also exhibited a substantial increase by 22% from December 31 2019. Similarly to non-current assets, the major contributor to the latter growth was the BGN 2,271 thousand increase in long-term contract liabilities in terms of deferred income accounted mainly with regard to charges for equipment support commitments with a term of over 1 year, related mostly to growing sales in the Mid-Western Balkans. At the same time, the Group reported a significant BGN 631 thousand reduction in long-term lease obligations, reflecting both net decrease in obligations under contracts for the financial leasing of equipment provided as a service and liabilities accounted under long-term rental and operating lease contracts in accordance with the applied IFRS 16. As of period end, the total carrying amount of the non-current part of liabilities under finance lease contracts amounted to BGN 895 thousand, and the balance sheet value of liabilities under rental and operating lease contracts – to BGN 2,642 thousand.

II.5.2.1 Financial debt

Summing up liabilities under loan agreements and finance lease contracts, the consolidated financial debt of BGN 5,182 thousand reported as of June 30 2020 exhibited a reduction by 19% from the end of 2019, reaching

8% of total assets and 10% of total liabilities as compared to corresponding ratios of 12% and 14% as of December 31 2019.

Taking into account the above decrease and the concurrent increase in cash and cash equivalents up to BGN 6,046 thousand, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) was reduced by BGN 5,026 thousand from the end of 2019, ending the reporting period with a negative value (surplus of cash and cash equivalents over financial debt) of BGN -864 thousand.

The lease obligations accounted under the IFRS 16 in force since January 01 2020 with regard to right-of-use assets arising from long-term rental and operating lease contracts do not represent actual credit relationships and should not be considered as a part of the Group's financial debt.

II.5.3 Liquidity

As of June 30 2020, the Group reported a consolidated ratio of current assets to current liabilities (current liquidity ratio) of 1.18, reflecting a positive difference between the two variables in the amount of BGN 8,068 thousand. The observed improvement as compared to the corresponding values of 1.05 and BGN 1,787 thousand reported as of the end of 2019 reflects the faster growth in the Group's current assets relative to its current liabilities, including, but not limited to the substantial increase in available cash and cash equivalents as of reporting period end.

II.5.4 Equity

Covering 48% of the increase in total assets over the reporting period, the consolidated net assets (equity) of BGN 14,185 thousand grew by 6,401 or 82% from the end of 2019.

The above increase came entirely as a result of growth in retained earnings from the current and previous periods, as, in the absence of dividend distributions and allocation towards reserves during the first six months of 2020, the latter included all of the net profit generated by the Group for the period, reaching a total of BGN 16,036 thousand.

During the reporting period, TBS Group maintained its registered share capital unchanged in the amount of BGN 12,500 thousand attained as a result of the Reorganization from August 14 2019.

As of June 30 2020, the Group's consolidated reserves continued to consist mostly of the negative other reserves of BGN -14,127 thousand accounted in accordance with the rules of reporting business combinations under common control upon the Reorganization from August 14 2020 as a difference between the value of investments in subsidiaries spun off to the Company (BGN 15,718 thousand) and the sum of the parts of their registered share capital transferred thereto (BGN 1,590 thousand). Besides the reported BGN -14,110 thousand of total consolidated other reserves, as of reporting period end, the Group continued to account general legal reserves in the amount of BGN 317 thousand consisting of the BGN 217 thousand allocated upon the Reorganization of TBS Group and reserves available at TBS EAD.

II.6 Cash flows

II.6.1 Cash flow from operating activities

Taking into account the significant size and growth in realized operating profit before depreciation and amortization and the comparatively moderate negative adjustments for changes in net working capital as a result of faster growth in trade and other receivables and contract assets as compared to trade and other payables and contract liabilities, during the reporting period, the Group recorded a substantially positive net cash flow from operating activities in the amount of BGN 6,858 thousand, comparing to a negative amount of BGN -5,130 thousand for the same period of 2019.

In relative terms, the result achieved on this level as of June 30 2020 amounted to 80% of cash-adjusted operating profit as compared to the negative conversion observed in the first half of the previous year.

II.6.2 Cash flow from investing activities

During the reporting period, the Group continued to make significant investments in tangible and intangible non-current assets mainly along the lines of equipment provided to clients under long-term managed service contracts, as well as substantial expenditures on the formation of assets from development activities. In the absence of other payments and proceeds, consolidated net cash flows from investing activities stemming from the above expenditures and asset disposals amounted to BGN -1,064 thousand.

In comparative terms, the observed decrease relative to the positive amount of BGN 5,597 thousand recorded for the same period of 2019 reflected the significant proceeds realized during that period from the repayment of a loan granted by TBS EAD to Telelink Bulgaria EAD as of December 31 2018 under a financial cooperation agreement between the two companies in force at the time and funding under EU development programs, which had no match during the current period.

II.6.3 Cash flow from financing activities

In the absence of dividend payout and capital increases during the reporting period, the negative net cash flow from investing activities of BGN -1,950 thousand realized by the Group originated entirely from net payments relative to financial debt, driven mainly by repayments under finance lease contracts and the full repayment of current obligations under the credit line used by TBS EAD as of June 30 2020.

The relative increase in the above amount as compared to the net negative cash flow of BGN -1,331 incurred in the first half of 2019 reflected the significant net proceeds from credit financing realized and compensating to a large extent the pre-Reorganization dividend payouts to Telelink Bulgaria EAD made during that period.

II.6.4 Net cash flow

Summarizing the above factors, in spite of incurring significant net payments with regard to increasing net working capital, investments and repayment of financial debt, the Group's growing operating profit before depreciation and amortization yielded an increase in cash and cash equivalents by BGN 3,847 thousand as compared to the negative net cash flow of BGN -862 thousand recorded in the first half of 2019.

III MAIN RISKS RELEVANT TO THE GROUP

The risks associated with the Group's activities can be generally divided into systemic (common) and non-systemic (related specifically to the activities of the companies included in its composition and the sector in which they operate).

