



INTERIM MANAGEMENT REPORT
of
TELELINK BUSINESS SERVICES
GROUP AD
for the
FIRST SIX MONTHS OF 2021

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



DEAR SHAREHOLDERS,

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



I GENERAL COMPANY INFORMATION

I.1 Business profile

Telelink Business Services Group AD (TBS Group, the Company, the Issuer) was established in 2019 with the purpose of consolidating, forming and managing of investments in subsidiaries operating in the field of information and communication technologies (ICT), together with which it constitutes the economic “Group TBS” (the Group).

The Company’s main commercial activities comprise the provision of administrative and financial services and services relative to the management and support of the business development, marketing and sales of Group subsidiaries. The Company itself does not carry out direct commercial operations in the field of ICT or other areas concerning end customers outside the Group.

I.2 Governance

The Company has a two-tier board system.

The Company’s Managing Board (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 Board (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.3 Share capital and ownership structure

The Company has a registered capital in the amount of BGN 12,500 thousand divided in 12,500,000 common shares with a nominal value of BGN 1.00 each.

In 2020 and the first half of 2021, there were three tranches of public offering of existing Company shares, pursuant to which three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock Exchange (BSE) a total of 2,625,000 shares (of which 875,000 in the first half of 2021), representing 21% of the Company’s registered capital (of which 7% realized in the first half of 2021).

During the above period, including the third tranche of its public offering carried out in June 2021, the Company did not issue and had no proceeds from new shares, other securities or options thereon.

Pursuant to share buybacks for the purposes of employee incentive programs, as of June 30 2021, the Company held 356 own shares acquired in 2020. No further share buybacks were carried out during the first half of 2021.



As of June 30 2021, the persons holding over 5% of the Company’s capital were Lubomir Minchev with a stake of 8,371,678 shares or 66.97% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,723,099 shares or 13.78%.

1.4 Investment portfolio

As of June 30 2021, the Company held shares in nine subsidiaries, 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 Telelink Albania Sh.p.k. („Telelink Albania“), the participations in which were transferred into Company pursuant to a reorganization by means of spinoff of the Business Services activities of Telelink Bulgaria AD in August 2019;
- Telelink Business Services DOOEL (Macedonia) (TBS Macedonia), established by the Company in September 2019;
- Telelink Business Services DOO (Croatia) (TBS Croatia), established by the Company in November 2020;
- Telelink Business Services, LLC (USA) (TBS USA), established by the Company in January 2021.

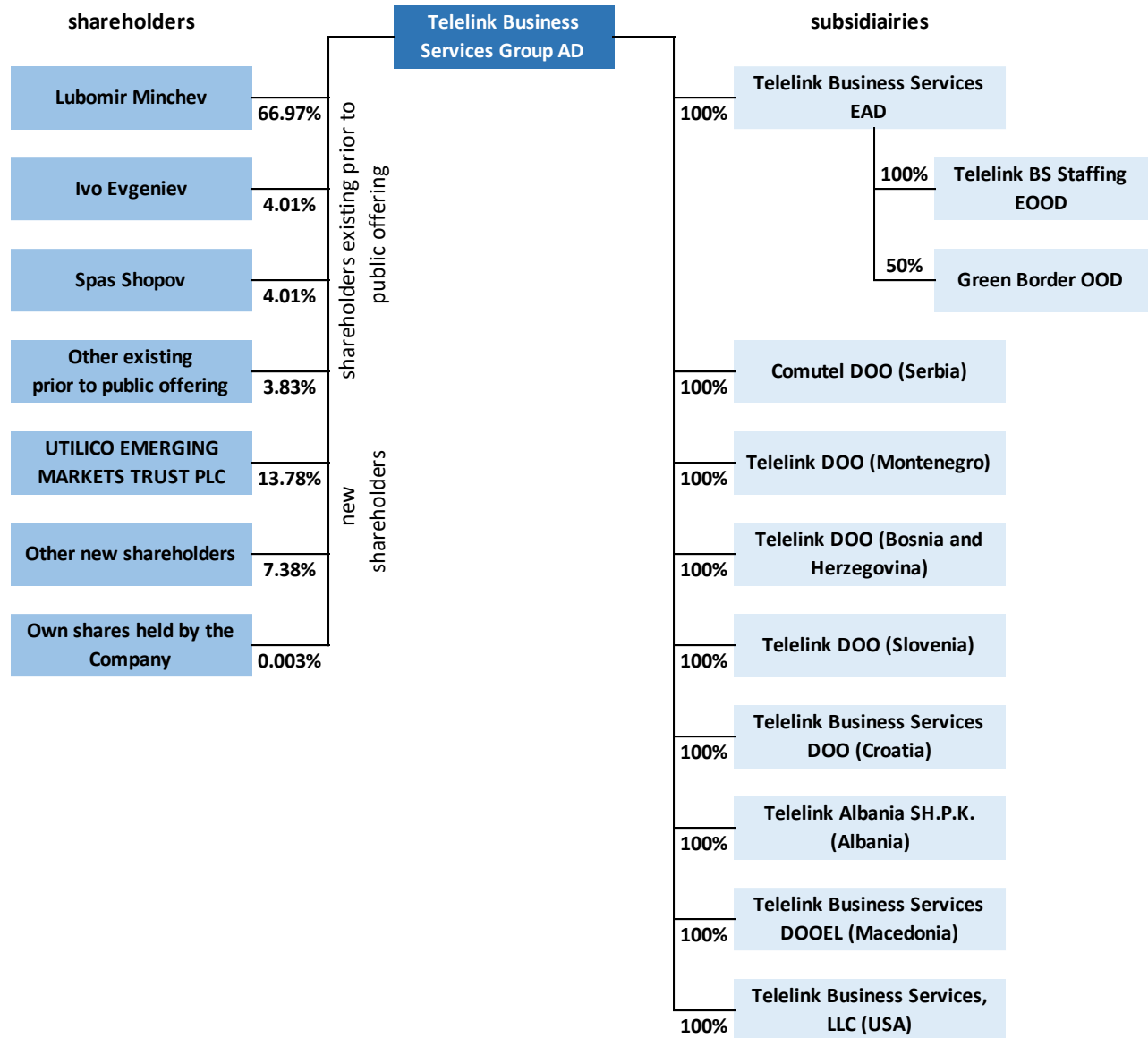
As of June 30 2021, the Company was a sole owner of all of the above subsidiaries and had indirect interests in two more companies controlled by TBS EAD. All directly and indirectly owned subsidiaries are governed in their respective countries of incorporation.

