IMPORTANT NOTICE!!!

This document contains an English language translation of the Bulgarian Prospectus and its Supplements prepared in Bulgarian language, pursuant to and in compliance with the Bulgarian law (the "Prospectus", the "Supplements"), which Bulgarian Prospectus and its Supplements were filed with the Bulgarian Financial Supervision Commission (FSC) and were approved by the FSC with resolutions № 1249- PC/28.11.2019, № 1331- PC/23.12.2019 and № 238-PC/26.03.2020. This document and its supplements are for information purposes only and should not be relied upon.

This is not an offering circular, information memorandum or any other form of offering document. *Telelink Business Services Group AD* (the "Issuer") and *ELANA Trading AD* (the "Manager"), make no representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of this English translation, and neither the Issuer, nor the Manager accept any responsibility or liability whatsoever for any loss or damage however arising from any use of this translation or its contents or arising in connection with it.

This English translation of the Prospectus and its Supplements are not an official translation. This translation is for information purposes only and is not a substitute for the Prospectus and its Supplements. The only official version of the Prospectus and its Supplements is the Bulgarian version which has been approved by the competent body of the Issuer and prepared and published according to Bulgarian law and regulations. Any discrepancies or differences between the Prospectus and this translation are not binding and the Prospectus shall prevail.

The Prospectus and its Supplements can be found in print form at the head offices of the Issuer and the Manager, and in electronic form on the websites of the Issuer (telelink.business) and the Manager (www.elana.net). The Prospectus and its Supplements should be read in its entirety. This English translation has not been filed or published according to Bulgarian law. Accordingly, any authorized recipient should refer only to the official Bulgarian version of the Prospectus and its Supplements before making an investment decision and seek appropriate professional advice before investing in any securities. This English translation does not contain or constitute, and should not be relied upon as, an offer or invitation to make an offer or to acquire any securities in any jurisdiction.

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TELELINK BUSINESS SERVICES GROUP AD

REGISTATION DOCUMENT

THIS REGISTRATION DOCUMENT (THE „DOCUMENT") AND ITS SUPPLEMENT CONTAIN ALL THE INFORMATION ABOUT *TELELINK BUSINESS SERVICES GROUP AD*, WHICH IS NECESSARY FOR MAKING AN INVESTMENT DECISION, INCLUDING ALL MAIN RISKS, ASSOCIATED WITH THE ISSUER AND ITS OPERATIONS. IT IS IN THE INVESTORS' INTEREST TO ALSO GET ACQUAINTED WITH THE SECURITIES NOTE AND ITS SUPPLEMENTS BEFORE MAKING AN INVESTMENT DECISION. THE REGISTRATION DOCUMENT, ALONG WITH THE SECURITIES NOTE, THE SUMMARY AND THEIR SUPPLEMENTS ALTOGETHER REPRESENT THE PROSPECTUS FOR THE ADMISSION TO TRADING ON A REGULATED MARKET OF A SHARE ISSUE. THE PROSPECTUS CONTAINS ALL THE INFORMATION, WHICH IN ACCORDANCE WITH THE SPECIFIC FEATURES OF THE ISSUER AND SHARES BEING OFFERED, IS SUFFICIENT TO INVESTORS FOR AN ACCURATE ASSESSMENT OF THE ECONOMIC AND FINANCIAL STATE, THE ASSETS AND LIABILITIES, THE FINANCIAL RESULTS, THE PROSPECTS FOR DEVELOPMENT, AS WELL AS THE RIGHTS, ASSOCIATED WITH THE SHARES.

TELELINK BUSINESS SERVICES GROUP AD, AS THE ISSUER OF THE OFFERED SHARES, AND THE INVESTMENT INTERMEDIARY *ELANA TRADING AD* AS THE MANAGER OF THE OFFERING, ACCEPT RESPONSIBILITY FOR THE COMPLETENESS AND THE ACCURACY OF THE INFORMATION CONTAINED IN THE PROSPECTUS. THE REPRESENTATIVES OF *TELELINK BUSINESS SERVICES GROUP AD* AND *ELANA TRADING AD* DECLARE WITH THEIR SIGNATURES, WHICH ARE PLACED AT THE END OF THIS DOCUMENT, THAT, AS FAR AS THEY KNOW, THIS PROSPECTUS CONTAINS ALL INFORMATION REGARDING THE ISSUER, WHICH IS ESSENTIAL IN THE CONTEXT OF THE ISSUING AND NO INFORMATION HAS BEEN OMITTED, WHICH COULD AFFECT THE COMPLETENESS AND ACCURACY OF THE PROSPECTUS. IN ADDITION, IN COMPLIANCE WITH ART. 81, PARA. 2 OF POSA, THE REPRESENTATIVES OF *TELELINK BUSINESS SERVICES GROUP AD* AND *ELANA TRADING AD* DECLARE WITH THEIR SIGNATURES, WHICH ARE PLACED AT THE END OF THIS DOCUMENT, THAT THE PROSPECTUS IS IN COMPLIANCE WITH THE REQUIREMENTS OF THE LAW. THEY BELIEVE IN THE OPINIONS, ASSUMPTIONS, AND INTENTIONS, CONTAINED IN THIS PROSPECTUS, AS THEY HAVE REACHED THEM AFTER ALL RELEVANT AND IMPORTANT CIRCUMSTANCES, BASED ON REASONABLE ASSUMPTIONS, HAVE BEEN TAKEN INTO ACCOUNT.

THE MEMBERS OF THE MANAGING BOARD OF *TELELINK BUSINESS SERVICES GROUP AD* AND THE REPRESENTATIVES OF *ELANA TRADING AD* WILL BE RESPONSIBLE, JOINTLY AND INDIVIDUALLY, FOR ALL AND ANY HARM, CAUSED BY FALSE, MISLEADING, OR INCOMPLETE INFORMATION IN THIS PROSPECTUS. THE PERSONS, RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS, (SEE "PERSONS RESPONSIBLE") WILL BE RESPONSIBLE, JOINTLY AND INDIVIDUALLY ALONG WITH THE MEMBERS OF THE MANAGING BOARD OF *TELELINK BUSINESS SERVICES GROUP AD* AND THE REPRESENTATIVES OF *ELANA TRADING AD*, FOR ALL AND ANY HARM, CAUSED BY FALSE, MISLEADING, OR INCOMPLETE INFORMATION IN THE FINANCIAL STATEMENTS OF THE COMPANY. THE AUDITORS OF THE COMPANY (SEE "PERSONS RESPONSIBLE") WILL BE RESPONSIBLE FOR ALL AND ANY HARM, CAUSED BY THE AUDIT REPORTS ON THE AUDITED BY THEM FINANCIAL STATEMENTS OF THE COMPANY

THIS REGISTRATION DOCUMENT AND ITS SUPPLEMENT WERE APPROVED BY THE FINANCIAL SUPERVISION COMMISSION (FSC) AS A QUALIFIED AUTHORITY ACCORDING TO REGULATION (EU) 2017/1129. THE FINANCIAL SUPERVISION COMMISSION APPROVES THIS PROSPECTUS IF AND ONLY IF IT MEETS THE DEFINED BY REGULATION (EU) 2017/1129 STANDARDS FOR COMPLETENESS, UNDERSTANDABILITY, AND CONSISTENCY. THIS APPROVAL SHOULD NOT BE TAKEN AS AND AFFIRMATION OF THE ISSUER, THE OBJECT OF THIS PROSPECTUS.

THE DATE OF THIS DOCUMENT IS 11.11.2019

IMPORTANT INFORMATION

THE PHRASES AND EXPRESSIONS, CAPITALIZED IN THIS DOCUMENT, WHICH HAVE NOT BEEN DEFINED IN ANY OTHER WAY IN THIS DOCUMENT, CARRY THE MEANING PRESENTED IN SECTION "ABBREVIATIONS USED". TERMINOLOGY, USED IN THIS DOCUMENT, IS ALSO DEFINED IN SECTION "ABBREVIATIONS USED".

UNLESS STATED OR IMPLIED OTHERWISE, IN THIS DOCUMENT, REFERRALS TO "WE", "US", "OURS", AND OTHER SIMILAR TERMS REFER TO *TELELINK BUSINESS SERVICES GROUP AD*.

UNLESS STATED OTHERWISE, STATEMENTS REGARDING AN EXPRESSION OF CONFIDENCE, EXPECTATIONS, PREDICTIONS, AND OPINIONS OF THE COMPANY OR THE MANAGEMENT REFERS TO THE MANAGEMENT BOARD OF THE COMPANY.

THIS DOCUMENT HAS THE PURPOSE OF PROVIDING POTENTIAL INVESTORS WITH INFORMATION IN THE CONTEXT OF, AND WITH THE SOLE OBJECTIVE OF, ASSESSMENT OF A POTENTIAL INVESTMENT IN THE COMPANY'S SHARES. THIS DOCUMENT CONTAINS SELECTED AND SUMMARIZED INFORMATION, IT DOES NOT EXPRESS COMMITMENT, ACCEPTANCE OF, OR REFUSAL OF A RIGHT AND DOES NOT CREATE ANY DIRECT OR INDIRECT RIGHTS TO ANOTHER, EXCEPT TO A POTENTIAL INVESTOR IN THE CONTEXT OF THE OFFER OF THE SHARES. THE CONTENTS OF THIS DOCUMENT CANNOT BE TAKEN AS AN INTERPRETATION OF THE COMPANY'S OBLIGATIONS, MARKET PRACTICES, OR THE CONTRACTS, THE COMPANY HAS ENTERED INTO.

POTENTIAL INVESTORS ARE INFORMED THAT INVESTING IN THE OFFERED SHARES LEADS TO A FINANCIAL RISK AND, HENCE, SHOULD READ THE PROSPECTUS IN ITS ENTIRETY AND, MOST SPECIFICALLY, THE "RISK FACTORS" SECTION OF THIS DOCUMENT AND THE "RISK FACTORS" SECTION OF THE SECURITIES NOTE WHEN CONSIDERING AN INVESTMENT IN THE OFFERED SHARES. WHEN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THEIR OWN RESEARCH AND ON THE, CONTAINED IN THE PROSPECTUS, INFORMATION, INCLUDING THE BENEFITS AND RISKS RELATED TO THE INVESTMENT IN THE OFFERED SHARES.

EVERY DECISION TO INVEST IN THE OFFERED SHARES SHOULD BE BASED SOLELY ON THIS PROSPECTUS (AND ALL APPENDICES ATTACHED), TAKING INTO CONSIDERATION THAT EVERY RESUME OR DESCRIPTION, CONTAINED IN THIS PROSPECTUS, OR LEGAL PROVISION, ACCOUNTING PRINCIPLES OR A COMPARISON OF SUCH PRINCIPLES, CORPORATE STRUCTURES SERVE SOLELY AN INFORMATIVE PURPOSE AND SHOULD NOT BE RECEIVED AS A LEGAL, ACCOUNTING, OR TAX CONSULTATION FOR THE UNDERSTANDING OR APPLICATION OF SUCH REGULATIONS, INFORMATION, OR RELATIONSHIPS.