Additionally, investors in the Company's financial instruments are also exposed to risks associated with investing in securities (underlying and derivative).

III.1 Systemic risks

The common (systemic) risks are those that relate to all economic entities in the country and are the result of factors, which are external to the Group and cannot be influenced by the companies included in its composition. 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 and their impact on the activity and financial results of the Group.

III.1.1 Political risk

Political risk is the possibility of a change of government or a sudden change in its policy, the occurrence of internal political instability and unfavourable changes in European and/or national legislation, as a result of which the economic and investment climate and the overall environment in which local business entities operate may change adversely and investors may suffer losses.

The international political risks for Bulgaria and the Western Balkans include the challenges related to undertaken commitments to implement major structural reforms, improve social stability and the reduce inefficient expenses, in their capacity of candidate members or members of the EU. Such challenges arise not only from ongoing reforms as part of the community integration process, but also from the dynamics of the development of the integration processes in the EU itself. There is no guarantee that these processes will be successfully completed in the foreseeable future. There is also no guarantee that the UK's exit from the EU will not exacerbate anti-integration moods in other countries of the Union and, consequently, cause serious political and economic turmoil for all Member States.

Potential negative effects may also arise from the acute destabilization of countries in the Middle East, the increasing threats of terrorist attacks in Europe, refugee waves and instability of key countries, neighbouring Bulgaria.

At present, the political situation in Bulgaria and the other countries in which the Group operates is relatively stable. However, there is no certainty that no factors will emerge that may cause social and political tensions and lead to significant and abrupt changes in political and economic conditions, which could have a significant adverse effect on the Group's activities.

III.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 capacity, would have an impact on the activity of the company. A potential slowdown in the economy of the EU, Bulgaria and other markets in which Group companies operate, or any other uncertainty about economic development can make buyers cautious and affect their willingness and ability to purchase the Group's products and services.

Most analysts expect the slowdown in growth and even contraction of the economies of developed Western European countries, a process that is expected to reach, albeit at a slower and milder rate, Bulgaria and the Western Balkan countries. A slowdown of economic growth in the region and ensuing constraints on the expenses of private companies and their insufficient compensation with countercyclical measures by national and supranational government bodies could have an adverse effect on the Group's sales and profitability.

III.1.3 Currency risk

Exposure to currency risk represents the dependence on and effects of fluctuations in exchange rates. Systemic currency risk involves the probability of a change in the currency regime of the country (including the currency board in Bulgaria), which would lead to either devaluation or appreciation of the local currency with regard to leading and other foreign currencies and to respective changes in the ratios of local to international prices of production factors and sold and purchased goods and services.

III.1.4 Interest rate risk

Interest rate risk relates to possible adverse changes in interest rates, minimum reserve requirements and other policies and instruments established by the financial institutions of the countries in which Group companies operate, in relation to financing utilized thereby, such as overdraft limits, revolving credit lines and finance leases.

Similar risks arise from leading global financial institutions, their policies and quoted base interest rates, as well as from the dynamics of internationally accepted floating interest indexes such as EURIBOR and USD LIBOR and the average credit or deposit indexes of lending banks.

III.1.5 Credit risk

The credit risk of the countries in which Group companies operate relates to their ability to repay their obligations in due course. The most important effect of improving a credit rating is the lowering of risk premiums on loans, which leads (ceteris paribus) to more favourable interest rates. Consequently, the potential increase of the credit rating of a country would have a favourable impact on the respective Group company's activity and on its financing. On the other hand, a downgrade of a country's credit rating would have a negative impact on the cost of the respective company's funding, unless its credit agreements bear fixed interest rates. This risk is determined and measured by specialized international credit agencies.

III.1.6 Risk of adverse changes in tax legislation and practices

A change in the tax legislation of the countries in which Group companies are incorporated towards an increase of the chargeable tax bases and/or applicable rates, may result in increased income tax expenses.

The tax system in Bulgaria and the Western Balkans as a whole is still evolving, which may result in controversial tax practices on both central and local levels. Due to different interpretations of tax laws, the risk associated with local legislation may be bigger as compared to the tax jurisdictions of developed countries. Tax authorities may take a more challenging approach in interpreting legislation and tax audits. Together with the intensification of tax collection efforts as a result of growing budgetary needs, this may increase the scope and frequency of tax audits. In particular, tax authorities may challenge transactions and activities that have not been challenged so far. This can result in significant additional taxes, penalties and interest.

III.1.7 Risks related to imperfections of the legal system

Although Bulgaria has introduced a number of significant legal and constitutional reforms since 2007 and most of its legislation has been harmonized with EU law, the country's legal system is still in the process of reformation. The above concern is all the more relevant to the countries of the Western Balkans, which have are yet to join the EU.

Judiciary and administrative practices remain problematic and local courts are often inefficient in resolving property disputes, violations of laws and contracts, etc. Consequently, identified risks of legal infrastructure deficiencies may result in uncertainties arising from corporate conduct, supervision thereof and other matters.

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

III.2.1 Risks specific to the business strategy and growth

III.2.1.1 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.

III.2.1.2 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.

III.2.1.3 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.

III.2.1.4 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.

III.2.2 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.

III.2.2.1 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.

III.2.2.2 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.

III.2.3 Risks relative to the market environment and competition

III.2.3.1 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.

III.2.3.2 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.

III.2.3.3 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.

III.2.3.4 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.

III.2.4 Risks relative to public procurement

III.2.4.1 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.

III.2.4.2 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.

III.2.5 Concentration risks

III.2.5.1 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.

III.2.5.2 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.

III.2.6 Risks relative to changes in technology and technological choices

III.2.6.1 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.

III.2.6.2 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.

III.2.6.3 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.

III.2.6.4 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.

III.2.7 Risks relative to long-term contracts

III.2.7.1 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.

III.2.7.2 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.

III.2.7.3 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.