Subsidiary	Country of incorporation and management	Capital share held by TBS Group
<i>(direct)</i>		
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 Business Services DOO	Croatia	100%
Telelink Albania SH.P.K.	Albania	100%
Telelink Business Services DOOEL	Macedonia	100%
Telelink Business Services, LLC	USA	100%
<i>(indirect)</i>		
<i>(through TBS EAD)</i>		
Telelink BS Staffing EOOD	Bulgaria	100%
Green Border OOD	Bulgaria	50%

As of June 30 2021, all direct subsidiaries except for the recently established TBS Croatia and TBS USA carried out active commercial operations.

As of June 30 2021, the indirectly owned Telelink BS Staffing EOOD, established with the purpose 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 for and is not expected to have a material impact on the Group’s future results and financial position.

I.5 Combined shareholding structure of the Company and the Group



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 through 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. 89o, par. 1 of the POSA, pursuant to which it obtained a legal entity identification (LEI) code: 894500RSIIIEY6BQP9U56.



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.

The Company's Investor Relations Director is Ivan Daskalov, with the following contact details: telephone number +359 2 9882413, e-mail address: IR-TBS@TBS.TECH.

II KEY FINANCIAL INDICATORS

Financials (BGN thousand)	(period end)		change
	30.6.2021	30.6.2020	
Net sales revenue	940	1,286	-27%
Cost of Sales	-912	-1,252	-27%
Gross Profit	28	34	-18%
Sales and Marketing Expenses	-11	-3	267%
General and Administrative Expenses	-408	-262	56%
Other Operating Income/(Expenses) (net)	4	0	4
Operating Profit	-387	-231	68%
Financial Income/(Expenses) (net)	13,435	8,458	59%
incl. Dividend Income	13,456	8,488	59%
Income Tax Expense	-77	-62	24%
Net Profit	12,971	8,165	59%
Depreciation & Amortization Expenses	-31	-27	15%
Interest Income/(Expenses) (net)	-19	-29	-34%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	13,098	8,283	58%
	30.6.2021	31.12.2020	
Total Assets	27,817	16,314	71%
Non-current Assets	16,016	16,097	-1%
Current Assets	11,801	217	54.4x
Equity	27,381	14,410	90%
incl. Retained Earnings and Profit for the Year	13,649	1,420	861%
Total Liabilities	436	1,904	-77%
Non-current Liabilities	0	35	-35
Current Liabilities	436	1,869	-77%
Cash & Cash Equivalents	633	73	767%
Total Financial Debt*	0	1,103	-100%
Net Financial Debt**	-633	1,030	-161%
	30.6.2021	30.6.2020	
Net Cash Flow from Operating Activities	-822	-324	154%
Net Cash Flow from Investment Activities	2,510	-75	2,585
incl. Dividends Received	2,500	0	2,500
Net Cash Flow from Financing Activities	-1,128	370	-1,498
Number of Employees as of Period End	25	34	-26%

* Incl. loans and finance lease contracts

** Total Financial Debt - Cash & Cash Equivalents

Ratios	(period end)		change
	30.6.2021	31.12.2020	
Current Ratio	27.1	0.1	27.0
Equity / Total Assets	98%	88%	10%
Financial Debt / Total Assets	0%	7%	-7%
Non-current Assets / Total Assets	58%	99%	-41%
Equity and Non-current Liabilities / Non-current Assets	1.7	0.9	0.8

III REVIEW OF THE COMPANY'S ACTIVITIES AND FINANCIAL POSITION

As of June 30 2021, the Company conducts active operations and reports positive net assets in the amount of BGN 27,381 thousand.