THE CONTENTS OF THIS DOCUMENT SHOULD NOT BE CONSIDERED AS LEGAL, FINANCIAL, BUSINESS, OR TAX ADVICE. EVERY POTENTIAL INVESTOR SHOULD CONSULT WITH HIS/HER PERSONAL LEGAL, FINANCIAL, OR TAX ADVISOR IN ORDER TO RECEIVE SUCH ADVICE. IF YOU HAVE ANY DOUBTS REGARDING THE INFORMATION IN THIS DOCUMENT, YOU SHOULD CONSULT A BROKER, BANK MANAGER, LAWYER, ACCOUNTANT, OR ANOTHER FINANCIAL ADVISOR. IT MUST BE TAKEN INTO ACCOUNT THAT THE PRICE OF THE SHARES COULD DECREASE, AS WELL AS IT COULD INCREASE.

WITH THE EXCEPTION OF THE CASES, PROVIDED IN THE IMPERATIVE LEGAL PROVISIONS, NO INDIVIDUAL IS AUTHORIZED TO PROVIDE INFORMATION OR TO GIVE DECLARATIONS REGARDING THE OFFERED SHARES, DIFFERENT FROM THE ONES CONTAINED IN THIS DOCUMENT. IF SUCH INFORMATION OR DECLARATIONS ARE PRESENTED, THIS INFORMATION OR DECLARATIONS SHOULD NOT BE ASSUMED AS PRESENTED WITH THE PERMISSION OF THE COMPANY OR *ELANA TRADING AD*.

NEITHER THE PRESENTATION OF THIS DOCUMENT, NOR ANY OFFER, SALE, OR TRANSFER, BASED ON THIS DOCUMENT AFTER TODAY'S DATE, UNDER ANY CIRCUMSTANCE, DOES NOT LEAD TO THE PRESUMPTION THAT THERE HAVE NOT OCCURRED CHANGES TO THE STATE OF THE COMPANY OR THE GROUP AFTER TODAY'S DATE OR THAT THE INFORMATION, PRESENTED IN THIS PROSPECTUS IN ITS ENTIRETY IS ACCURATE ON ANY DATE, AFTER THE DATE OF THE PROSPECTUS.

IN RELATION TO THE OFFERED SHARES, THE MANAGER, ACTING AS AN INVESTOR AT HIS OWN EXPENSE, COULD ACQUIRE SHARES AND, IN THAT CAPACITY, COULD SAVE, SELL, SUGGEST TO SELL, OR ACT AT THEIR OWN EXPENSE IN ANY OTHER WAY WITH THESE SHARES OR ANY OTHER SHARES OF *TELELINK BUSINESS SERVICES GROUP AD*, OR OTHER RELATED INVESTMENTS IN CONNECTION TO THE OFFERED SHARES OR ANOTHER WAY. THE MANAGER DOES NOT INTEND TO SHARE THE SIZE OF SUCH INVESTMENTS OR DEALS IN ANY WAY, EXCEPT IN ACCORDANCE WITH REGULATION, WHICH OBLIGE THEM TO DO SO.

THE PRESENTATION OF FINANCIAL INFORMATION

UNLESS STATED OTHERWISE, THE FINANCIAL INFORMATION IN THIS DOCUMENT IS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS"), ACCEPTED BY THE EUROPEAN UNION (EU).

UNLESS STATED OTHERWISE, THE FINANCIAL INFORMATION IN THIS DOCUMENT IS PRESENTED ON A COMBINED BASIS.

EVERY INDIVIDUAL, CONSIDERING ACQUIRING THE OFFERED SHARES, SHOULD RELY ON HIS OWN RESEARCH OF THE ISSUER, THE CONDITIONS OF THE OFFERING AND OF THE FINANCIAL INFORMATION IN THIS DOCUMENT.

SOME DATA, CONTAINED IN THIS DOCUMENT, INCLUDING THE FINANCIAL INFORMATION, HAVE BEEN AN OBJECT OF APPROXIMATION. IN REFERENCE TO THIS, IN SOME INDIVIDUAL CASES, THE SUM OF NUMBERS IN A GIVEN COLUMN OR ROW IN A TABLE, OR PERCENTAGES, CONTAINED IN THIS DOCUMENT, MAY NOT CORRESPOND EXACTLY TO THE TOTAL NUMBER, GIVEN IN THE CORRESPONDING COLUMN OR ROW.

THE PRESENTATION OF MARKET AND ECONOMIC INFORMATION

MARKET, ECONOMIC, AND INDUSTRIAL INFORMATION, USED IN THIS DOCUMENT, HAVE BEEN EXTRACTED FROM DIFFERENT PROFESSIONAL AND INDEPENDENT SOURCES. THE ACCURACY AND COMPLETENESS OF SUCH INFORMATION ARE NOT GUARANTEED.

THE INFORMATION, CONTAINED IN THIS DOCUMENT, RELATED TO THE INDUSTRY, IN WHICH *TELELINK BUSINESS SERVICES GROUP AD* AND ITS COMPETITORS OPERATE IN (WHICH MAY CONTAIN APPROXIMATIONS), HAS BEEN EXTRACTED FROM PUBLICLY ACCESSIBLE SOURCES, INCLUDING PUBLICATIONS AND DISCLOSED INFORMATION, IN COMPLIANCE WITH REQUIREMENTS FROM THE CURRENT LEGISLATION REGARDING SECURITIES AND OTHER REGULATIONS. *TELELINK BUSINESS SERVICES GROUP AD* CONFIRMS THAT SUCH INFORMATION IS CORRECTLY REPRODUCED FROM ITS SOURCES AND, TO THE BEST OF THE COMPANY'S KNOWLEDGE, THERE IS NO MISSING INFORMATION, WHICH COULD PRESENT THE REPRODUCED INFORMATION INACCURATELY OR MISLEADINGLY. HOWEVER, THE COMPANY HAS RELIED ON THE ACCURACY OF THIS INFORMATION, WITHOUT LAUNCHING INDEPENDENT RESEARCH. SOME INFORMATION IN THIS PROSPECTUS, REGARDING BULGARIA, HAS BEEN EXTRACTED FROM DOCUMENTS AND OTHER OFFICIAL, PUBLIC, AND PRIVATE SOURCES, INCLUDING FROM PARTICIPANTS IN CAPITAL MARKETS AND THE FINANCIAL SECTOR IN BULGARIA. IT IS NOT GUARANTEED THAT THERE IS COMPLETE UNIFORMITY IN THE PRESENTED INFORMATION AMONGST ALL THESE SOURCES. IN CONNECTION TO THIS, THE COMPANY TAKES RESPONSIBILITY ONLY FOR THE ACCURATE DUPLICATION OF THE EXCERPTS FROM THE RESPECTIVE SOURCES OF INFORMATION. THE COMPANY DOES NOT TAKE ANY ADDITIONAL RESPONSIBILITY REGARDING THE REPRODUCED INFORMATION.

INFORMATION FROM THE COMPANY'S WEBPAGE

WITH THE EXCEPTION OF THE DOCUMENTS, WHICH THE PROSPECTUS SPECIFICALLY REFERS TO, THE CONTENTS OF THE INTERNET WEBPAGE OF *TELELINK BUSINESS SERVICES GROUP AD* IS NOT A PART OF THE PROSPECTUS.

ABBREVIATIONS USED

„TBS Group", "The Company", "The Issuer" – *Telelink Business Services Group AD*;

"Group TBS", "The Group" – *Telelink Business Services Group AD* and its subsidiaries;

"TBS EAD" – *Telelink Business Services EAD*, a subsidiary of *TBS Group*;

"Comutel" – *Comutel D.O.O. (Serbia)*, a subsidiary of *TBS Group*;

"Telelink Montenegro" – *Telelink D.O.O. – Podgorica (Montenegro)*, a subsidiary of *TBS Group*;

"Telelink Bosnia" – *Telelink D.O.O. (Bosnia and Herzegovina)*, a subsidiary of *TBS Group*;

"Telelink Slovenia" – *Telelink D.O.O. (Slovenia)*, a subsidiary of *TBS Group*;

"Telelink Albania" – *Telelink Albania SH.P.K.*, a subsidiary of *TBS Group*;

"TBS Macedonia" – *Telelink Business Services D.O.O.E.L. (Macedonia)*, a subsidiary of *TBS Group*;

"Investment Intermediary", "The Manager" – *ELANA Trading AD*;

"The Shares", "The Offered Shares", "The New Shares" – The Issuer's Shares – the object of this Offering;

"The Offering" – The listing of the shares of *Telelink Business Services Group AD* on a regulated market;

"The Prospectus" – This prospectus for the admission to trading on the regulated market of the shares issue of the Issuer;

"The Registration Document" – A registration document, containing information on the Issuer of the shares (Part I of the Prospectus);

"Securities Note" – This Document, containing information on the shares, which are the object of the offering (Part II of the Prospectus);

"Summary" – A summary (Part III of the Prospectus);

"FSC" – Financial Supervision Commission;

"Deputy Chair" – Deputy Chair of the FSC in charge of Supervision of the Investment Activities Division.

"BSE" – Bulgarian Stock Exchange AD;

"CSD" – Central Securities Depository AD;

"IFRS" – International Financial Reporting Standards;

"MB" – Managing Board.

"GMS" – General Meeting of the Shareholders;

"CA" – Commercial Act;

"TR" – Trade Register, led by the Registry Agency;

"Preconditional AoA" – The articles of association of *Telelink Business Services Group AD*, accepted at the GMS on 30.09.2019 with changes in compliance with POSA, which will be enforced if the Company becomes a publicly traded company;

"POSA" – Public Offering of Securities Act;

“MFIA” – Markets in Financial Instruments Act;

“IMMAFIA” – Implementation of Measures against the Market Abuse with Financial Instruments Act;

“SPA” – Special Pledges Act;

“Ordinance no. 38” – Ordinance no. 38 of July 25, 2007 on the requirements to the activities of the investment intermediaries;

“EU” – European Union;

“IT” – Information technology;

“ICT” – Information and communications technology;

“Average Annual Growth”, “Average Annual Growth Rate” – A growth rate, calculated using the Compound Annual Growth Rate (CAGR) method: the ratio of the value of an investment at the beginning of a period and the value of an investment at the end of a period, rooted by the number of years between the periods, minus one.

CONTENTS

1. PERSONS RESPONSIBLE

Telelink Business Services Group AD **(„the Issuer“)** is managed by a Managing Board (MB), which consist of five members:

- *Ivan Zhitiyanov* - Chairman of the MB and Chief Executive Officer;
- *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 business address of the members of the Managing Board of *Telelink Business Services Group AD* is *Sofia, Malinova Dolina District, 6 Panorama Sofia Str., Business Center Richhill, Block B, fl. 2*.

ELANA Trading AD **(„the Manager“)** is managed by the Board of Directors (BoD), which consists of three members:

- *Radoslava Maslarska* - Chairwoman of the Board of Directors;
- *Kamen Kolchev* - Vice-chairman of the Board of Directors*;*
- *Momchil Tikov* - Member of the BoD and Executive Director.

The business address of the members of the Board of Directors of *ELANA Trading AD* is *Sofia, 5 Lachezar Stanchev Str., Sopharma Business Towers, Tower B, Floors 12-13*.

Telelink Business Services Group AD was established in 2019 and as of this Document's date has yet to prepare annual financial statements subject to mandatory audit.

This Prospectus for a public offering contains combined financial information for *Telelink Business Services Group AD* covering its subsidiaries existing as of the end of 2018, which has been prepared considering its complex financial history and the necessity of presenting pro forma financial information in compliance with Regulation (EU) 2019/980, as well as a report from independent auditors, ***„Ernst and Young Audit“ Ltd.***, which states that the information is presented correctly as per the indicated in the notes base, and that the information is presented in compliance with the accounting policies of the Issuer. *„Ernst and Young Audit“ Ltd.*'s business address is *1124 Sofia, 47A Tsarigradsko Shose Blvd., Polygraphia Office Center, Floor 4* and has been registered in the registry for audit firms under number 108.