III.2.8 Financial risks

III.2.8.1 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.

III.2.8.2 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.

III.2.8.3 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.

III.2.8.4 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.

III.2.8.5 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.

III.2.8.6 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 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 and Macedonia 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.

III.2.9 Operational risks

III.2.9.1 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.

III.2.9.2 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.

III.2.9.3 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.

III.2.9.4 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.

III.2.10 Other risks

III.2.10.1 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.

III.2.10.2 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.

III.2.10.3 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.

III.2.10.4 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.

IV DISCLOSURE OF INTERNAL INFORMATION, AS REQUIRED BY ART. 33, PAR. (1) – 5 PURSUANT TO ART. 33A 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.

V ADDITIONAL INFORMATION AS PER ART. 33, PAR. (1) – 7 PURSUANT TO ART. 33A OF ORDINANCE 2 OF THE FSC

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

There have not been any changes to the accounting policies of the Issuer and the Group made during the first six months of the year.

V.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 event, there were no further changes in the amount or percentage of the Issuer's participations in the capital of its subsidiaries.

V.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 V.2 above, the Issuer has not made any investments in stakes and shares in other companies during the reporting period.

Over the first six months of the year, none of the Group's subsidiaries has participated in any reorganization, nor has any of the above made any disposals of shares in subsidiaries, contributions in kind to the capital of subsidiaries and other companies, or discontinued, in part or in full, any of its activities.

During the period, Comutel continued to lease its investment property, consisting of an office building, to a third party outside the Group. Revenue realized from the latter contract for the period amounted to BGN 7 thousand.

Material investments in non-current tangible and intangible assets are referred to in sections II, VII.6 and VII.10 of this Report.

V.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:

- 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;
- 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 totalling 8,382 thousand, formed mainly as a result of income from dividends distributed from subsidiaries on June 30 2020 in the amount of BGN 8,488 thousand;
- The expected corresponding proceeds of the Company exceed the amount of the dividend forecast, and, in the management's estimation, the positive difference provides sufficient reserves for meeting its other needs until the end of the current year, including but not limited to net expenses from its activities and the possible share buyback for the purposes of incentive programs;
- 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.

Considering the above information, the Company's management continues to deem the published forecast and dividend yield estimate based thereon feasible as a minimum.

Dividends proposed for approval to the General Meeting of Shareholders after June 30 2020 are referred to in section VII.23 of this report.

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.

V.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 I.3.2 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.

V.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.

V.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.

V.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

V.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.

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

As of June 30 2020 and during the reporting period, 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.

V.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.

All receivables and respective obligations under the above agreements are internal to the Group and do not form a part of its consolidated assets and liabilities.

V.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.

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

VI.1 Transactions with related parties singed during the reporting period with a substantial impact on the Company's and the Group'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.

The above contracts were signed before Telelink Business Services Group AD became a public company as per Decision № 1249-ПД from November 28 2019.

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.

The above transactions are internal to the Group and do not participate in the formation of its consolidated assets and liabilities.

During the reporting period, the Company and its subsidiaries have not made transactions out of the ordinary course of business or deviating substantially from market terms.

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

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

VII ADDITIONAL INFOPMATION PROVIDED AT THE COMPANY'S DISCRETION

VII.1Revenues by main categories of products and services

Technology Group		Net Sales Revenue (BGN thousand)				
		30.6.2020	30.6.2019	change	share 30.6.2020	share 30.6.2019
Service Provider Specific	(1)	24,039	15,415	56%	37%	33%
Enterprise Connectivity	(2)	15,103	15,953	-5%	23%	34%
Hybrid Cloud	(3)	9,886	7,974	24%	15%	17%
Application Services	(4)	291	0	-	0.4%	0%
Modern Workplace	(5)	13,861	4,349	219%	21%	9%
Information Security	(6)	1,516	2,386	-36%	2%	5%
Other	(7)	343	762	-55%	0.5%	2%
Data Networks	(1+2)	39,142	31,368	25%	60%	67%
Data Center	(3+4)	10,178	7,974	28%	16%	17%
Office Productivity	(5)	13,861	4,349	219%	21%	9%
Information Security	(6)	1,516	2,386	-36%	2%	5%
Others	(7)	343	762	-55%	1%	2%
		65,040	46,840	39%	100%	100%

As a main driver behind the trend of recovering revenues from the telecom sector in the Mid-Western Balkan region noted in section II.3 of the present Report, consolidated sales in the Service Provider Specific group registered significant growth by 56% over the first half of 2019, reaching BGN 24,039 thousand or 37% of consolidated Group revenues for the last six months as compared to 33% for the same period of the previous year.

Notwithstanding the observed slight decrease by 5% from the first half of 2019, consolidated revenues from Enterprise Networks maintained their significant role in the generation Group sales with a contribution of BGN 15,103 thousand or 23% as compared to 34% for the same period of the previous year.

Standing out as a leading source of revenues realized during the reporting period by TBS EAD and a main factor of growth in consolidated revenues as a whole, sales of Modern Workplace solutions more than tripled over the first six months of 2019, reaching BGN 13,861 thousand or 21% of total Group sales as compared to 9% for the same period of the previous year.

Marking another positive trend, sales of the Hybrid Cloud group grew by 24% also mainly as a result of expanding activities in Bulgaria. The consolidated share of respective technologies to sales for the reporting period reached BGN 9,886 thousand or 15% as compared to 17% for the first half of 2019.

In spite of their gradual expansion outside Bulgaria, which remains the main market for this technology group, Information Security sales registered an interim drop of 36%, reaching a consolidated share of 2% as compared to 5% for the first half of 2019.

Remaining of a typically marginal importance to the Group, sales outside named product categories were reduced to 0.5% of consolidated revenues for the reporting period as compared to 2% in the same period of 2019. Posting a similar contribution of 0.4%, sales of Application Services contributed to overall sales growth in the absence of corresponding revenues for the first half of the previous year.