Results and cash flows from the Company's activities are presented in the Income Statement and Cash Flow Statement and analyzed in sections III.1 and III.3 below.

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

III.1 Revenue, expenses and profitability

The Company's net sales revenue for the first six months of 2021 amounted to BGN 940 thousand.

Reflecting with the profile of its activities, the above revenues are derived entirely from administrative and financial services and such relative to the support and management of business development, marketing and sales, provided to Group subsidiaries. The predominant part of their composition continued to be formed of services relative to business development, sales and marketing, accounting for 77% of total revenues for the period, against 23% generated from administrative and financial services, similarly to the corresponding ratios of 74% and 26% for the same period of the 2020.

The main factor behind the observed overall decrease in sales by 27% from the first half of 2020 was the narrower scope of business development, sales and marketing services provided to subsidiaries outside Bulgaria and as a whole, considering the transfer of a substantial part of personnel and activities related to technological development and product management to operating companies across the Group.

Country	Region	Net Sales Revenue (BGN thousand)				
		30.6.2021	30.6.2020	change	share 30.6.2021	share 30.6.2020
Bulgaria	Bulgaria	910	1,010	-10%	97%	79%
Serbia	Mid-Western Balkans	11	150	-93%	1%	12%
Montenegro	Mid-Western Balkans	2	18	-89%	0%	1%
Bosnia and Herzegovina	Mid-Western Balkans	2	24	-92%	0%	2%
Slovenia	Mid-Western Balkans	2	6	-67%	0%	0%
Albania	South-Western Balkans	8	35	-77%	1%	3%
Macedonia	South-Western Balkans	5	43	-88%	1%	3%
Total	Bulgaria	910	1,010	-10%	97%	79%
Total	Mid-Western Balkans	17	198	-91%	2%	15%
Total	South-Western Balkans	13	78	-83%	1%	6%
Total	Total	940	1,286	-27%	100%	100%

In accordance with the adopted pricing policy regarding services provided to subsidiaries and with regard to the avoidance of deviations from market terms, the Company avoids charging significant markups upon its internal costs for the provision of such services and does not charge any upon the part of respective cost of sales arising from externally sourced services. Reflecting the above policy, the Company recorded a typically low gross profit of BGN 28 thousand at a gross margin of 3% consistent with the ratio observed in the first half of 2020.

Reported marketing, general and administrative expenses for the period in the amount of BGN 419 thousand included mostly the cost of the Company's internal administrative units, including among others the remuneration of the Managing and Supervisory Boards, as well as expenses for externally sourced marketing, financial, legal and administrative services, which, in their essence and purpose, are of a general nature and are not attributable to the cost of realized sales.

The observed 58% increase in the above expenses over the first half of 2020 reflected both the expanding number of employees engaged in administrative activities, including such hired under secondary labour contracts, and growing expenditures on external services, related directly or indirectly to the Company public status and the Group's territorial expansion in terms of new markets and subsidiaries.

Considering the increasingly negative gap between marketing, general and administrative costs and realized gross profit, which is typical of its activity profile, the Company ended the first six months of 2021 with an operating loss of BGN -387 thousand, increasing by 68% over the first half of 2020.

At the same time, the Company also continued to record far more sizeable net financial income in the amount of BGN 13,435 thousand, exhibiting 59% of growth over the same period of 2020.

Financial income included in the above indicator originated from dividends distributed to the Company from directly controlled subsidiaries in the total amount of BGN 13,456 thousand, including distributions made in June 2021 out of 4 subsidiaries from Bulgaria and the Mid-Western Balkans region with the main contribution of TBS EAD.

Country	Region	Dividend Income (BGN thousand)				
		30.6.2021	30.6.2020	рѝст/ (спад)	share 30.6.2021	share 30.6.2020
TBS EAD	Bulgaria	11,442	7,002	63%	85%	82%
Comutel	Mid-Western Balkans	391	450	-13%	3%	5%
Telelink Montenegro	Mid-Western Balkans	0	160	-100%	0%	2%
Telelink Bosnia	Mid-Western Balkans	782	270	190%	6%	3%
Telelink Slovenia	Mid-Western Balkans	841	606	39%	6%	7%
Telelink Albania	South-Western Balkans	0	0	-	0%	0%
TBS Macedonia	South-Western Balkans	0	0	-	0%	0%
Total	Bulgaria	11,442	7,002	63%	85%	82%
Total	Mid-Western Balkans	2,015	1,486	36%	15%	18%
Total	South-Western Balkans	0	0	-	0%	0%
Total	Total	13,456	8,488	59%	100%	100%

The main source of reported financial expenses in the amount of BGN 21 thousand are interest expenses under the Cash Loan Agreement with TBS EAD, described in section VI.8.3 of this Report, which registered a moderate decrease as compared to BGN 30 thousand for the first half of 2020.