This Prospectus contains information from the non-audited combined financial statements of the Company, including its subsidiaries, which have existed as of the date 30.06.2019. The combined financial information during the period of 2016-2018, as well as the combined financial information during the period of 01.01-30.06.2019, have been prepared by **Rositsa Antonova**, who has a business address *Sofia, Malinova Dolina District, 6, Panorama Sofia Str., Business Center Richhill, Block B*.

Declarations from the persons responsible have been attached to the Prospectus.

2. RISK FACTORS

INVESTING IN SECURITIES IS RELATED TO DIFFERENT TYPES OF RISK. POTENTIAL INVESTORS MUST CAREFULLY READ AND UNDERSTAND THE INFORMATION, PRESENTED BELOW, IN ADDITION TO ALL INFORMATION IN THE PROSPECTUS, BEFORE MAKING THE DECISION TO ACQUIRE THE ISSUER'S SHARES.

THE TERMS "PREDICTS", "BELIEVES", "INTENDS", AND OTHER SIMILAR TERMS USED IN THIS DOCUMENT ARE, IN ESSENCE, FORECASTS AND/OR REFER TO FUTURE UNCERTAIN EVENTS, WHICH COULD AFFECT THE BUSINESS AND THE COMPANY'S FINANCIAL PLANS, THE COMPANY'S RESULTS FROM ITS ACTIVITIES, AND ITS FINANCIAL POSITION. WE WARN POTENTIAL INVESTORS THAT THE ABOVE-MENTIONED TERMS ARE NOT A GUARANTEE FOR FUTURE RESULTS FROM THE COMPANY'S OPERATIONS AND ARE AN OBJECT OF RISK AND UNCERTAINTY. THE REAL FUTURE RESULTS FROM THE COMPANY'S OPERATIONS COULD DIFFER SIGNIFICANTLY FROM THE FORECASTED ONES RESULTING FROM MANY DIFFERENT FACTORS, INCLUDING THE BELOW-MENTIONED RISK FACTORS.

THE ORDER OF THE PRESENTED RISK FACTORS REFLECTS THEIR CORRESPONDING SIGNIFICANCE AT THE CURRENT MOMENT AS PERCEIVED BY THE MANAGING BOARD OF THE ISSUER.

2.1. RISKS, RELATED TO THE INDUSTRY AND OPERATIONS OF THE GROUP

2.1.1. RISK, RELATED TO THE BUSINESS STRATEGY AND GROWTH POTENTIAL

2.1.1.1. INAPPROPRIATE BUSINESS STRATEGY

Choosing an inappropriate business strategy, as well as a failure to adapt it in a timely manner can lead to losses and missed benefits for the Group. Management of strategic risk through constant supervision and periodic tracking of fluctuations in the market and key indicators and constant cooperation between all levels in the organization in order to identify potential problems and implement the needed measures in a timely manner is vital for the Company. Although this process has been recognized as of priority of high significance and importance, it is possible that management and the employees of the Group prove unable to fully and correctly implement this strategy due to lack of experience, timely information, or manpower.

2.1.1.2. LACK OF CAPACITY AND INCREASED EXPENSES FOR THE MANAGEMENT OF GROWTH

Although the members of the MB, the Supervisory Board (SB), and the senior management team have significant experience and competence and are sufficient for the management of the Company as of now, the goals in place for growth and branching out to new markets will require additional management. The policy of the Group is to form such a team through promoting employees with sufficient experience and excellent qualifications. However, the number of employees is limited and it is possible that some of them do not have the qualities such a managerial position requires. In turn, attracting management personnel with proven experience from outside the Company, especially in developed markets, can prove to be difficult and costly, which could strain profitability.

2.1.1.3. INSUFFICIENT CAPACITY AND EXCESS INCREASE IN EXPENSES TO ACHIEVE THE GOALS OF THE GROUP

The Group's expansion on existing, as well as on new markets is strongly dependent on attracting and integrating new personnel, in addition to central and local teams of specialists in marketing and sales and resource centers for management of projects and technical engineering personnel.

Identifying and attracting appropriate marketing and sales specialists with the purpose of attracting new clients can prove to be difficult, slow, or lead to an increase in expenses, slowing down growth or decreasing the profitability of sales. Accounting for the overall trend of increasing demand for technical engineering and project personnel in the ICT sector, the expansion of old or the creation of new resource centers can also be delayed or costly. The lack of experience of the subsidiaries of the Group on new markets, the lack of and the increased competition for the attraction of personnel can lead to an increase in the turnover of the personnel due to attracting unsuitable specialists and the attracting of personnel from competitors, offering salaries, which the Group cannot profitably match.

All of the above-mentioned factors can lead to missed opportunities due to the inability to take on new projects, services, and clients, as well as it can lead to a decrease or an elimination of the competitive advantages of the Group, based on its quality of service, its price and abundance of human resources.

2.1.1.4. LACK OF ACCESS TO AND INCREASE IN COSTS FOR EXTERNAL SERVICES AND SUBCONTRACTORS

Insofar as there is an increase in demand on the ICT market for them as well, the above-mentioned risks are also applicable of the potential attraction of external specialists on a temporary basis and of subcontractors for supplementing the internal capacity of the Group.

2.1.2. RISKS, RELATED TO HUMAN RESOURCES AND SENIOR MANAGEMENT

Other than for the growth of the Group, the senior management and human resources are also key to maintain its current activities. Accordingly, the Group is exposed to certain risks related to the retention, increased turnover and costs of such personnel.

2.1.2.1. LOSS OF, LACK OF, AND INCREASE IN COSTS FOR SENIOR MANAGEMENT AND KEY PERSONNEL

The Group's operations and business growth management is greatly dependent on the level of contribution of a limited number of individuals, managing the key subsidiaries and the Group as a whole, executing key roles in administration, sales and operations and/or with key, for those functions, certificates, experience, and other knowledge, which could hardly be substituted by similarly qualified personnel. The potential withdrawal of these individuals from the respective structures or their potential inability to perform for a significant period of time could prove to have unfavorable effects on the results of the Group's activities in that period of time or in the period of time needed for their substitution and the training and adequate integration into the organization and the specifics of the functions of their substitutes. The potential measures that would need to be taken in order to retain these individuals could lead to an increase in expenses, related to increases in motivation through a general raise in salary, bonuses, and other benefits at the expense of the Group.

2.1.2.2. LOSS OF, LACK OF, AND INCREASE IN COSTS FOR EXECUTIVE PERSONNEL

Accounting for the dynamic development and the increase in demand for human resources on the ICT market, the Group is exposed to the risk of an increase in the turnover of and an increase in expenses to retain or substitute technical engineering, marketing and sales specialists and other specialized personnel. The potential departure of a significant number of employees in a short amount of time could have an adverse effect on the results of the Group's activities in the period of time needed for their substitution and the training and adequate integration into the organization and the specifics of the functions of their substitutes. The potential measures that would have to be taken in order to retain these individuals could lead to an increase in expenses, related to increases in motivation through a general raise in salary, bonuses, and other benefits at the expense of the Group.

2.2. RISKS, RELATED TO THE MARKET AND THE COMPETITIVE ENVIRONMENT

2.2.1. DELAY OR UNFAVORABLE DEVELOPMENT OF DEMAND FOR ICT PRODUCTS, SERVICES AND SOLUTIONS

Despite the observed positive development on the Group's key market segments and the ICT market as a whole and the expected favorable development of the ICT market, there is no guarantee that the future development of the market will confirm these predictions and will continue to be positive or that the respective demand increase will not slow down significantly compared to expectations for certain periods of time. The demand for ICT is influenced by trends and circumstances specific to the different economic sectors and clients, determining their motivation and financial means to purchase the Group's products and services, which could fluctuate in both directions depending on the overall market conditions. These include the possibility of the Group's target customer groups to not show the predicted amount of interest in the Group's products and services or for a delay in their adoption on one or more markets. The above-mentioned factors could lead to a decrease in the growth of sales and to an adverse effect in the results of the Group due to lower prices and gross profits as well as delayed returns on operating and investment expenses related to the development of the business.

2.2.2. UNFAVORABLE CHANGES IN LEGISLATURE

The Group generates a significant portion of its profits from regulated or influenced by governmental policies sectors and market segments such as telecommunications, banking, utilities, national security, healthcare, etc. Hence, demand for the products and services of the Group, thus, its profits and operating results, could be significantly influenced by potential unfavorable changes in local and national legislature, including potential termination or redirection to other areas of EU or other structural funds, which its current and target customers are eligible to utilize.

2.2.3. FIERCE COMPETITION

The Group operates in an industry with intense competition from both local and international companies. Local competitors are characterized with established market presence in key segments, which limits the opportunities for new entries or expansion of the Group in these segments and could be the basis for the competitors' position growth at the expense of the Group. Large international competitors are characterized with widely recognizable brands, leading role in innovative solutions marketing, a diversified client base and market presence, and large organizational and financial capacity, which leads to greater possibilities to impose competitive pressure. The potential increase in competitive pressure from existing or new-entry market players, as well as the potential adverse reaction to the entering of the Group on new segments and markets, could lead to a decrease in the results of the Group and a delay or failure to achieve the planned growth of the Group.

2.2.4. UNFAIR COMPETITION

As a part of the competitive pressure imposed by other players on the market, the Group could be exposed to different types of unfair competition, which could lead to a decrease in the results of the Group and limit the Group's opportunities for growth. These could include soliciting key personnel with the purpose of decreasing its technical and organizational capacity, imposing a negative image in front of certain clients and the market as a whole, secret lobbying to the advantage of the competition, use of legal and contractual mechanisms in order to interfere or delay execution of public procurements, competitive offers, based on unprofitable prices or questionable quality, resulting in a client choices, not corresponding to the offered costs and benefits by the Group and its competitors.

2.3. RISKS, RELATED TO PUBLIC PROCUREMENTS

2.3.1. CONDUCTION AND EXECUTION DELAYS

The realization of public procurement projects depends on the state-owned enterprises or local and central authorities defining, approving, budgeting, financing, announcing and conducting them, signing contracts and accepting the performed works on a timely basis. Failed or delayed execution of any of these steps could lead to a decrease in or delay in profits and a decrease in the results of the Group or a delay in the growth of the Group.

Factors that can lead to a delay of the above-mentioned key stages include the current and future changes in managerial and expert staff in connection to conducting local and/or central elections, the appointment of temporary authorities and other factors, which lead to a delay in decision making and execution from the contracting organization/authority.

Delays could also be the result of an appeal coming from competitors of the announced auction rules or of the auction results. Even though the merit of such appeals may be redundant as, by the virtue of the laws applicable, the term, during which their appeals will be read into, will lead to a delay in the performing of procurements and signing contracts for their execution.

2.3.2. PUBLIC PROCUREMENT COMPETITION

Accounting for the large volume and attractiveness of the public ICT procurements, the latter are the subject of relatively more intense and unfair competition when compared to procurements in the private sector. Among the often implemented instruments for unfair competition is the unscrupulous use of legal options for appeals of auction rules or of the auction's announced results with the goal of procuring more time to prepare or decreasing the financial results of the Group by delaying the execution of its projects and delaying the realization of its respective profits and revenues.