VII.2Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	30.6.2020	30.6.2019	change	share 30.6.2020	share 30.6.2019
Bulgaria	33,917	25,166	35%	52%	54%
Serbia	13,537	12,647	7%	21%	27%
Bosnia and Herzegovina	6,163	1,828	237%	9%	4%
Slovenia	5,562	5,506	1%	9%	12%
North Macedonia	1,823	6	295x	3%	0%
Albania	409	0	-	1%	0%
Montenegro	329	140	136%	1%	0%
Other	3,300	1,547	113%	5%	3%
Bulgaria	33,917	25,166	35%	52%	54%
Mid-Western Balkans	25,610	20,120	27%	39%	43%
South-Western Balkans	2,232	6	361x	3%	0%
Central & Eastern Europe	2,569	1,414	82%	4%	3%
Other Markets	711	133	433%	1%	0%
Total	65,040	46,840	39%	100%	100%

** By registration of the client.*

As a main factor behind the positive revenue trends in TBS EAD noted in section II.3 of this report, sales to clients registered in Bulgaria for the first six months of 2020 increased by 35% over the same period of the previous year, reaching BGN 33,917 thousand and maintaining a leading share of 52% in the Group's consolidated revenues, close their 54% contribution for the first half of 2019.

Similarly, the positive trend in combined revenues from Comutel, Telelink Montenegro, Telelink Bosnia and Telelink Slovenia stemmed from significant growth in sales to clients in the Mid-Western Balkan region, showing a total amount of BGN 25,610 thousand and an increase by 27% over the first half of 2019. Notwithstanding their relatively slower growth rate as compared to other geographic regions, the above markets remain of high importance to the generation of Group revenues with a relative share of 39% as compared to 43% in the first half of 2019.

On the backdrop of immaterial revenues for the same period of last year, recorded prior the launch of local activities in Albania and Macedonia, sales to clients in the South-Western Balkan region realized in the first half of 2020 reached BGN 2,232 thousand or 3% of consolidated sales for the reporting period.

Pursuant to the continuing expansion in international sales to multinational clients under both managed service agreements and implementation projects, the Group also continued to register a growing contribution of markets outside the countries of registration of its subsidiaries. In total, revenues from these other European and world markets more than doubled, reaching BGN 3,280 thousand or 5% of consolidated sales as compared to 3% in the first half of 2019.

VII.3Significant clients

The Group identifies as significant client accounting for more than 10% of consolidated revenues for the first six months of 2020 Serbia Broadband - Srpske kablovske mreže doo ("SBB") – a leading alternative telecom operator in Serbia, with a share of 20.5%.

As of June 30 2020, SBB accounted for 34.3% of the Group's consolidated trade receivables. As of the same date, there was one more client accounting for more than 10% of the latter – Telemach Društvo za pružanje usluga u oblasti telekomunikacija d.o.o. Sarajevo, a leading alternative telecom operator in Bosnia and Herzegovina, with a share of 11.5%.

Both of the above companies are traditional Group clients a proven track record. With this regard, the above exposures are not viewed as a source of substantial credit risk.

VII.4Significant suppliers

Key sources of externally supplied elements of the products and complex solutions, integrating products and services, offered by the Group include international manufacturers and local and regional distributors of ICT equipment and software.

The Group identifies the following counterparties from the above categories as significant suppliers with purchases (credit turnovers on trade payables accounts) exceeding 10% of the consolidated annual cost of sales for the first six months of 2020:

- Cisco International Limited

  The company is a leading global manufacturer and technology partner of the Group in the field of Data Networks, Managed Services, including Equipment as a service, etc. The ratio of respective purchases to consolidated cost of sales for the first half of 2020 amounts to 19.2%. As of June 30 2020, the company also accounts for a significant share of 10.7% in the Group's consolidated trade payables.

- Microsoft Ireland Operations Ltd

  The Company is a leading global manufacturer and technological partner of TBS EAD in the field of Office Productivity, integrated security systems and cloud services. The ratio of respective purchases to consolidated cost of sales for the first half of 2020 is 16.7%.

- Also Bulgaria EOOD (renamed from Solytron EOOD in January 2020)

The company is a distributor and direct supplier to TBS EAD of equipment manufactured by Cisco Systems, DellEMC, etc. The ratio of respective purchases to consolidated cost of sales for the first half of 2020 is 15.0%. As of June 30 2020, the company also accounts for a significant share of 10.1% in the Group's consolidated trade payables.

- Technicolor Delivery Technologies SAS

  The Company is a significant global manufacturer and leading partner of the Group in the field of specialized video solutions for telecom operators, including customer-premises equipment, for the Western Balkans region. The ratio of respective purchases to consolidated cost of sales for the first half of 2020 is 12.3%.

Besides the respective above-mentioned suppliers, there are two more Serbian companies with shares of more than 10% in the Group's consolidated trade payables as of June 30 2020 – Algotech DOO (systems integrator in the field of Data Networks) and Comtrade Distribution doo Beograd (distributor and direct supplier to the Group of equipment manufactured by the group of Cisco Systems etc. for the Western Balkans region) with respective shares of 15.6% and 11.0%.

VII.5Information related to employees

VII.5.1Headcount and staff development trends

As of June 30 2020, total staff hired under employment and management contracts in Group companies reached 225, growing by 58 or 35% over June 30 2019. A similar increase by 65 or 40% was also observed in average consolidated personnel.

Factors behind observed growth included both TBS Group, Telelink Albania and Telelink Macedonia, which launched operations in the second half of 2019, and increasing personnel at companies active during the first half of 2019 related to expanding activities and the Group's development strategy with the main contribution of TBS EAD.

As a result of the above trends, as of reporting period end, 84% of the Group's total staff (as compared to 87% as of June 30 2019 and 82% as of the end of 2019) still consisted of persons employed on the territory of Bulgaria, which continued to concentrate both the major part of realized services and the main strategic functions relative to the Group's business development as a whole.