With the benefit of an increasing surplus of net financial income over recorded operating loss, the Company ended the first six months of 2020 with a significant pre-tax profit of BGN 13,048 thousand, exhibiting 59% of growth the same period of 2020.

According to the tax regime of dividend income from EU member countries, the above profit consisted mainly of non-taxable income from Bulgaria and Slovenia, resulting in a relatively limited amount of income tax expense of



just BGN 77 thousand, comparable to the corresponding amount of BGN 62 thousand recorded in the first half of 2020.

Summing the above factors, the Company ended the first half of 2021 with a net profit of BGN 12,971 thousand, achieving a respective growth rate of 59% over the same period of 2020.

III.2 Assets, liabilities and equity

As of June 30 2021, the Company reported total assets in the amount of BGN 27,817 thousand, exhibiting a significant increase by 71% over December 31 2020.

The main factor behind above change was the multiple increase in current assets up to BGN 11,801, resulting from the formation of significant receivables for dividends distributed by subsidiaries TBS EAD, Comutel, Telelink Bosnia and Telelink Slovenia in the total amount of BGN 10,956 thousand and unpaid as of June 30 2021, as, due to the short time between their distribution in June 2021, only the dividend from TBS EAD was partly paid. In accordance with the Company's revenue profile, the rest of its trade and other receivables, which totaled BGN 11,119 thousand, also derived almost entirely from counterparties making part of the Group. Another component of growth in currents assets were cash and cash equivalents, which increased by BGN 560 thousand owing the surplus of partially received dividends over the Company's cash outflows.

Showing a minor decrease from December 31 2019 in the absence of significant new investments, the non-current assets of BGN 16,016 thousand reported as of June 30 2021 continued to consist predominantly of its investments in subsidiaries in the total amount of BGN 15,759 thousand. Pursuant to the transfer of a contract for the operating lease of a vehicle to TBS EAD in June 2021, as of period end, the Company did not have and did not report as a part of its tangible assets any rights of use under the terms of IFRS 16 in force since January 01 2019.

Opposite to observed growth in assets, the Company's total liabilities registered a significant decrease by 77% from December 31 2020. As of reporting period end, they were reduced to BGN 436 thousand and consisted entirely of current liabilities.

The observed decrease stemmed mostly from the full repayment of obligations under the Cash Loan Agreement with TBS EAD with the proceeds from the partially paid dividend from the latter distributed in June 2021, pursuant to which the Company ended the reporting period with zero financial debt. Pursuant to the transfer of a contract for the operating lease of a vehicle to TBS EAD in June 2021, as of period end, the Company did not have and did not report any lease liabilities.

Reflecting the significant amount of realized net profit for the current period, the Company's equity increased by 90% over December 31 2020, reaching BGN 27,381 thousand or 98% of total assets as of June 30 2021. Besides the attained sum of retained earnings from the current and previous periods in the amount of BGN 13,649 thousand and the registered share capital of BGN 12,500 thousand formed in 2019, equity as of June 30 2021 included reserves in the total amount of BGN 1,232 thousand. The latter's increase by BGN 742 thousand from December 31 2020 reflected the allocation of 10% of the Company's profit for 2020 towards its Reserve Fund approved by resolution of the GMS from June 21 2021 in compliance with art. 246 of the Commercial Code.

Besides the Reserve Fund, which reached a total amount of BGN 981 thousand or 8% of the registered capital as a result of the above allocation and the transfer thereto of the BGN 217 thousand of Reorganization reserves formed in 2019, as approved on the same GMS, capital reserves as of June 30 2021 continued to include other



reserves arising from share incentive programs towards the end of 2020 (i.e., the difference between the cost of repurchase and transfer of shares under the one-time incentive program and expenses accrued for the variable compensation of the MB and management staff depending on their continuing employment and the Group's performance in 2020-2022).

III.3 Cash Flows

Reflecting the significant surplus of the received partial dividend payment of BGN 2,500 thousand from TBS EAD and proceeds from the disposal of non-current assets over the relatively immaterial payments on the acquisition of such assets, the Company recorded a positive net cash flow from investing activities in the amount of BGN 2,510 thousand.

In turn, the allocation of part of the received dividend payment towards the full repayment of current obligations under the Cash Loan Agreement with TBS EAD was the factor behind the reported negative net cash flow from financing activities of BGN -1,128 thousand.

Even after the above repayment, net proceeds from investing activities proved sufficient to cover the negative net cash flow from operating activities of BGN -820 thousand reflecting the typical operating loss and the negative changes in net working capital during the period, and generate a substantial increase in cash and cash equivalents by BGN 560 thousand (comparing to a slight decrease in the same period of 2020, when dividends from subsidiaries remained entirely unpaid as of the end of June).