2.4. RISKS, RELATED TO CONCENTRATION

2.4.1. ADVERSE DEVELOPMENT IN THE RELATIONSHIP WITH KEY CLIENTS

Accounting for the Group's specialization in technological solutions and premium professional services, targeted mostly at large and medium sized organizations and projects, the Group is exposed to a concentration risk related to key clients and groups of clients. Accordingly, with substantial portions of the Group's profits for the past three financial years and/or potentially with a substantial future significance are telecommunication operators, public organizations, banks, multinational clients and other enterprises from the private sector. Despite the Group's tendency to diversify its profits, the potential loss of, a drastic decrease in or a deterioration in the cooperation with such clients would have an adverse effect on the volume and the results from activities in the short-term, as well as a potential reputational effect on the Group in the long-term.

2.4.2. ADVERSE DEVELOPMENT IN THE RELATIONSHIP WITH TECHNOLOGICAL PARTNERS

Accounting for the significant role of innovative and large-scale technologies, offered by leading global vendors, for the offered products and services, the Group is exposed to a concentration risk regarding its key technological partners. Accordingly, four leading vendors account for substantial portions of the Group's purchases for the past three financial years in the networking, data center and office productivity solutions. The Group is flexible and open to different technological partnerships, yet a potential loss of, a drastic decrease in, a deterioration in the cooperation with, or a worsening of key conditions of such partnerships, such as maintenance of technological specializations, levels of discounts, terms of payment, etc., could have an adverse effect on thecosts and volume of the Group's operations.

2.5. RISKS, RELATED TO TECHNOLOGICAL CHANGE

2.5.1. TIME AND COSTS TO ADAPT TO NEW TECHNOLOGIES

The ICT sector is characterized by its fast-paced changes in technology, which shortens the lifespan of the products and requires the constant update of the Group's technological specializations with regard to the market trends and the opportunity to generate profits from the introduction of new products and services. Despite the Group's systematic policy and openness to introduce new and improve current technologies, in some cases they could prove to be linked to additional time and/or resources allocated to research and development and reaching out to new vendors.

2.5.2. LOSS OF CLIENTS DUE TO TRANSITION TO DIFFERENT TECHNOLOGIES

Despite the wide scope of the technologies and technological partnerships offered by the Group and its open approach and broad experience in the establishment of new partnerships with equipment and software vendors, it is possible that clients prefer to change their current technologies and vendors with others, which the Group does not and cannot have a partnership providing the respective competence and attractive delivery terms. Because of the existence of competition with better positioning with a given technological partner and better conditions for delivery of its products, it is possible for the Group to not be favored by the client, despite the existence of a partnership with the same manufacturer. Similar circumstances could also lead to substantial decreases in profits and results from the Group's activities.

2.5.3. DELAYED ADOPTION OF NEW TECHNOLOGIES BY THE CLIENTS

The main geographical markets, in which the Group operates, are falling behind in regard to the adoption of many different innovative ICT products and services. Despite the Group's implementation of market segmentation 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 strategy and planned growth of the Group.

2.5.4. DELAYED OR UNSUCCESSFUL POSITIONING OF OWN PRODUCTS AND SERVICES

To tap identified market opportunities within specific market segments, the Group may continue to invest in the development of own complex solutions and services, adapted to the needs and specifics of the respective markets and categories of clients. Despite this adaptation, there exists a risk that the new products and services will not meet the markets' requirements or that that they will not be adopted in a timely manner or at all by the current target customers of the Group, which could lead to a delayed, limited or negative return on the made investments.

2.6. RISKS, RELATED TO LONG-TERM CONTRACTS

2.6.1. REGULAR SERVICING AND MAINTENANCE COMMITMENT COSTS

Many contracts, signed by the Group, contain the commitment to a warranty and post-warranty servicing and maintenance of hardware, software and complex systems and infrastructure or providing managed and other services in exchange for a fixed lump sum or subscription fee. It is possible for the expenses needed for the execution of the commitments to be more than the revenue being received, without the Group being able to compensate the additional costs at the expense of the client or the respective distributors and technological partners, with the respective negative consequences for the results from the Group's activities.

2.6.2. EARLY TERMINATION

Mid- 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 upon customer initiative. Despite the existence of the special conditions, limiting the risk and the respective losses for the Group such as penalties, commitments to purchase and other such conditions, the latter can prove to be insufficient to cover the Group's missed opportunities or the already made expenses. Earlier termination of such contracts could have a direct consequence of decreasing the regular revenues of the Group, which cannot be compensated with new sources of revenue and it can lead to an overall decrease in profits and results of the Group's activities.

2.6.3. SPECIFIC RISKS, RELATED TO THE PROVISION OF EQUIPMENT-AS-A-SERVICE

Depending on changes in the IT policies of certain clients or other factors, the long-term contracts signed by the Group for managed services, including for the provision of equipment-as-a-service can be terminated unilaterally and prior to the contract's end date. Despite the provisions, enforcing timely notifications, and the compensations for the already made expenses, the potential termination could be a factor for a decrease in the regular revenues of the Group and sales as a whole.

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

Some contracts provision the option to expand their scope on the client's initiative which include delivery and integration of additional equipment, provided as a service, based on a price or another type of condition, identical to or subject to limited indexation compared to the initial one. If, meanwhile, the market price of the equipment has risen, and/or there has been a significant rise in the expenses of the respective services, an uncompensated increase in the Group's expenses and an overall decrease in the profits of the Group could arise.

2.7. FINANCIAL RISKS

2.7.1. CURRENCY RISK

The Group operates on different markets and in currencies, different from its functional currency, hence, it is exposed to transaction and translation risks. The main source of transaction risk is the purchase of equipment from global technological partners, denominated in US dollars, and financed with credit limits in the same currency. Despite mechanisms of currency indexation in some contracts and the practice of voluntary forward hedging of the larger purchases, depending on the assessment of the respective company, such transactions continue to generate net results (including losses) for the subsidiaries of the Group due to changes in exchange rates. Accounting for the pegged BGN and Bosnia and Herzegovina convertible mark to the Euro and the acceptance of the latter as the national currency in Slovenia and Montenegro, the Group is exposed to a translation risk connected mainly to the floating Serbian Dinar, as well as the Macedonian Denar and the Albanian Lek, considering the new subsidiaries in the respective countries.

2.7.2. LIQUIDITY RISK

The Group's cash flows can undergo significant momentary fluctuations as a result of various factors such as peak increases in net working capital, increased investment activity, payment of dividends, etc., which may result in the Company's cash and cash equivalents being insufficient to meet its due obligations. Despite the existence of finalized and new ongoing financing contracts providing significant limits for funfing working capital and the financing of a significant portion of investments with financial leasing contracts, there is a risk that these limits will be insufficient at times or periods. Such deficits may result in the Group's temporary inability to service its obligations to third parties in a timely manner with a variety of adverse effects on its reputation and financial position.

2.7.3. INSUFFICIENT FINANCIAL CAPACITY TO EXECUTE PROJECTS

In addition to their impact on the current liquidity of the Company, possible instances of cash shortages may also lead to the impossibility of investing the required working capital to start new or implement ongoing projects leading to delayed revenues, penalties for delayed execution and, ultimately, damage to the Group's reputation. In the event that it is not possible to prove sufficient financial resources to potential clients or in connection with the requirements of public and private tendering for large projects, the Company may not be able to negotiate sufficient supplementary financing and miss opportunities to secure the relevant projects and the benefits of their realization.

2.7.4. CREDIT RISK

Although the Group's core customers are well-established and solvent companies and institutions with a clean credit history, the Group remains, in principle, exposed to risks of significant delays or non-payment of receivables due to various factors related to internal processes, financial positions and current cash flow trends of these and other customers. Delays in substantial amounts of receivables may have an impact on the Group's cash flows and immediate liquidity and its ability to timely service its liabilities to third parties with a variety of adverse effects on its reputation and financial position.

2.7.5. IMPAIRMENT RISK, RELATED TO THE ASSETS OF THE GROUP

Certain circumstances (provisioning and write-offs of receivables, impairment of 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 the assets.

2.7.6. INTEREST RATE RISK

The Group is exposed to interest rate risk due to potential rise in market interest rates related to use of overdraft limits, revolving credit lines and financial leasing in Bulgaria and Serbia, based on the Bulgarian National Bank's base interest rate (*BIR*), *EURIBOR* and USD *LIBOR* indices, and financial leases in Bulgaria based on the periodically updated average deposit index (*ADI*) of the creditor bank and floating *EURIBOR* indices. Due to the dynamic nature of overdraft and credit line exposures and the low effective variation of *BIR* and *EURIBOR* in recent years, which is limited by the application of fixed minimum interest rates by financing banks corresponding to zero market interest rates, the Group has no current practice of hedging interest rate risk and possibly a sharp rise in market indices could have a negative effect on its results.

2.8. OPERATIONAL RISKS

2.8.1. DEVIATIONS IN THE PROCESSES AND QUALITY OF SERVICES

The Group's companies are exposed to the risk of loss or unforeseen costs related to improper or inoperative internal processes, human errors, external circumstances, administrative or recordkeeping errors, operating violations, fraud, unauthorized transactions and damage to assets. Any failure to identify or adjust the operational risk by the risk management system employed may have a substantial adverse effect on the Group's reputation and results of operations.

2.8.2. INEPTITUDE OR MALFUNCTION OF SPECIFIC IT EQUIPMENT AND SYSTEMS

To carry out its core business, the companies within the Group use specific IT equipment and systems the failure, misuse or unsuitability of which would significantly affect the ability of the Company to fulfil its commitments to its counterparties or lead to unforeseen technical, legal and other costs that would affect its reputation and results of operations.

2.8.3. COMPLIANCE WITH STANDARDS AND NORMS

Certain clients require from their contractors that their competencies and rules for the organization of processes and activities comply with a number of international quality management standards, procedures for handling confidential information, etc. Despite the certification of *TBS EAD* regarding a number of such standards and norms, the occurrence of such requirements in any other of the Group's companies that do not have similar certifications, or a change in the current requirements and the inability of the Group to meet them in timely manner could have a negative impact on the Group's revenues and results.

2.8.4. LEAKAGE OF PERSONAL AND/OR SENSITIVE INFORMATION RELATED TO EMPLOYEES AND CLIENTS

In conducting its business, the Group stores and processes personal and sensitive data related to its employees, customers and third parties. The possible loss or misuse of external and internal access and misuse of such data could have a variety of adverse effects on the competitiveness, reputation and performance of the Group, including lawsuits or out-of-court cases and proceedings against the companies concerned and serious financial penalties by regulatory authorities.

2.9. OTHER RISKS

2.9.1. LITIGATION RISK

The companies within the Group are, in principle, exposed to litigation, including class actions filed against them by their clients, employees, shareholders, and others by initiating civil actions, initiating actions of competent authorities, administrative, enforcement and other types of judicial and extrajudicial proceedings. Some of these proceedings may be accompanied by restrictive and enforceable measures against the assets and activities of the Group that would limit its ability to carry out part or all of its activities indefinitely. Plaintiffs in these types of cases against the Group may seek repayment of large or undetermined amounts or other damages that could significantly impair the Group's financial position. The defense costs in future court cases can be significant. Disclosure of such events may impair the reputation of the respective companies and the Group as a whole, whether or not the underlying claims and negative definitions are well founded. The potential financial and other consequences of such proceedings may remain unknown for an extended period of time.

2.9.2. RELATED PARTY TRANSACTION RISK

The companies within the Group 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 for reasons of ignorance, negligence of employees and other reasons that one or more such transactions may be concluded under conditions that differ substantially from the market conditions, which can lead to an adverse effect on the results of the Group's operations and financial position.