In functional terms, observed growth encompassed all main categories of employees, including substantial increases in both operating and administrative and management staff. On average for the first six months of 2020, employees involved directly in the performance of operations and sales and marketing functions accounted for 78% of its total personnel, identically to the ratio observed in the same period of 2019.

VII.5.2Organizational policy and human resources management

Considering the need to assure resources and premises for the efficient implementation of its strategic development plans, the Group has continued the deployment of a matrix organizational structure started in 2019 with the goal of integrating the available human resources of Group companies into a seamless international service delivery organization. The implemented structure is based on establishing interactions among all functional levels, including technical staff, project management, marketing and sales, relationships with suppliers, human resources, finance and general administration, with each of the Group's product lines.

Inherently, the operations of Group companies involve a relatively limited scope of field activities presenting substantial risks to the health and safety of employees. Notwithstanding, Group Companies apply a consistent policy of occupational health and safety, including the assurance of appropriate working conditions and the training of employees according to the profile of their work.

The management of TBS Group acknowledges the foremost importance of human capital as a key factor of the Group's competitive advantage and capacity to materialize market opportunities, both in terms of innovation and quality of the offered solutions and services and as regards the administrative and managerial assurance of its development strategy. In consideration of the above factors, the Group intends to maintain its general policy of human capital development based on systematic qualification improvement and update, the promotion of career development and the motivation, retention and loyalty of key personnel.

VII.6Research and development activities

During the reporting period, TBS EAD continued to allocate resources to the development of a software system for the collection, monitoring, presentation and analysis of data from devices in the field of the Internet of Things (IoT). Overall, recorded expenditures on the formation of fixed assets from development activities in the amount of BGN 194 thousand exhibited a significant relative increase over the similar investments of BGN 14 thousand for the first six months of the previous year, considering the above development works were deployed mostly from the second half of 2019.

Except for the above, there were no other Group companies carrying out research and development activities during the reporting period and the same period of 2019.

VII.7Large transactions and such of substantial importance to the Issuer's activities

All material transactions made by the Company have been signed with related parties and summarized in section VI of this Report.

VII.8Transactions with related parties made during the reporting period, other than described in section VI 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.

The above transactions are internal to the Group and do not form a part of its consolidated assets and liabilities.

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.

VII.9 Loan agreements signed by the Issuer, a subsidiary thereof or a parent company in their capacity of borrowers

VII.9.1 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 V.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, total obligations under the loan amounted to BGN 3,295 thousand, including outstanding principal in the amount of BGN 3,288 thousand.

The above obligations and the corresponding receivables of TBS EAD are internal to the Group and do not form a part of its consolidated assets and liabilities.

VII.9.2 Loan agreements, guarantees and undertakings of liabilities of subsidiaries

VII.9.2.1 Agreements 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.

VII.9.2.2 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.

VII.9.2.3 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 436 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 V.8.3 of this Report.

The obligations and corresponding receivables of TBS EAD under the agreement are internal to the Group and do not form a part of its consolidated assets and liabilities.

VII.9.2.4 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 V.8.3 of this Report.

The obligations and corresponding receivables of TBS EAD under the agreement are internal to the Group and do not form a part of its consolidated assets and liabilities.

VII.10 Equity interests and main investments in the country and abroad

VII.10.1 Shares in subsidiaries

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.

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.

The shares held by TBS EAD in Telelink BS Staffing EOOD and Green Border OOD, which have remained inactive during the period and as of the date of this Report, maintain a relatively insignificant balance sheet value. The reported investment in Telelink BS Staffing EOOD corrsponds to its authorized capital of BGN 2, and, in view of the project-based nature of Green Border OOD, the participation of BGN 10 thousand therein is reported essentially as a short-term asset.

VII.10.2 Investments in intangible assets

As of June 30 2020 the Group reported consolidated intangible assets of BGN 574 thousand, reflecting investments by TBS Group and TBS EAD.

Intangible assets owned by the Company include an 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.

Intangible assets reported by TBS EAD are related mainly to the purchase and development of software. The initial value of the company's capital expenditures for the acquisition or formation of intangible assets totals BGN 3,265 thousand. The balance sheet value of BGN 639 thousand reported as of June 30 2020 reflects mainly the company's development activities in the fields of Information Security and the Internet of Things.

VII.10.3 Real estate investments

As of June 30 2020, the Group reported as a part of its consolidated non-current assets investment properties of BGN 362 thousand, corresponding to the independent external appraisal as of December 31 2019 of an office area owned by Comutel, which the latter rents out to third parties outside the Group.

As of the end of the reporting period, TBS EAD and Comutel also remained in possession of apartments in Bulgaria and Serbia acquired in previous periods as collateral to loans granted and trade receivables. In accordance with the management's plans for their realization, these properties are classified as assets held for sale and are not regarded as investments of the Group.

VII.10.4 Investments in financial instruments and other companies

As of June 30 2020, Group companies had no investments in financial instruments, nor in equity securities of companies outside the Company's economic group.

VII.11 Existing branches of Group companies

As of June 30 2020 and the date of this Report, the Company has no registered branches in the country or abroad.

As of June 30 2020 TBS EAD had a registered branch in Romania, which is yet to start active commercial operations.

Except for the above, there are no other subsidiaries of the Group with registered branches in their countries of incorporation or other countries.

VII.12 Financial resource management policy, debt service capacity, potential threats and measures for their elimination

The policy of managing financial resources with regard to the timely to the timely and due fulfilment of the obligations of Group companies is based on the procurement of available funds from the following main sources:

- revenue from sales to third parties, which are the main source for all subsidiaries of the Group involved directly in the performance of operating activities in the field of ICT;
- revenue from sales to other Group companies which are an ancillary source for Group subsidiaries involved directly in the performance of operating activities in the field of ICT and a main source for TBS Group on a standalone basis;
- revenue from dividends from direct participations in the capital of Group subsidiaries, which are a significant source for TBS Group on a standalone basis;
- securing additional funds needed to honour liabilities to third parties and other Group companies with overdraft and revolving credit limits under credit lines agreed with leading local banks, which are a significant ancillary source for leading subsidiaries of the Group (TBS EAD and Comutel) and Telelink Albania;
- securing additional funds needed to honour liabilities to liabilities to third parties and other Group companies with loans from leading Group subsidiaries, which are a significant actual or potential ancillary source for TBS Group and all Group companies except TBS EAD and Comutel on a standalone basis.