IV MAIN RISKS FACED BY THE COMPANY

The risks associated with the Company's business can generally be divided into systemic (general) and non-systemic (related specifically to its activities).

Insofar as Group subsidiaries are the Company's main source of income and complementary funding, risks relevant to the Company also include those inherent to their business and the sector in which they operate, as described in the published financial notifications on a consolidated basis and management reports to the Company's consolidated interim and annual financial statements.

IV.1 Systemic risks

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

IV.1.1 Political risk

Political risk is the probability of a sudden change in the country's policy pursuant to a change of the government, 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 economic agents operate may change adversely, and investors may suffer losses.

Political risks for Bulgaria also include the challenges related to undertaken commitments to implement major structural reforms, improve social stability and reduce inefficient expenditures, in its capacity of a member of the

EU, as well as to the acute destabilization of countries in the Middle East, the increasing threats of terrorist attacks in Europe, refugee flows and instability of key countries close to the Balkan region.

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

IV.1.2 Common macroeconomic risk

Common macroeconomic risk is the probability of various economic factors and trends, including, but not limited to recession, trade barriers, currency changes, inflation, deflation and other factors, affecting negatively demand and purchasing power in the country and the countries where cross-border counterparties of local companies operate.

Presently, the expectations of many independent market analysts and institutions continue to point out risks of slowdown in growth and even contraction of the economies of developed Western European countries, as well as in Bulgaria and Western Balkan countries, which may lead to limitations in private sector spending and remain insufficiently compensated with countercyclical measures by national and supranational authorities.

IV.1.3 Interest rate risk

Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions of the Republic of Bulgaria, leading global economies and the EU affecting adversely access to financing, funding costs, investment returns and economic growth.

At this point, major financial institutions in Bulgaria, leading global economies and the EU maintain policies of low or negative base interest rates, targeted at catalyzing lending and investing activities in the economy.

IV.1.4 Currency risk

Systemic currency risk is the probability of changes in the currency regimes or exchange rates of foreign currencies to the Bulgarian lev affecting adversely the costs, profitability, international competitiveness and general stability of economic agents and the local economy as a whole.

Presently, Bulgaria maintains a currency board system and a course of accession to the Eurozone, which eliminate or minimize the currency risks from transactions denominated in Euro, which constitute most of the Company's currency operations.

IV.1.5 Tax risk

Changes in tax legislation towards increasing tax rates, the adoption of new taxes or adverse changes in double tax treaties may lead to increased or unforeseen costs for the economic agents.

The tax system in Bulgaria is still evolving, in the course of which evolution controversial tax practices may arise. Similar risks also apply to the other countries of operation of Group subsidiaries, which represent the Company's main counterparties.



IV.2 Risks specific to the Company

IV.2.1 Risks relative to business strategy and growth

IV.2.1.1 Inappropriate business strategy

The choice of an inappropriate business strategy for the development of the Company's investments, 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. The management of strategic risk through the constant supervision and periodic tracking of changes in the market environment and key performance indicators of managed subsidiaries in order to identify potential problems and implement the appropriate measures in a timely manner are of essential importance. In spite of the awareness of the necessity and importance of this process, it is possible that the Group's management and employees prove limited in the implementation of the above practices due to a lack of experience, timely information or insufficiency of human resources.

IV.2.1.2 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 scope, targeted expansion may require additional management staff. It is part of the Group's policy to cultivate such staff by promoting employees with sufficient experience and highly esteemed aptitude to grow up the hierarchy. However, the number of suitable employees is limited and some of them may not meet the expectations on a managerial level. On the other hand, recruiting externally management staff with proven track record, especially on developed markets, can be difficult and may entail high costs with a potentially negative impact on profitability.

IV.2.2 Risks relative to human resources and managerial staff

The Group's operational management and business development depend to a large extent on the contribution of a limited number of individuals contributing to the management of the Company and its investments, that could be difficult to replace with similarly prepared personnel. A potential withdrawal of such persons from the respective structures or impossibility to fulfil their obligations over a substantial period of time could have adverse effects on results from operations, stemming from the time of their absence or the time needed for their substitution and the training, adequate familiarization with the organization and business specifics and full functional deployment of their substitutes. 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.

IV.2.3 Concentration of revenues and cash inflows

Given its narrow specialization in investments the provision of management and assistance services to subsidiaries, the Company derives its revenues and receivables from a limited number of counterparties with the predominant part of largest subsidiary TBS EAD.

IV.2.4 Financial risks

IV.2.4.1 Liquidity risk

Due to the typically negative gap between revenues from recurring subsidiary management and assistance services and total operating expenses and the formation of most of its proceeds from dividends, the Company is inherently exposed to the risk of impossibility to meet its obligations in due course in case dividend proceeds from subsidiaries happen to lag costs and related payments.