2.9.3. CYBER ATTACKS

In addition to unauthorized access to the Group's data and its counterparties' data, 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 to provide services. The Group's specializes in information security and has advanced competencies in preventing, limiting, monitoring and recovering systems and data after such attacks, however, as the latter may take some time, effects of these attacks may adversely affect performance, as well as compromising the reputation of the *TBS Group*.

2.9.4. FORCE MAJEURE EVENTS

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

2.10. RISKS, RELATED TO THE ECONOMY AS A WHOLE

The overall risks stem from possible changes in the overall economic system. They cannot be diversified, as all economic agents in the country, region and world economy are exposed to them.

2.10.1. DELAYED ECONOMIC GROWTH

The Group's overall product demand is influenced by a variety of macroeconomic factors and trends, including, but not limited to recession, trade barriers, exchange rates fluctuations, inflation, deflation and other factors affecting consumer purchasing power. A slowdown in the economy of the EU, Bulgaria and other markets in which the *TBC Group* operates, or any other uncertainty about economic development, can make consumers cautious and, thus, will affect their desire and ability to buy 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 will reach, albeit at a slower and milder rate, Bulgaria and the Western Balkan countries. The slowdown in economic growth in the region and the associated constraints on the expenses of private companies and their inadequate compensation by counter-cyclical measures by national and supranational government bodies could have a negative impact on the Group's sales and profitability.

2.10.2. POLITICAL RISK

The political risk is the likelihood of a change of government or of a sudden change in its policy, of internal political turmoil and adverse changes in European and/or national legislation, thus, resulting in a negative environment for the local operating businesses and, ultimately, resulting in the investors suffering losses.

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 cause social and political tensions as well as significant and dramatic change in political and economic conditions, which could have a significant adverse effect on the Group's activities.

The accession of the countries of the Western Balkans to the EU continues to be fraught with many challenges. They are not only the result of ongoing reforms as part of the community integration process, but also of 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 cause deepening of the disintegration moods in other countries of the Union and, consequently, cause serious political and economic turmoil for all Member States.

2.10.3. RISKS, RELATED TO THE IMPERFECTIONS OF THE LEGAL SYSTEM

Although Bulgaria has introduced a number of significant legal and constitutional reforms since 2007 and most of the Bulgarian legislation has been harmonized with EU legislation, the country's legal system is still undergoing reform. This is even truer for the countries of the Western Balkans, which have not yet been accepted in the EU, and the laws and practices have not been fully harmonized. Case law and administrative practice remain problematic and individuals who rely on local courts to effectively resolve property disputes, violations of laws and contracts, and others find it difficult to obtain. As a consequence, the risk of deficiencies in the legal infrastructure, which may result in uncertainty arising from corporate conduct, supervision and other issues not generally raised in other countries, can be identified.

2.10.4. UNFAVORABLE CHANGES IN THE TAX LEGISLATURE

Changing the tax laws and regulations applicable to Group’s companies could have a substantial adverse effect on its operating results and financial position.

In recent years, the Bulgarian tax system has been relatively stable thanks to strict fiscal discipline, despite the challenges. However, there is no guarantee that, under the influence of political, economic or demographic factors, the taxation system will not change in the future in a negative economic direction.

The taxation system in Bulgaria and the Western Balkans as a whole is still evolving, resulting in conflicting tax practices at both the state and local levels. Due to different interpretations of tax laws, the risk associated with local tax laws may be larger than in other tax jurisdictions in developed countries. Tax authorities may take a more sophisticated approach in interpreting legislation and tax audits. This, coupled with the intensification of efforts to collect taxes as a result of budgetary needs may increase the scope and frequency of tax audits. In particular, the tax authorities may challenge transactions and activities that have not been challenged insofar. This can result in significant additional taxes, fines and interest.

2.10.5. CREDIT RISK OF BULGARIA

The country's credit risk is related to the government's ability to repay its obligations on a regular basis. In this regard, Bulgaria is constantly improving its position on the international debt markets, which facilitates the access of the state and economic agents to financing from external sources. The most important effect of improving a credit rating is the lowering of its risk premiums on loans, which leads (ceteris paribus) to more favorable interest rates. For this reason, the potential increase of the credit rating of the country would have a favorable impact on the Company's activity and more specifically on its financing. On the other hand, a downgrade of Bulgaria's credit rating would have a negative impact on the cost of the financing of the Company unless its loan agreements have fixed interest rates. This risk is identified and measured by specialized international credit agencies.

3. INFORMATION ABOUT THE ISSUER

3.1. LEGAL AND COMMERCIAL NAME OF THE ISSUER, PLACE OF INCORPORATION, DOMICILE AND CONTACTS

Legal name	*Telelink Business Services Group AD*
Commercial name	*Telelink Business Services Group AD*
Legislature	Bulgarian
Legal form	Joint stock company
UIC	205744019
LEI	894500RSIIEY6BQP9U56
Place of incorporation	Sofia, Bulgaria
Address	*Sofia, Malinova Dolina District,* *6 Panorama Sofia Str., Business Centre Richhill, Block B, fl.2*
Telephone number	+359 02 970 40 40
Webpage	www.telelink.business; Common webpage for the *Telelink Group* www.telelink.com

With the exception of the documents referred to in this Prospectus, the contents of *TBS Group*'s webpage/s is not a part of the Prospectus.

3.2. HISTORY AND DEVELOPMENT OF THE ISSUER

3.2.1. DATE OF ESTABLISHMENT AND HISTORY OF THE OPERATIONS OF THE ISSUER

Telelink Business Services Group AD was established on 12.07.2019 as a joint stock company with a single owner *Telelink Holdings BV (the Netherlands)*.

As of the date of establishment, *Telelink Holdings BV (the Netherlands)* was the sole owner of *Telelink Bulgaria EAD*. The latter hads investments in subsidiaries operating in the field of information and communication technologies in three main areas: *Business Services*, *Infrastructure Services* and *Product Development*. Taken together, *Telelink Bulgaria EAD* and its subsidiaries formed the existing to this date *Telelink Group*.

The purpose of the Company is to consolidate investments in the subsidiaries from *Telelink Group*, specializing in the *Business Services* domain, into a separate and independent from *Telelink Bulgaria EAD* company, group and corporate structure.

By a decision of the sole owner *Telelink Holdings BV (Netherlands)*, *Telelink Bulgaria EAD* (as a transforming company) was transformed by spinning off the Separate Activity *Business services* within the meaning of Art. 262c of the Commercial Act, as part of the property of *Telelink Bulgaria EAD*, consisting of all assets, rights and obligations relating to the Separate Activity (including assets, liabilities, contracts and employees), passed over to *Telelink Business Services Group EAD* (as a receiving company) ("Separation"), in exchange for shares in the capital of the Receiving Company issued to *Telelink Holdings BV (Netherlands)*. The transformation has been entered in the Commercial Register and is effective since 14.08.2019.

After that date, the Company consolidates all investments in *Telelink Group*'s companies specialized in the *Business Services* domain, including *TBS EAD*, *Comutel*, *Telelink Montenegro, Telelink Bosnia* and *Telelink Slovenia* as well as the newly established in 2019 *Telelink Albania*. In September 2019, newly established subsidiary *TBS Macedonia* was also included in the Group.

In August 2019, all of the Company's shares were transferred from *Telelink Holdings BV (Netherlands)* to new shareholders representing directly or indirectly the ultimate owners of *Telelink Holdings BV (Netherlands)*, with a direct majority owner - the co-founder of the *Telelink Group*, Lyubomir Minchev, as an individual. As a result of the transfer, the Company become an “AD” (multiple ownership joint stock company) and ceased to be a direct part of the general economic group Telelink.

Detailed information on the Group's shareholder and organizational structure is provided in *Section 7 “Organizational Structure”* of this Document.

The Company has indefinite length of life.

3.2.2. IMPORTANT EVENTS IN THE DEVELOPMENT OF THE ISSUERS OPERATIONS

TBS Group was established in July 2019 and the investments in the existing subsidiaries that make up the Group were transferred to it by virtue of transformation by spinoff of the separate *Business Services* activities of *Telelink Bulgaria EAD* in August 2019.

Significant events in the Issuer's history have been identified with respect to the Group, its main activity and its subsidiaries and their predecessors in Table 1 below.

Table 1: Important events in the development of the Group

Year	Event
2019	*TBS Group EAD* established *TBS Macedonia* with the goal of launching local operations
2019	*Telelink Holdings BV (The Netherlands)* established *TBS Group EAD*, and *Telelink Bulgaria EAD* was transformed through the spinoff of the *Business Services* division, including its investments in *TBS EAD*, *Comutel*, *Telelink Montenegro, Telelink Bosnia, Telelink Slovenia* and *Telelink Albania*
2019	*Telelink Bulgaria EAD* established *Telelink Albania* with the aim of starting a local business services arm
2019	The Group established strategic partnerships in the area of Information Security with *Exabeam* and *Cyber Arc* with the goal of jointly entering new markets in the Western Balkans
2019	*Comutel* began cooperating with *TBS EAD on* the introduction of the product categories *Information Security* and *Office Productivity* with the goal of expanding the Group's market presence in Serbia and the Western Balkans as a whole
2018	*Telelink Holdings BV (The Netherlands)* increased its stake in *Comutel* to 100% and transferred its investments in the latter, *Telelink Montenegro, Telelink Bosnia* and *Telelink Slovenia* to *Telelink Bulgaria EAD*
2018	As a result of the successful expansion of the *Data Center* division, *TBS EAD* achieved Platinum Partner and Tier 1 Partner status with *Dell EMC* and *VMWare* Premier Partner
2017	*Telelink EAD* was transformed by spinning off the activities of its *Infrastructure Services* and *Product Development* divisions, retaining the activity of its *System Integration* division, and was renamed *TBS EAD*
2017	*TBS EAD* signed with a new multinational client for *Managed Services*, which includes the provision of *Equipment as a Service* in Western Europe and the USA
2017	*TBS EAD* launched innovative information security services, including the *Operational Security Center* (ASOC)
2017	*TBS EAD* became *Microsoft*'s direct partner in the provision of *Cloud Solutions (CSP)* and for the first time realized innovative projects on the Bulgarian market based on a combination of systems for integrated *Information Security* and *Cloud Services*