The above sources are expected to be sufficient for the coverage of working capital funding requirements, purchases of non-current assets for general purposes in the normal course of business of Group companies, as well as the payment of dividends and the buyback of shares for the purposes of employee incentive programs by TBS Group. Nevertheless, the Company and Group subsidiaries continue to monitor and plan their financial resources on an ongoing basis while maintaining their readiness for the timely negotiation or renegotiation of existing and new credit facilities, if necessary.

VII.13 Assessment of the capacity to realize investment plans, available funds and possible changes in their funding structure

As of June 30 2020 and the date of this Report, the Group's investment plans relate mainly to continuing purchases of equipment by TBS EAD for provision to clients under extensions current and new long-term contracts for managed services with multinational clients similar to those signed during the reporting and previous periods. In accordance with the established practice, TBS EAD intends to finance the above investments or refinance them soon after their completion with finance lease contracts similar to those signed during the reporting and previous periods.

The Group intends to maintain its policy of using vehicles predominantly under operating lease contracts without incurring capital expenditures on their acquisition. To the extent that, in exception to this policy, there may be new purchases of vehicles similar to those made by TBS Macedonia during the reporting period, they should be made only on the basis of secured funding with purpose-specific medium-term bank loans or finance leases.

Group companies have planned on moderate expenditures on the acquisition of other non-current assets, including computing hardware, machinery, equipment and software for the general assurance of employees, the internal IT infrastructure and other common business needs. Funds available as of June 30 2020 and cash flows generated in the course of second half of the year are expected to be sufficient to cover these capital expenditures without recourse to credit instruments for their funding.

With regard to the continuing research and development activities described in section VII.6, TBS EAD expects moderate additional expenditures for the rest of the financial year within the range of similar investments made in the reporting period.

As of June 30 2020 and the date of this Report, Group companies have not planned and do not expect their needs to involve material investment expenses other than the above.

The Company's Management recognises that any future acquisition of shares in companies and other investments exceeding its available financial resources should be undertaken only after securing additional funds from intra-Group loans, debt financing by third parties and/or capital increases.

VII.14 Financial instruments and risk management policies

VII.14.1 Financial risk management objectives and policies, including hedging

Due to the formation of its revenues and expenses mainly or entirely in local currency (Leva) or Euro under the regime of a currency board and the exclusive use of fixed interest rate financing within the Group, the Company is not exposed directly to significant currency and interest rate risk and does not use financial instruments.

In their activities and with regard to their funding, Group subsidiaries are exposed to the currency and interest rate risks described in sections III.2.8.1 and III.2.8.6 of this Report.

VII.14.1.1 Currency risk management

In the first place, Group companies aim to minimize transaction-based currency risks from the purchase of equipment in US Dollars and its resale in local currency or Euro by negotiating mechanisms for currency indexation of sale prices and/or synchronization of the maturities and currencies of receivables and liabilities, to the extent possible. Significant exposures not covered in the aforementioned ways are hedged through forward purchases of US Dollars at the discretion of the respective companies.

VII.14.1.2 Interest rate risk management

In view of the floating nature of exposures under overdraft and revolving credit limits depending on the current dynamics of net working capital, the applicable minimum interest rate clauses in case of negative levels of interest rate indices and the systematic observation of such levels of EURIBOR during the reporting and previous periods, Group companies do not hedge interest rate risk arising from credit line agreements. The current changes and forecasts for the development of regularly updated and floating indices remain subject to continuous monitoring in view of the timely renegotiation of interest rates on credit lines and the possible fixing or hedging of interest rates on long-term finance lease contracts in cases of significant actual or expected unfavourable changes in market interest rates.

VII.14.2 Exposure to price, credit and liquidity risks and cash flow risks

VII.14.2.1 Price risk exposure and management

VII.14.2.1.1RISK OF CHANGES IN THE PRICES OF SIGNED CONTRACTS

The majority of the Group's sales are realized under contracts and/or orders with one-off implementation within a limited term, the prices of which are fixed upon signing the contract and are not subject to change.

To the extent there are framework contracts or projects with phased implementation over a longer period of time, Group companies aim to incorporate therein appropriate mechanisms of price indexation in case of significant changes in market conditions, exchange rates and other factors.

In their operations, Group companies are exposed to risks of long-term price fixation under some long-term contracts for maintenance and managed services described in section III.2.7 of this Report. The policy of limiting these risks is based on the embedding of larger reserves for long-term cost variation upon the negotiation of respective prices.

VII.14.2.1.2RISK OF UNFAVORABLE CHANGES IN MARKET PRICES

In their activities, Group subsidiaries are exposed to the risks relative to the market and competitive environment described in section III.2.3 of this Report, which may result in decreasing the market prices of offered products and services.

The business profile and strategy of the Group are focused on limiting the consequences of these risks for the prices and gross profitability of the offered basic products and services by their integration into complex solutions and services with high added value, the development of specific solutions without direct market equivalents and the policy of sustainable increase of the share of such solutions and services in the Group's revenues as a whole. The Group's strategic focus on the establishment of an optimal organization for the provision of services and maintaining the quality of service on the highest level also plays an essential role.

The awareness of the Group's clients of the above benefits as a part of the overall utility of the solutions offered thereby as compared to competitive offers is a prerequisite for limiting price competition as a factor of the client's final choice and its potential adverse effects on the financial position and operating results.