The Company manages the above risk through the systematic tracking of the maturities of its receivables and payables and the timely planning of its cash inflows and outflows. In case of expected cash deficits over a certain period of time and with regard to unforeseen deviations, the Company provides for their funding through the negotiation and renewal of appropriately structured loans or revolving facilities from leading Group subsidiaries and/or the formation of reserves through decisions for timely and sufficient dividend distributions from its subsidiaries.

The above sources are expected to be sufficient to cover the Group's needs over the rest of the current financial year. Nevertheless, the management maintains its readiness for the timely negotiation of additional or supplementary external sources funding with a view to diversifying the sources of liquid funds.

IV.2.4.2 Interest rate risk

Under the terms of the Cash loan agreement with TBS EAD, interest due by the Company is based on a fixed interest rate subject to indexation only in case of significant changes in the funding costs of the lending subsidiary.

As of reporting period end, the Company has no information implying such changes and has no other financing agreements.

IV.2.4.3 Currency risk

Owing to the formation of its revenues and costs predominantly or entirely in local currency (leva) or Euro under a currency board regime, the Company is not exposed to substantial currency risk.

IV.2.5 Other risks

IV.2.5.1 Litigation risk

The Company is generally exposed to the risk of litigation, including claims filed against it by employees, shareholders, etc. through 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 Company's assets and business 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 may seek refunds of large or undetermined amounts or other damages that could significantly deteriorate significantly the Company's financial position. The defense costs in future court cases can also prove significant. Their public disclosure or negative business impact may affect adversely the Company's reputation, regardless of whether or not the underlying claims and negative rulings are justified. The potential financial and other consequences of such proceedings may remain unknown for an extensive period of time.

IV.2.5.2 Risks relative transactions with related parties

In the course of its operations, the Company makes transactions and commitments to related parties. While the counterparties in such transactions comprise predominantly or entirely fully controlled subsidiaries and in spite of its endeavor to apply good practices and its commitment to comply with the applicable provisions of the POSA and other regulations, it is still possible that ignorance, employee negligence and other causes result in dealings deviating substantially from market terms, which could affect adversely the Company's business results and financial position.



IV.3 COVID-19 coronavirus epidemic

As of the date of this Report, Bulgaria and other countries where Group companies and/or clients and suppliers thereof are established continue to apply various measures against the spread of COVID-19 affecting the regime of work in private and public organizations and the freedom of movement in the country and abroad.

As companies specializing in information and communication technologies, Group subsidiaries continue to function successfully in a mode of process digitalization, workplace safety, remote subcontractor backup and teleworking, allowing for the safe and uninterrupted provision of external and internal services and processes without compromising the Group's productivity.

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

As of the date of this Report, governments in the countries of relevance to the Group and the EU as a whole maintain active positions towards supporting private businesses and utilizing optimally available national and supranational funds.

As of the date of this Report, the development of the epidemic remains dynamic and difficult to predict, while independent market sources and the observations of the Company's management point out both risks of a general slowdown in economic growth and temporary limitations of the investment potential in certain private sector industries, and expectations for a significant acceleration of investments by key 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 made a conclusive quantitative assessment of the epidemic's consequences establishing a risk of substantial deterioration of the Group's results, prospects and financial position. Prepared budgets and development plans take into account COVID-19 as a present and future factor of the economic environment and, in that sense, as of the date of this Report, they are not deemed exposed to significant risks arising from the epidemic's ongoing development. Nevertheless, the latter remains inherently uncertain, and the Company's management will continue to monitor the situation's development with a view to the timely identification of present and potential adverse effects and the undertaking all possible measures towards the limitation of their impact in due course.

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

Internal information as per art. 7 of Regulation (EC) 596/2014 of the European Parliament and the Council from April 16 2014 regarding market abuse, relative to circumstances arising over the last six months is presented in appendix to the Company's interim financial statements as of June 30 2021 and together with this Report.



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

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

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

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

On a session held on January 6 2021, the MB resolved upon the establishment of new Company subsidiaries on the territories of the USA, with a registered capital of up to USD 10 thousand, and Germany, with a registered capital of up to EUR 30 thousand. On a subsequent MB session held on January 07 2021, a resolution was passed on the election of Ivan Krasimirov Zhitiyanov as executive director of the new subsidiary in the USA, and of Silviya Marinova Marinova – as director of the new subsidiary in Germany. The above decisions were approved by the SB on a meeting held on January 07 2021.

In accordance with the resolution from January 06 2021, on January 29 2021, the Company established in its capacity of sole owner a new subsidiary – limited liability company Telelink Business Services, LLC (USA) with a registered share capital of USD 10 thousand. As of the date of this Report, the new subsidiary's share capital has not been paid in.

On a session held on March 25 2021, the MB resolved upon the establishment of a fully owned subsidiary on the territory of Romania under the name of "Telelink Business Services", with a registered capital of up to EUR 10 thousand and managing director Orlin Rusev.

As of the date of this Report, the new subsidiaries in Germany and Romania were yet to be resgitered and, except for the above-mentioned establishment of TBS USA, there were no other changes in shareholdings of the Issuer in, or mutual shareholdings among subsidiaries and associates.