2017	*TBS EAD* strengthens its position on the *Data Center* market via a key partnership for providing services (Service Partner) with *Dell EMC*
2016	*Telelink EAD* signed a Managed Services Agreement with a multinational client, taking over the management of its firewalls in 30+ countries across four continents
2015	*Telelink EAD* laid the foundations of the *Office Productivity* technological group, establishing the highest level licensing partnership with *Microsoft* as one of the three licensed partners (Licensing solution partners) in Bulgaria
2014	*Telelink EAD* expanded its range of offered solutions in *Information Security*, establishing partnerships with *Qualys, Check Point, Palo Alto Networks, Radware* and *Symantec*.
2014	*Telelink EAD* expanded its specialization in *Data Center* in the area of backup and data recovery with new partnerships with *IBM* (Advanced business partner for power and storage) and *Lenovo* (Business partner for servers and endpoints)
2014	*Telelink Holdings BV (Netherlands)* established *Telelink Slovenia* and the company began activity in the area of *System Integration*
2013	*Telelink EAD* laid the foundations for the *Information Security* technology group with the establishment of a diversified range of partnerships with leading and niche technology providers (including RSA, F5, Palo Alto, etc.).
2012	*Comutel* achieved regional expansion of its partnerships with key customers from a group of telecom operators and more than doubled revenue growth in the second financial year since its integration into the *Telelink Group*
2012	*Telelink Holdings BV (Netherlands)* established *Telelink Bosnia and Herzegovina* and the company began activity in the area of *System Integration*
2012	*Telelink Montenegro* started operations in the field of System integration
2011	*Telelink EAD* complemented the Group's specialization in *Telecom Video Networks* with its own certification as an Authorized Service Provider Video Partner of *Cisco Systems*
2010	*Telelink Holdings BV (Netherlands)* acquired 60% of *Comutel*'s capital, complementing the Group's product specialization with *Telecom Video Networks* solutions
2010	*Telelink EAD* expanded its specialization in the Data Center domain by establishing new partnerships with *EMC* (Affiliate Partner), *VMware* (Enterprise Solution Provider) and *Cisco Systems* (Advanced Technology Partner for Unified Computing)
2010	*Telelink EAD* expanded its *Enterprise Networks* portfolio with a partnership with *Tandberg* in the field of video conferencing
2009	*Telelink EAD* began the development of *Managed Services* as the first certified in the field partner of *Cisco Systems* (Master Managed Services Partner) in the emerging markets area and was named Partner of the year for innovative solutions (Solution Innovation Partner) of the Emerging Markets, East Region.
2008	*Telelink EAD* was singled out by *Cisco Systems* as a Technology Partner (Technology Excellence CRS) for Bulgaria and Central Europe
2005	*Telelink AD* was named the Golden Partner of the Year for *Cisco Systems* following the successful completion of large-scale projects in the field of next generation telecom and enterprise networks
2004	*Telelink AD* launched the *System Integration* division and established fundamental partnerships with leading global network and server technology providers *Cisco Systems* and *IBM*
2001	Establishment of *Telelink AD* (initially OOD) and start-up of operations in the field of network infrastructure with services for the rollout of mobile telecommunication networks (presently the subject of activity of the related company *Telelink Infra Services EAD*, separated from *TBS EAD,* respectively, the Group, in 2017)

4. BUSINESS OVERVIEW

4.1. PRINCIPAL ACTIVITIES

The Company's core business is corporate governance and the management of investments (equity participation) in its subsidiaries specializing in information ("IT") and communications technology (collectively, "ICT"). By itself, the Issuer does not perform operational ICT activities.

The main activity of the Group is formed by the operational activity of the Issuer's subsidiaries and consists in the sale of products, services and the implementation of complex ICT solutions, including, but not limited to:

- Delivery, warranty and post-warranty support of equipment and software manufactured by third-party technology vendors and applications and services developed at customer's request;
- System integration, encompassing system design, configuration, installation, setup and commissioning of the delivered equipment, software or integrated ICT systems, combining functionally two or more types of products;
- Consulting services covering the analysis of the status, needs, transformation and future development of the client's ICT systems, processes and infrastructures;
- Managed services through which the client sources out to the Group the management and responsibility for a particular ICT function or a range of such functions, and the Group guarantees their support on a certain level of service.

Some of the procured managed services include the provision of equipment and software as a service, offering to the customer a flexible alternative to their own investments in these assets.

4.1.1. A DESCRIPTION OF AND KEY FACTORS RELATED TO THE NATURE OF THE ISSUER'S OPERATIONS BY MAIN CATEGORIES OF PRODUCTS AND SERVICES PERFORMED

The products and services offered by the Group are grouped into 4 main categories - *Data Networks, Data Center, Office Productivity* and *Information Security*, comprising 8 technology groups and various types of technologies and services shown in Table 2 below.

Table 2: Main categories, groups and types of products, offered by the Group

Product categories	Technological groups	Types of technologies and solutions
Networking	Service Provider (Telecom) Specific	Core networks, access networks, optical and cable networks, functional network virtualization (NFV), audio and video headend, customer premise equipment (CPE), etc.
	Enterprise Connectivity	Corporate networks, network security, firewall, data center networking, virtualization, collaboration systems, contact center, etc.
	Passive Infrastructure	Field services, power supplies, equipment racks, cabling, etc.
Data center	Private Cloud	Compute, storage and backup, business continuity, virtualization and orchestration, application and performance monitoring, public cloud infrastructure (IaaS), etc.
	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, data processing and presentation
Productivity	Modern Workplace	Microsoft (Windows, Office 365, etc.), multifactor authentication, endpoint management, computers and peripherals, etc.

Security	Information Security	Data encryption, data leakage prevention, vulnerability analysis, database protection, security analysis and monitoring as a service (Advanced Security Operation Center), etc.

Source: Telelink Business Services Group

With the exception of technology groups - Application Services (first implemented in 2017) and Platform-Based Infrastructure (in the process of being introduced as of the date of this Prospectus), Group revenues for 2016-2018 and the first half of 2019, feature all of the above product groups.

4.1.2. SIGNIFICANT NEW PRODUCTS AND/OR SERVICES, INTRODUCED OVER THE PERIOD COVERED BY THE HISTORICAL FINANCIAL INFORMATION

4.1.2.1. OFFICE PRODUCTIVITY

Introduced into the product range of the Group of *TBS EAD* in 2015, products in this category integrate modern business solutions from *Microsoft, VMware* and others, including predominantly *Software as a Service (SaaS)* cloud services, with the complementary offering of computer equipment and peripherals. Solutions in this category have a universal application and have made a significant contribution to optimizing work interactions and processes in organizations of various sizes and fields of activity.

The division has a significant contribution both to the Group's sales over the last three years and to the potential for future expansion of its market presence. In addition to the status of *TBS EAD* as a Microsoft Authorized Partner for Licensing and Cloud Solutions of the highest level and a strategic partner of *Lenovo* and *Dell EMC*, this contribution is based on the extensive opportunities that the division creates to complement other products and services offered by the Group in existing markets and customers, as well as a base for entering and building upon other products and services into new markets and customers.

4.1.2.2. MANAGED SERVICES

During the period 2016-2018, *TBS EAD* shifted the focus of provided *Managed Services* towards international clients, product areas with high attractiveness (such as *Information Security*, which is complex and expensive to introduce and manage with internal client resourcesalternative), product areas with high competitive potential (such as *Enterprise Connectivity*) and advanced options for providing Equipment as a Service.

Although it is still of limited relative importance to combined revenue, the successful deployment of such services to two multinational and other clients has led to a growing contribution of *Managed Services* to sales in 2017-2018 and the first half of 2019, and has significant potential to catalyze the Group’s future growth.

4.1.2.3. ADVANCED SECURITY OPERATIONS CENTER (ASOC)

Introduced in 2017, this service provides a quality, cost-efficient and flexible alternative to the complex and expensive for most organizations implementation and maintenance of internal infrastructures and *Information Security* processes. The service offers:

- functionality based on software solution (platform) and professional analysis (highly specialized experts) of the highest level, with minimal client investment (based on Cloud Infrastructure or Software and Equipment as a Service);
- a modular structure allowing a gradual extension of the scope of services used.

Although it has a relatively negligible share in the Group's historic revenue, the service carries significant potential for expansion into new customers and markets, and is one of the Group's competitive advantages.

4.1.2.4. APPLICATION SERVICES

The services of this group were introduced in 2017 in connection with the implementation of large-scale and specific projects. They have to do with the development of applications focused mainly on the integration of different systems and components and the provision of high value added from the integrated product. They are developed by their own internal team of software developers and data analysis and presentation specialists of *TBS EAD*.

In addition to complex projects, on the basis of which they have already reached a significant share of the revenue in 2018, these services are also aimed at the comprehensive work with APIs with wide application in the integration of internal and external client systems and services that are the subject of increasing demand among developed organizations and markets.

4.1.2.5. PLATFORM-BASED ("LEAN") INFRASTRUCTURE

Taking advantage of its successful experience in relevant areas such as *Data Centers* and *Application Services*, *TBS EAD* is specializing in the development, maintenance and management of environments based on micro-services and platforms (*Platform as a Service*). The main target groups of these activities include both software developers (addressed with solutions such as *DevOps* or *Continuous Integration* and *Development environments*) and companies looking for fully cloud-based solutions whose scale requires a high level of cloud resource utilization efficiency (addressed primarily with Lift-and-shift services from standard to platform-based cloud infrastructure).

Given the increasing trend of transition to flexible development environments and platform-based infrastructure among multinational organizations in developed markets, the development of this area is part of the Group's strategy with significant revenue potential in the medium and long-term.

4.1.2.6. INDUSTRIAL INTERNET OF THINGS (IIOT)

Accounting for the generally expected worldwide penetration of *Internet of Things* (*IoT*) technologies and the growing interest in them and in the Eastern European region over the last two years, *TBS EAD* has started developing a specialization in this area with a focus on industrial solutions based on *IoT*. By 2019, the Company has already won landmark projects in this area.

The Group is mainly focused on establishing a network of providers of sensors and other *IoT* components, integrating them, ensuring their secure connectivity, collecting data (*Big Data*) and processing and visualizing this data. The experience gained in the field of *Application Services* helps to make this data available to other applications or companies, as well as help clients make the best use of the collected data.

4.2. PRINCIPAL MARKETS AND REVENUE BREAKDOWN BY PRODUCT/SERVICE AND GEOGRAPHY FOR THE PERIOD COVERED BY THE HISTORICAL FINANCIAL INFORMATION

The Group's principal market is the information and communication technology market, which has a global span and includes a wide range of products and services.

The markets, their trends, and the Group's market position and strategy are discussed in detail in Section 4.3 and *Section 5, "Strategy and Objectives"* of this Document.

The formation of the Issuer's revenue by major product categories and geographic markets for the Group and for each of its subsidiaries is presented in *Sections 4.2.1* and *4.2.2* below.

4.2.1. REVENUE BREAKDOWN BY PRODUCT CATEGORY

Table 3: The Group's combined revenue by product category for the period 01.01.2016- 30.06.2019

Revenue	(combined)				
TBS Group	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)					
Networking	78 585	74 534	80 255	31 339	36 596
Data center	22 443	21 063	12 163	8 062	12 467
Security	4 908	1 601	2 158	2 317	2 559
Productivity	9 395	7 687	3 596	4 346	5 451
Other	1 036	1 102	490	768	684
Total	**116 367**	**105 987**	**98 663**	**46 832**	**57 757**
(relative share)					
Networking	68%	70%	81%	67%	63%
Data center	19%	20%	12%	17%	22%
Security	4%	2%	2%	5%	4%
Productivity	8%	7%	4%	9%	9%
Other	1%	1%	0%	2%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

Leading by size and relative share in the Group's revenues for the 2016-2018 period and the first half of 2019 is the *Networking* category, with an average share of 72% in combined revenue. Second in importance with an average share of 17% is the *Data Center* category. Recently introduced *Office Productivity* and *Information Security* divisions occupy on average of 7% and 3% of combined revenues, respectively for the same period.

Despite their lower size and relative share for the period, revenues in the last three divisions show a trend of absolute growth and increasing relative importance. They are also a major source of growth for the Group over the period 2017-2018, with compound annual revenue growth over 2016 of 36% for *Data Center*, 62% for *Productivity* and 51% for *Security*.