In particular, the strategic partnerships of Group companies with leading global manufacturers also contribute significantly to limiting the impact of decreases in the resale prices of equipment and software. Through the policy of preferential pricing integrated therein and their support for the implementation of large projects, these partnerships are a prerequisite for achieving the highest discount levels providing protection of the Group's profitability in times of fierce competition and decreasing market prices.

VII.14.2.2 Credit risk exposure and management

In their operations, Group subsidiaries are exposed to the credit risks described in section III.2.8.4 of this Report.

Group companies aim to trade only with established and solvent counterparties. The balances and maturities of receivables are subject to continuous current monitoring, both reactively and preventively, with regard to the timely identification of any potential risk of non-payment or significant delay taking into account the client's development and situation. Therefore, the Group's exposure to credit risk is considered to be relatively insignificant.

While some major clients account for significant shares in consolidated sales and receivables, these clients usually represent established and solvent companies and institutions, including leading telecom operators, government and municipal organizations and leading multinational or government enterprises, and/or long-term partners with proven payment history.

As designated in section VII.3 of this Report, for and towards the end of the reporting period, there were only two clients with share of over 10% in the Group's total sales and/or trade receivables.

VII.14.2.3 Exposure and management of liquidity and cash flow risks

In their activities, Group subsidiaries are exposed to the liquidity and cash flow risks described in sections III.2.8.2 and III.2.8.3 of this Report.

Group companies manage liquidity risk and cash flow risks through the systematic monitoring of the quality and maturities of their receivables and payables and timely planning of incoming and outgoing cash flows.

With regard to covering cash deficits arising from the current variation of net working capital, leading and other Group companies negotiate credit limits with renowned local banks providing sufficient liquidity reserves for specific and general purposes. In case of necessity, the similar needs of other Group companies are met through intra-Group funding in the form of loan contracts with one-off or multiple drawdown and the option for ad-hoc prepayment of withdrawn funds.

The management of TBS Group considers currently agreed credit limits under contracts between TBS EAD and Unicredit Bulbank AD in Bulgaria, between Comutel and Raiffeisen Banka A.D. Beograd in Serbia and between Telelink Albania and Fibank Albania Sh.a sufficient to secure operations by the end of the current year, while maintaining its readiness to initiate negotiations for their increase and/or the signing of new bank credit agreements in case of additional increases in working capital funding requirements going forward.

VII.15 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.

VII.16 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.

VII.17 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.

VII.18 Shares of the Issuer held by members of subsidiaries' managing bodies

As of June 30 2020 the following members of the managing and controlling bodies and senior management of subsidiaries of the Issuer, other than the persons identified in section V.6, held shares in its capital:

- Lyubomir Minchev, Chairman of the Supervisory Board of Comutel, holder of 77.41% of the Issuer's shares;

- Iordan Popov, member of the Board of Directors of TBS EAD and the Supervisory Board of Comutel, holding 1.06% of the Issuer's shares.

As of June 30 2020 and the date of this Report, the Company has not issued and none of the members of the managing and controlling bodies and senior management of its subsidiaries holds any options on shares in its capital or other securities issued thereby.

VII.19 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 and its subsidiaries have not issued and have not received any proceeds from new shares, other securities and options thereon.

VII.20 Information about the acquisition of own shares

VII.20.1 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, neither the Company, nor any of its subsidiaries have acquired or transferred any own shares.

VII.20.2 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, neither the Company, nor its subsidiaries have held, nor do they hold any own shares.

VII.21 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.

VII.22 Agreements known to the company that may result in changes in the relative share held by current shareholders

VII.22.1 Agreements relative to the Public Offering

VII.22.1.1 Contracts for intermediary and consultancy services

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.

VII.22.1.2 Agreement on the restriction of the disposal of shares

On December 17 2019 an Agreement on 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.

VII.22.1.3 Updated procedure for the sale of shares

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.

VII.22.1.4 Possible future changes in the stakes held by current shareholders

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.

VII.22.2 Incentive program

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 June 30 2020, the Managing Board has been empowered by resolution of the General Meeting of Shareholders, as described in section VII.21 above, 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.

Further steps undertaken after June 30 2020 with regard to incentive programs are referred to in section VII.23 of this Report.

VII.23 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;
- Approval of the proposed Statute of the Company's audit committee;
- Proposal to the general meeting of shareholders to resolve on the distribution of the Company's profit for 2019 amounting to BGN 217 288.82 (two hundred and seventeen thousand two hundred and eighty-eight leva and 82 cent), whereby, pursuant to art. 246 para. 1 of the CA in connection with art. 246 para. 2 of the CA, 1/10 of the profit of the Company for 2019 shall be allocated to the formation of the Company's "Reserve Fund" until reaching 1/10 of its capital, and an amount of BGN 195 559.94 (one hundred ninety-five thousand five hundred fifty-nine levs and 94 cent) shall be distributed as a dividend from the profit of the Company for 2019;
- 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;
- Approval of a motivated report under art. 114a POSA for the expediency and conditions of transactions under art.114 POSA for the occurrence of receivables of the Company from Telelink Business Services EAD, Comutel DOO, Serbia, Telelink DOO Slovenia, Telelink D.O.O. Montenegro,

Telelink D.O.O. Bosnia and Herzegovina, Telelink Albania SHPK, Albania and Telelink Business Services Dooel, North Macedonia;

- Approval of a motivated report under art. 114a POSA for the expediency and conditions of transactions under art.114 POSA for conclusion of annexes to a contract dated 01.11.2019 for rent of furnished workplaces, as well as to a contract for provision of IT services dated 09.10.2019 between the Company and Telelink Business Services EAD;
- Approval of a motivated report under art. 114a of the POSA for the expediency and conditions of transactions under Article 114 of the POSA for conclusion of an annex to a loan agreement concluded on 02.09.2019 between the Company and Telelink Business Services EAD.