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

Over the first six months of the year, the Issuer has not participated in any reorganization, nor has it made any disposals of shares in subsidiaries or 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 changes described in VI.2 above, the Issuer has not made any investments in shareholdings in other companies during the reporting period. As evidenced by sections I and III of this Report, during the ended first half of the year, the Company did not make any significant investments in tangible or intangible non-current assets.



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

The Company has not published concrete quantitative forecasts of its individual results for 2021.

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

By virtue of the ordinary voting shares in the Company's capital held thereby, as designated in section I.3 of this Report, the persons owning directly or indirectly at least 5% of the votes in the GMS as of June 30 2021 include majority shareholder and founder of the former economic group of Telelink Lubomir Minchev and foreign investment fund Utilico Emerging Markets Trust PLC (UK).

Pursuant to Tranche 3 of the public offering of existing Company shares on the BSE made in June 2021, the number of voting shares held by the above persons changed as follows:

- Lubomir Minchev – decrease by 5.56% (694,750 shares) from 72.53% (9,066,428 shares) as of December 31 2020 to 66.97% (8,371,678 shares) June 30 2021;
- Utilico Emerging Markets Trust PLC (Великобритания) – increase by 3.78% (473,099 shares) from 10.00% (1,250,000 shares) as of December 31 2020 г. to 13.78% (1,723,099 shares) June 30 2021.

As of the date this Report, the Company has not issued preferred or other shares without voting rights.

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

As of June 30 2021, the members of the MB continued to hold a total of 267,640 shares representing 2.15% of the Company registered capital, distributed as follows:

Number of shares held by the members of the MB	Owned as of				Change	%*
	30.6.2021	%*	31.12.2020	%*		
Ivan Zhtyanov	133,258	1.07%	133,258	1.07%	0	0.00%
Teodor Dobrev	4,996	0.04%	4,996	0.04%	0	0.00%
Paun Ivanov	125,000	1.00%	125,000	1.00%	0	0.00%
Nikoleta Stanailova	3,352	0.03%	3,352	0.03%	0	0.00%
Gojko Martinovic	1,034	0.01%	1,034	0.01%	0	0.00%
Total	267,640	2.14%	267,640	2.14%	0	0.00%

* % of the registered share capital

As of June 30 2021, the members of the SB continued to hold a total of 502,561 shares representing 4.02% of the Company registered capital, distributed as follows:

Number of shares held by the members of the SB	Owned as of				Change	%*
	30.6.2021	%*	31.12.2020	%*		
Hans van Houvelingen	900	0.01%	900	0.01%	0	0.00%
Ivo Evgeniev	501,661	4.01%	591,786	4.73%	-90,125	-0.72%
Bernard Moscheni	0	0.00%	0	0.00%	0	0.00%
Total	502,561	4.02%	592,686	4.74%	-90,125	-0.72%

* % of the registered share capital

The change in shares held by Ivo Evgeniev came as a result of the sales of shares during Tranche 3 of the public offering of existing Company shares on the BSE made in June 2021 and was in compliance with the limitations established by the Agreement for the restriction of the disposal of shares from December 17 2019 and the annexes thereto.

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

As of June 30 2021 and the date of this Report, there are no pending court cases, administrative or arbitrary proceedings to which the Company is party and/or concerning receivables or payables thereof equal or greater than 10% of its equity.

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

VI.8.1 Loans granted by the Company

As of June 30 2021 and during the reporting period as a whole, the Company did not have any loans granted to subsidiaries, related or other third parties.

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

As of June 30 2020 and during the reporting period as a whole, the Issuer maintained its capacity of a guarantor, respectively pledgor under the following contracts signed to secure 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 in the form of cash funds and/or contingent commitments of up to EUR 13,000 thousand, wherein, pursuant to an annex to the credit agreement from June 02 2021, the amount of secured utilization in the form of cash funds was amended from up to EUR 13,000 thousand to up to EUR 7,000 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 as of the agreement's date of up to EUR 13,000 thousand.

As of June 30 2021, the Company maintained the corporate guarantee issued in accordance with a resolution of the GMS from June 30 2020 in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-value equipment purchases under contracts with Cisco Systems International B.V. on deferred payment up to the amount of USD 5,100 thousand.

As of period end, the Company also maintained the corporate guarantee issued on December 29 2020 in favour of TBS Macedonia in the amount of USD 730 thousand securing future obligations towards TS Europe BVBA, Belgium with regard to the supply of high-value equipment on deferred payment terms.

On January 29 2021, the Company provided a counter-guarantee securing a guarantee on behalf of TBS Macedonia, with regard to a contract for a hardware platform of a hybrid cloud, in favour of the Agency for electronic communications of North Macedonia, for the amount of EUR 105,900, valid through May 15 2022.