Table 4: TBS EAD standalone revenue by product category for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink Business Services EAD	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Networking	19 331	17 524	19 431	12 497	8 157	19 331	17 522	18 930	12 497	8 157
Data center	17 550	18 108	9 837	6 407	10 120	17 550	18 108	9 837	6 407	10 120
Security	4 908	1 601	2 158	2 317	2 559	4 908	1 601	2 158	2 317	2 559
Productivity	9 395	7 687	3 596	4 346	5 451	9 395	7 687	3 596	4 346	5 451
Other	1 036	37	81	768	684	1 036	37	81	768	684
Total	**52 220**	**44 957**	**35 104**	**26 335**	**26 971**	**52 220**	**44 955**	**34 603**	**26 335**	**26 971**
(relative share)										
Networking	37%	39%	55%	47%	30%	37%	39%	55%	47%	30%
Data center	34%	40%	28%	24%	38%	34%	40%	28%	24%	38%
Security	9%	4%	6%	9%	9%	9%	4%	6%	9%	9%
Productivity	18%	17%	10%	17%	20%	18%	17%	10%	17%	20%
Other	2%	0%	0%	3%	3%	2%	0%	0%	3%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

During the 2016-2018 period, *TBS EAD* generated significant revenue across all product categories of the Group and is a major source of combined revenue growth due to increasing sales in the *Data Center*, *Information Security* and *Office Productivity* divisions while maintaining a relatively stable revenue in the *Networking* division.

Due to their narrower specialization in telecommunications networks and service-provider specific systems, *Comutel*'s revenues and those of the other companies within the Group are mainly focused in the *Networking* and, to a lesser extent, in the *Data Center* divisions.

Table 5: Comutel standalone revenue by product category for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Comutel (Serbia)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Networking	46 364	46 087	48 866	15 285	22 123	37 297	43 758	45 941	12 789	18 788
Data center	3 393	2 267	2 204	1 306	1 624	2 301	2 114	2 174	1 059	1 241
Other	0	0	13	0	0	0	0	13	0	0
Total	**49,757**	**48,354**	**51,082**	**16,591**	**23,747**	**39,598**	**45,872**	**48,128**	**13,848**	**20,029**
(relative share)										
Networking	93%	95%	96%	92%	93%	94%	95%	95%	92%	94%
Data center	7%	5%	4%	8%	7%	6%	5%	5%	8%	6%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

Table 6: Telelink (Montenegro) standalone revenue by product category for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink (Montenegro)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Networking	7 856	6 277	6 861	2 417	4 950	7 850	6 265	6 776	2 415	4 948
Data center	873	395	69	237	550	872	394	68	237	550
Total	**8 729**	**6 671**	**6 930**	**2 654**	**5 500**	**8 722**	**6 659**	**6 844**	**2 652**	**5 498**
(relative share)										
Networking	90%	94%	99%	91%	90%	90%	94%	99%	91%	90%
Data center	10%	6%	1%	9%	10%	10%	6%	1%	9%	10%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

Table 7: Telelink (Bosna & Herzegovina) standalone revenue by product category for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink (Bosna & Herzegovina)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Networking	6 064	1 620	2 254	1 451	1 328	6 034	1 620	2 254	1 451	1 328
Data center	827	103	23	143	181	823	103	23	143	181
Total	**6 891**	**1 723**	**2 277**	**1 594**	**1 509**	**6 857**	**1 723**	**2 277**	**1 594**	**1 509**
(relative share)										
Networking	88%	94%	99%	91%	88%	88%	94%	99%	91%	88%
Data center	12%	6%	1%	9%	12%	12%	6%	1%	9%	12%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

Table 8: Telelink (Slovenia) standalone revenue by product category for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink (Slovenia)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Networking	10 886	10 150	22 547	2 273	5 455	8 073	5 370	6 353	2 187	3 375
Data center	1 209	648	225	225	606	897	343	62	216	375
Other	0	1 065	397	0	0	0	1 065	397	0	0
Total	**12 095**	**11 862**	**23 169**	**2 498**	**6 061**	**8 970**	**6 777**	**6 812**	**2 403**	**3 750**
(relative share)										
Networking	90%	86%	97%	91%	90%	90%	79%	93%	91%	90%
Data center	10%	5%	1%	9%	10%	10%	5%	1%	9%	10%
Other	0%	9%	2%	0%	0%	0%	16%	6%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

The revenue distribution among the Group's subsidiaries in Serbia, Montenegro, Bosnia & Herzegovina and Slovenia varies over the covered period depending on the distribution of orders among major serviced clients making part of a regional group of telecommunications operators, and the most favorable terms and conditions for the supply of equipment for each order. Accordingly, the revenue trends for these companies can be considered essentially as a whole on a micro-regional level.

4.2.2. REVENUE BREAKDOWN BY GEOGRAPHY

Table 9: Combined revenue of the Group by geography for the period 01.01.2016- 30.06.2019

Revenue	(Combined)				
TBS Group AD	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)					
Bulgaria	49 542	43 642	32 317	25 191	26 337
Serbia	32 512	37 396	36 252	12 551	14 077
Slovenia	19 756	14 238	13 873	5 995	10 946
Bosnia and Herzegovina	10 396	8 783	12 598	1 818	5 006
Other	4 162	1 928	3 624	1 277	1 392
Total	**116 367**	**105 987**	**98 663**	**46 832**	**57 757**
(relative share)					
Bulgaria	43%	41%	33%	54%	46%
Serbia	28%	35%	37%	27%	24%
Slovenia	17%	13%	14%	13%	19%
Bosna and Herzegovina	9%	8%	13%	4%	9%
Other	4%	2%	4%	3%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

The Group's main markets in 2016-2018 and the first half of 2019 were Bulgaria with an average share of 43% and Serbia with an average share of 32% in the combined annual revenue, followed by Slovenia with 14% and Bosnia and Herzegovina with 8%.

The other markets category includes a wide range of 30 countries, including other Balkan markets, Western and Central Europe, the United States, South America, Asia and Africa, in which the Group's companies performed deliveries and/or services for one or more years during the period considered. These deliveries were made both in the context of the local activity of the Group's companies as well as in connection to international projects and the servicing of cross-border and multinational clients.

Overall, the Group's leading regional revenue are the ones on the Balkan Peninsula with an average share of 98.1%, followed by other European countries with an average share of 1.7% in combined revenue.

The main trend in 2017-2018 was the growing share of sales made in Bulgaria, which is mainly due to their increase in absolute value with a compound annual growth rate of 24% over 2016. Sales in other Balkan markets remained relatively stable, registering a slight decrease with a compound annual growth rate of -1% over the same period.

Despite their relatively low share for the period, sales in other European countries have a relatively fast rate of growth, with a compound annual growth rate of 37% on a 2016 basis.

Table 10: TBS EAD standalone revenue by geography for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink Business Services EAD	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN.)										
Bulgaria	49 542	43 642	32 304	25 191	26 337	49 542	43 642	32 304	25 191	26 337
Other	2 678	1 315	2 800	1 144	634	2 678	1 313	2 299	1 144	634
Total	**52 220**	**44 957**	**35 104**	**26 335**	**26 971**	**52 220**	**44 955**	**34 603**	**26 335**	**26 971**
(relative share)										
Bulgaria	95%	97%	92%	96%	98%	95%	97%	93%	96%	98%
Other	5%	3%	8%	4%	2%	5%	3%	7%	4%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

The main market for *TBS EAD* is the local market in Bulgaria, providing an average of 95% of its sales revenue over the covered period. At the same time, the company also generates significant revenues from other markets, including 28 countries from the rest of the Balkan Peninsula, Western and Central Europe, USA, South America, Asia and Africa in connection to international projects and servicing cross-border and multinational clients.

Table 11: Comutel standalone revenue by geography for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Comutel (Serbia)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Serbia	32 509	37 396	36 252	12 551	14 076	32 509	37 396	36 252	12 551	14 076
Bosna and Herzegovina	7 342	7 111	10 476	789	4 080	3 539	7 060	10 322	224	3 497
Slovenia	3 961	1 458	4 297	2 217	2 537	2 801	1 372	1 497	1 069	2 078
Montenegro	5 334	2 345	0	1 031	2 761	138	0	0	1	85
Other	611	44	59	2	292	611	44	59	2	292
Total	**49 757**	**48 354**	**51 082**	**16 591**	**23 747**	**39 598**	**45 872**	**48 128**	**13 848**	**20 029**
(relative share)										
Serbia	65%	77%	71%	76%	59%	82%	82%	75%	91%	70%
Bosna and Herzegovina	15%	15%	21%	5%	17%	9%	15%	21%	2%	17%
Slovenia	8%	3%	8%	13%	11%	7%	3%	3%	8%	10%
Montenegro	11%	5%	0%	6%	12%	0%	0%	0%	0%	0%
Other	1%	0%	0%	0%	1%	2%	0%	0%	0%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

The primary market for *Comutel* is the local market in Serbia, providing on average 72% of sales revenue and 82% of the company's sales to customers outside the Group during the period of 2016-2018 and the first half of 2019. The company also generates significant revenue from sales in Bosnia and Herzegovina and Slovenia, accounting for an average of 14% and 8% of sales revenues, respectively and 12% and 5% of sales to non-Group customers, respectively during the same period. Sales to other markets include mainly intra-group deliveries to *Telelink (Montenegro)*. In 2018, UK stands out with a relatively higher size among other countries in this category.

Table 12: Telelink (Montenegro) standalone revenue by geography for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink (Montenegro)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Slovenia	8 010	6 101	5 682	2 519	5 120	8 003	6 091	5 596	2 517	5 118
Montenegro	719	568	1 248	135	381	719	568	1 248	135	381
Other	0	2	0	0	0	0	0	0	0	0
Total	**8 729**	**6 671**	**6 930**	**2 654**	**5 500**	**8 722**	**6 659**	**6 844**	**2 652**	**5 498**
(relative share)										
Slovenia	92%	91%	82%	95%	93%	92%	91%	82%	95%	93%
Montenegro	8%	9%	18%	5%	7%	8%	9%	18%	5%	7%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

Together with *Telelink (Slovenia), Telelink (Montenegro)* is a leading provider of the Group in Slovenia, accounting for 90% an average of its revenues for the covered period, while the rest is made up of substantial, but significantly smaller, deliveries on the local market.

Table 13: Telelink (Slovenia) standalone revenue by geography for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink (Slovenia)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Slovenia	8 952	6 773	6 780	2 403	3 750	8 952	6 773	6 780	2 403	3 750
Bosnia and Herzegovina	2 953	4 819	5 799	0	2 311	0	0	0	0	0
Serbia	172	266	10 558	95	0	0	0	0	0	0
Other	18	4	31	0	0	18	4	31	0	0
Total	**12 095**	**11 862**	**23 169**	**2 498**	**6 061**	**8 970**	**6 777**	**6 812**	**2 403**	**3 750**
(relative share)										
Slovenia	74%	57%	29%	96%	62%	100%	100%	100%	100%	100%
Bosna and Herzegovina	24%	41%	25%	0%	38%	0%	0%	0%	0%	0%
Serbia	1%	2%	46%	4%	0%	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

In addition to the local Slovenian market, which accounts for an average of 64% of its sales revenue and 100% of the company's sales to customers outside the Group during the covered period, Telelink Slovenia also makes significant deliveries to Serbia and Bosnia.