On July 30 2020, the following resolutions were adopted on a session of the Managing Board of Telelink Business Services Group AD:

- To accept a report for the payout of a 6-month dividend as per art. 115c, par. 2 – 1 of the POSA;
- To propose to the General meeting of shareholders to resolve on the distribution of BGN 6 000 000 (six million) as interim dividend from the profit realized by the Company as per the financial statements prepared for the first half of 2020 and based on the report prepared by the Managing Board in accordance with the requirements of art. 115c of the POSA;
- To establish a new subsidiary in Croatia – Telelink Business Services d.o.o., with a registered capital of EUR 10,000 (ten thousand) or their equivalent in Croatian kuna and management including managing director Gojko Martinovic and a supervisory board including Ivan Zhitianov, Orlin Rusev and Ivo Rusev;
- To propose to the General meeting of shareholders to assign to the Managing Board the preparation by the end of 2020 of a Plan for stimulation of the employees with shares based on performance criteria;
- to propose to the General meeting of the shareholders to assign to the Managing Board the preparation by the end of 2020 of and implement a procedure for one-time stimulation of the employees with shares.

On August 03 2020, the following resolutions were adopted on a session of the Supervisory Board of Telelink Business Services Group AD:

- Approval of the Company's audit committee members proposed by the Managing board;
- Approval of the Company's annual financial statement for 2019, the Company's annual consolidated financial statement for 2019 and the management report;
- Approval of the Managing board proposal to the general meeting of shareholders for distribution of profit for 2019;
- Approval of the Managing board proposal to the general meeting of shareholders for distribution of profit and payment of 6-month dividend based on the 6-month financial statement;
- Approval of the Managing board decision on establishment of a new Company's subsidiary in Croatia;
- Approval of the Managing board proposal to the general meeting of shareholders for preparation of a plan for stimulation of employees of the Group with shares based on performance;
- Approval of the Managing board proposal to the general meeting of shareholders for one-time stimulation of the employees with shares;
- Approval of a Remuneration policy for the members of the Supervisory board and the Managing board of the Company;
- Determining a scheme for granting to the Managing board of a remuneration based on Company's shares for 2020;

- Approval of signing by the Company and by Telelink Business Services EAD (Bulgaria) of Annex № 4 to the Agreement for undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 dated 10.10.2019;
- Adoption of a decision for convening a Regular general meeting of shareholders and determination of the agenda of the meeting;
- Adoption of rules for voting by proxy on the regular general meeting of shareholders;
- Adoption of the text of the invitation for convening the regular general meeting of the shareholders of the Company.

On August 07 2020, Telelink Business Services Group AD posted an invitation to convene a Regular general meeting of shareholders and materials for the latter, which shall be held on September 10 2020 from 11.00 am in Sofia-1766, Sofia, Vitosha district, v.a. "Malinova Dolina", 6 Panorama Sofia Str., Richhill Business Center, ground floor, Conference centre Richhill, with the following agenda:

1. Adoption of the annual report of the Managing board on the activities of the company in 2019;
2. Adoption of the Audit Report on the audit of the Annual Financial Statement of the Company for 2019;
3. Approval of the audited Annual financial statement of the Company for 2019;
4. Adoption of the Audit report on the audit of the consolidated Annual financial statement of the Company for 2019;
5. Approval of the audited consolidated Annual financial statement of the Company for 2019. Proposed resolution;
6. Adoption of a decision for distribution of the Company's profit realized in 2019;
7. Adoption of a decision to release from liability the members of the Managing and Supervisory boards of the Company for their activities in 2019;
8. Adoption of the annual report on the activities of the Investor Relations Director in 2019;
9. Adoption and approval of the Statute of the Audit committee;
10. Election of members of the Audit Committee of the Company, determination of their mandate and remuneration;
11. Election of a registered auditor to perform an independent financial audit for 2020;
12. Amendments and supplements to the Articles of Association of the Company;
13. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 3 POSA;
14. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 2 POSA;
15. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 2 POSA;
16. Adoption of the 6-month financial statement for the first half of 2020;
17. Taking a decision under art. 41 para. 2 of the Articles of Association of the Company for distribution of the profit and payment of a 6-month dividend on the basis of the adopted 6-month financial statement;
18. Taking of a decision for one-time provision of shares from the capital of the Company to the employees working in the Company and its subsidiaries;
19. Taking of a decision for authorization of the Managing board of the Company to implement a Program for long-term stimulation with shares of the employees of the Company and its subsidiaries;
20. Adoption of a Remuneration Policy for the members of the Supervisory and Managing boards of the Company;

21. Taking a decision to provide the members of the Managing board with remuneration based on shares of the Company for 2020;
22. Approval of a scheme for remuneration based on shares of the Company to the members of the Managing board for 2020.

Al information and materials related to the forthcoming General meeting of shareholders is available at http://www.x3news.com/ and on the Issuer's website: https://www.tbs.tech/documents/general-meetings/.

On August 11 2020, pursuant to Annex №4 to the Agreement for the undertaking of credit commitments between Unicredit Bulbank AD as creditor and Telelink Business Services EAD and Telelink Business Services Group AD as pledgor, disclosed on June 29 2020, according to which the maximum total amount of the provided (authorized) credit limit was increased by EUR 2 000 0000 (two million) up to EUR 13 000 000 (thirteen million) and the Agreement's term was extended until May 31 2021, Telelink Business Services Group AD signed:

- Annex №1 to the Agreement for the undertaking of a suretyship with Unicredit Bulbank AD from October 10 2019, whereby the designated total credit limit available for utilization by TBS EAD as of agreement date was raised up to EUR 13,000 thousand;
- a second-ranking Share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing the additional EUR 2,000 thousand of the total credit limit available for utilization as of agreement date.

VII.24 COVID-19 coronavirus epidemic

VII.24.1 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.

VII.24.2 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.

VII.24.3 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.

VII.24.4 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 expectations 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 management of Group companies 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.

VII.25 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: 2020.09.11 14:42:12 +03'00'