VI.8.3 Loans granted by subsidiaries

During the reporting period and as of June 30 2020 there were the following agreements for loans granted by subsidiaries of the Issuer:

- 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 2021, bearing an interest rate of 2.25% p.a. on the utilized part of the limit, with no outstanding receivables for principal or accrued interest as of June 30 2021;
- 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 2021, bearing an interest rate of 2.5% p.a. on the utilized part of the limit, replaced by a corresponding contract from February 15 2021 with a limit of EUR 500 thousand, with outstanding receivables for principal and accrued interest as of June 30 2021 amounting to EUR 135 thousand;
- a Cash loan agreement from November 06 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 2021, bearing an interest rate of 2.5% p.a. on the utilized part of the limit, replaced by a corresponding contract from February 15 2021 with a limit of EUR 2,000 thousand, with outstanding receivables for principal and accrued interest as of June 30 2021 amounting to EUR 844 thousand;
- a Cash loan agreement from May 28 2021 between TBS EAD (lender) and Telelink Slovenia (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 2021, bearing an interest rate of 2.5% p.a. on the utilized part of the limit, with outstanding receivables for principal and accrued interest as of June 30 2021 amounting to EUR 801 thousand.

VI.8.4 Provided guarantees and undertaking of liabilities by subsidiaries

With regard to the annual renewal of a Loan agreement between Comutel and Raiffeisen Banka AD, Serbia with a credit limit of USD 5,000 thousand, on February 15 2021, a suretyship agreement was signed whereby TBS EAD guaranteed the due performance of respective obligations of Comutel.

As of June 30 2021 TBS EAD had extended the following guarantees securing third-parties with regard to project implementations and tax liabilities of Group subsidiaries:

Guarantee securing:	Guarantee type	Guarantee amount (BGN)	Validity
Consortium Telelink Group DZZD	performance	111,391.77	31.8.2021
TBS Macedonia	counter-guarantee	135,433.97	15.10.2021
TBS Macedonia	counter-guarantee	78,214.40	15.10.2021
Consortium Systel DZZD	performance	494,949.49	29.10.2021
Consortium ATP Services DZZD	performance	38,057.32	1.2.2022
TBS Macedonia	counter-guarantee	20,634.01	10.3.2022
Consortium Green Border DZZD	performance	135,000.00	8.9.2022
TBS Macedonia	performance	378,453.12	31.3.2023
TBS Macedonia	advance	1,513,812.50	31.3.2023
Consortium Technolink DZZD	performance	28,834.89	31.8.2023
Consortium Systel DZZD	performance	212,121.21	29.10.2023
TBS Macedonia	counter-guarantee	43,419.43	10.11.2023
Consortium Telelink Group DZZD	performance	66,238.86	17.6.2024
TBS Macedonia	counter-guarantee	135,433.97	15.10.2024

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

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

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

The following contracts, signed in previous periods between the Company and 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, remained in force:

- Agreement from August 15 2019 between the Company and TBS EAD, with provided services for the reporting period amounting to BGN 910 thousand;
- Agreement from August 15 2019 between the Company and Comutel, with provided services for the reporting period amounting to BGN 11 thousand;
- Agreement from August 15 2019 between the Company and Telelink Montenegro, with provided services for the reporting period amounting to BGN 2 thousand;



- Agreement from August 15 2019 between the Company and Telelink Bosnia, with provided services for the reporting period amounting to BGN 2 thousand;
- Agreement from August 15 2019 between the Company and Telelink Slovenia, with provided services for the reporting period amounting to BGN 2 thousand;
- Agreement from August 15 2019 between the Company and Telelink Albania, with provided services for the reporting period amounting to BGN 5 thousand;
- Agreement from August 15 2019 between the Company and TBS Macedonia, with provided services for the reporting period amounting to BGN 8 thousand.

During the reporting period, the Company and TBS EAD maintained their contract for the rental of equipped workplaces signed on November 1 2019. The Company's corresponding expenses for the period amounted to BGN 78 thousand.

During the reporting period, the Company (as borrower) and TBS EAD (as lender) maintained their Cash loan agreement from September 02 2019 with a limit of up to BGN 4,000 thousand, repayment deadline until December 31 2021 and an interest rate of 2.25% p.a. over utilized funds. The Company's corresponding interest expenses for the period amounted to BGN 19 thousand.

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

During the reporting period, there were no changes in the contracts signed between the Company and related parties reported as of December 31 2020.

VIII IMPORTANT EVENTS AFTER THE DATE OF THE INTERIM FINANCIAL STATEMENTS

On July 01 2021, TBS EAD signed a Frame agreement with German airway carrier Deutsche Lufhansa AG for the provision of LAN and WiFi services in different locations, where the latter owns subsidiaries, maintains and/or operates. The scope of the services, as well as terms and parameters, whereunder they will be provided by TBS EAD are described in detail in the Appendix "SOW to the Frame Agreement" making integral part of the Frame agreement. The agreement's term is 5 years.

July 28 2021

Sofia

Ivan Zhitiyanov,

TELELINK BUSINESS SERVICES GROUP AD