(continued on the next page)

Table 14: Telelink (Bosna & Herzegovina) standalone revenue by geography for the period 01.01.2016- 30.06.2019

Revenue	(Standalone)					(incl. from clients outside the Group)				
Telelink (Bosna & Herzegovina)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**
('000 BGN)										
Bosnia and Herzegovina	6 857	1 723	2 276	1 594	1 509	6 857	1 723	2 276	1 594	1 509
Other	34	0	0	0	0	0	0	0	0	0
Total	**6 891**	**1 723**	**2 277**	**1 594**	**1 509**	**6 857**	**1 723**	**2 277**	**1 594**	**1 509**
(relative share)										
Bosna and Herzegovina	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telelink Business Services Group AD

Unlike other companies within the Group, *Telelink (Bosna & Herzegovina)* generated its revenues almost exclusively on the local market during the covered period.

The revenue distribution among the Group's subsidiaries in Serbia, Montenegro, Bosnia & Herzegovina and Slovenia during the covered period varies depending on the distribution of orders among major serviced clients making part of a regional group of telecommunications operators, and the most favorable terms and conditions for the supply of equipment for each order. Accordingly, the revenue trends for these companies can be considered essentially as a whole on a micro-regional level.

4.3. GENERAL FRAMEWORK OF THE GROUP'S MARKET AND THE MAIN CATEGORIES OF THE SERVICED CLIENTS

The products and services sold within the Group's core business are exclusively aimed at organizations and do not include sales to retail customers.

The main categories of clients of the group include telecommunication network and services operators, public sector organizations and various enterprises in the financial, electricity and water supply sectors, logistics, production, trade, extraction, healthcare, education, ICT and others.

With the exception of *Service Provider Specific solutions*, the products and services offered by the Group are not narrowly specialized and limited to a certain type of customer activity and have universal application in a wide range of sectors and economic areas.

4.3.1. ICT MARKET DEVELOPMENT BY REGIONS

Taking into account the relative share of business organizations that have reached the level of "digital maturity" and the current degree, readiness or potential for future entry of innovative ICT products and services, the Group's existing and target geographic markets can be divided into three main groups:

- Digitally underdeveloped markets (including Albania, Kosovo and Macedonia), characterized with:
  - a relatively small number of clients that have reached digital maturity, a low degree of local presence by leading global technology providers and a relatively open competitive structure allowing entry into both digitally mature and underdeveloped clients;
  - low level of Information Security penetration;
  - lack of current readiness and long-term perspective for the entry of innovative solutions from *Platform-Based Infrastructure* and *Managed Services*, except through divisions of multinational companies;
- Digitally developing markets (including Bulgaria, Serbia, Bosnia, Montenegro, Slovenia, Croatia and Romania), characterized by:
  - a limited number of digitally mature clients who are subject to intense competition and high potential for entry into digitally underdeveloped clients;

  - low level of Information Security penetration;
  - relatively low present readiness and medium-term prospect for innovative solutions from the *Platform-Based Infrastructure* and *Managed Services* category, except through divisions of multinational companies;

- Digitally mature markets (including Western Europe, the US and multinational companies), characterized with a predominance of digitally mature clients and a leading role in the implementation of innovative solutions, including *Platform-Based Infrastructure* and *Managed Services*.

The group defines as "digitally mature" companies that integrate bilaterally human capital and operational processes into IT processes, placing technology at the heart of their operations, attributing high importance to the digital user interface and making decisions based on the analysis and cross-section of large volumes of complex data.

4.3.2. THE COMPETITIVE ENVIRONMENT AND THE GROUP'S POSITION

As a complex provider combining a wide range of product competencies and professional services and regional group of companies operating both locally and abroad, the Group defines its competitive market position by market with respect to 3 main categories of market players:

- Full scope system integrators offering products and services in most areas of competence within the scope of the Group;
- Niche system integrators specializing in single areas of product competence and Group services;
- International system integrators with presence in one or more of the Group's local markets or on the global target market for multinational clients.

Bulgaria

The Bulgarian ICT market is characterized by a relatively saturated competitive environment and intense competition in terms of large projects and digitally developed clients.

The Group's main competitors include both local and international integrators. The local ones include the broad-scope CNSys, which offers relatively the broadest and the closest to the Group's range of products, services and team. The other local ones are, *Stemo*, *Kontrax*, *Paraflow*, *Index Bulgaria* and *Lirex*, which also offer products and services within the scope of the Group but with a more pronounced focus on only a few. Among the international integrators are *S&T Bulgaria*, *IBM Bulgaria*, and *Atos Bulgaria*. With the exception of *S&T Bulgaria*, the latter focus on serving multinational clients with presence in Bulgaria rather than on the local market.

Relevant niche players include *IBS Bulgaria* (with a strong banking presence), *AKAT Technologies* and *Mnemonica* (*Information Security*), *Stone Computers* and *EFellows* (Networks and Data Center), *Software ONE* and *Softline* (Microsoft Licensing for large clients).

As a result of the successful performance of *TBS EAD* in all relevant product categories and the implementation of innovative and complex projects in the public and private sectors, the Group is traditionally ranked among the largest system integrators by size of revenues in Bulgaria in the ICT Top 100 annual ranking of *ICT Media Ltd*.

The Group is positioned as a leading player on the Bulgarian market in the area of complex solutions, major projects and innovative services with a strong presence in the telecommunications, public, banking, utility and healthcare sectors. Product wise, *TBS EAD* stands out as one of the few local companies offering solutions for the telecommunications sector, Information Security as a Service and other Managed Services, some of which (including *ASOC*) - unique to the local and regional market.

Serbia, Montenegro, Bosnia and Herzegovina, Slovenia and Croatia

Similarly to Bulgaria, the market is characterized by a relatively highly developed competitive structure and intense competition with respect to large projects and developed clients.

The market leaders are established broad-spectrum integrators with long-standing presence such as *SAGA*, *MDS* and *Telegroup*, *Comtrade* and *NIL* and local affiliates of the international integrators *S&T* and *IBM*. *Asseco SEE Group* stands out as a strong niche player in software-based solutions and the banking sector.

Given the significant revenues and relatively narrow specialization and customer base of *Comutel* and its subsidiaries in Montenegro, Bosnia and Herzegovina and Slovenia, the Group has traditionally positioned itself as a significant but niche player in these markets with a leading expertise in telecom networks and video transfer systems. Additionally, the provision of *Data Centers*, mainly in the telecommunications sector, is another contributor to the Group's revenue in this market.

The saturation in the area of Information Security and in the segment of digitally under-developed and digitally developing corporate clients in the local markets of this regional group remain relatively weak. This gives an opportunity to expand the Group's position in these segments as a niche player by transferring innovative solutions and integrating the resources of *TBS EAD* in the areas of *Office productivity*, *Information security* and in other complementary areas.

Macedonia, Kosovo and Albania

Despite considerable competition, the markets in the Southern part of the Western Balkans have relatively lower levels of development and saturation and remain open to new entrants, including in terms of large projects and clients.

The market leaders in Macedonia and Kosovo are local affiliates of broad-scope integrators from the former Yugoslavia region (*Saga*, *Comtrade*), international integrators from the Central and Eastern European region (*S&T*, *Asseco*), and micro-regional and local players such as *Infosoft* and *Kernel*. In addition to *Infosoft*, long-established local players such as *IKUB* and *CCS* are distinguished with a strong presence in Albania.

Insofar as it is in the process of initially entering these markets with the establishment of subsidiaries in Macedonia and Albania in 2019, the Group has no direct established position yet. Its competitive advantage is determined by the ability to transfer the high level of competence and integrate the resources of *TBS EAD* and the Group as a whole to local projects and clients. The currently identified project opportunities are a precondition for establishing a significant presence in both countries by the end of 2020.

Regional telecom sector

As part of the major development trends in the telecommunications sector, in recent years, large operators attempt to enter the ICT market. This includes services aimed at offering standardized solutions in areas such as *Corporate Networks* and *Office Productivity*, as well as the emerging *Internet of Things* market, along with basic telecommunications connectivity services.

Due to their still limited experience and the need to balance external and internal resources in this area, this trend forms both a competitive threat and an opportunity for further development of partnerships between the telecommunications sector and professional system integrators. In the framework of such cooperation, the latter could be positioned as subcontractors of professional solutions and services forming or participating in the formation of solutions offered by operators, especially in highly specialized areas such as *Information Security* and the *Internet of Things*.

Developed markets, the global market and multinational clients

This target segment covers the markets of Central and Western Europe and the US, as well as the market for global services offered remotely and on a project basis to multinational clients. It is characterized by high and diverse competition with the leading role of major international and global companies such as *IBM, Atos, T-Systems, Fujitsu, Accenture, Dimension Data, Mahindra, Wipro, Logicalis* and etc.

However, due to their large size and dynamic development, catalyzed by the high degree of technological maturity of the customers and their constant pursuit of modernization and optimization, as well as their leading role in the generation and adoption of innovations, these markets are not competitively saturated. For this reason, they remain open to the entry of foreign companies offering attractive solutions and services of competitive quality and price.

The Group's successful entry into multinational clients with *Managed Services* offered by *TBS EAD* in the period 2016-2018 and their continued expansion in 2019 have positioned it as a potentially significant emerging player in this market. The quality and satisfaction of these clients with the services offered are a prerequisite for the Group to be considered as a potential supplier to other overseas and multinational clients and are the basis of its strategic growth potential in this market segment.

4.3.3. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT ANALYSIS)

The main **strengths** contributing to the successful positioning and positive prospects for the development of the Group on the domestic and international markets can be summarized as follows:

- Resource-based:
  - Priority focus on human capital development, both in terms of physical service capacity (volume) and their quality (level of competence and specialization), including certification from leading technology providers such as *Cisco Systems, DellEMC, Microsoft*, etc.;
  - Proven know-how in the design and management of large-scale and complex projects;
  - Strong support and *Managed Services* organization;
  - Competitive pricing for servicing developed markets based on resource hubs for engineering and technical talent deployed on the Balkans at relatively lower levels of average cost per employee compared to developed markets and their flexible allocation among projects on different local markets and points of presence of the client;
  - In the process of implementation a flexible matrix structure that allows for effective functional interaction and allocation of resources by territories, projects and clients;
- Product-based:
  - A combination of a broad range and in-depth specialization in each of the product categories and groups covered, which makes it competitive for both broad and niche players in each area;
  - A broad portfolio of partnerships with leading and niche suppliers, enabling the selection of the best equipment and software for the market, client and project;
  - Proven track record and top vendor partnerships in the areas of *Networks, Data Center* and *Office Productivity*;
  - Advanced and innovative solutions in the field of *Information Security, Application Services* and the *Internet of Things* in the Industry;
  - Dedicated budgets for the adoption, adaptation and implementation of innovative market-tailored technologies trending on the developed markets, including *Platform-based Infrastructure*;
- Client-centric:
  - Offering optimal solutions and services fit to the project and client needs;
  - Attention to detail and broad view angle of the system environment in which the service or project is implemented;
  - Ability to translate complex ICT solutions into clear and simple parameters and terms;
  - Top quality of service at every level of the organization and at every stage of the service or project implementation;
  - Flexibility, readiness to changes in the project's parameters and client's needs and tolerance for the marginal efforts needed to warrant the project's and client's goals.

The high service quality and flexibility at every level, the provision of advanced *Managed Services* and competitive pricing are also among the major advantages over leading international integrators, which have helped to position the Group in multinational clients.

The main **weaknesses** of the Group, which characterize its current positioning and are addressed by its strategy, include:

- High level of concentration in large clients from a leading regional telecom group and limited market presence in Serbia, Montenegro, Bosnia and Herzegovina, and Slovenia;
- Limited management capacity for rapid and simultaneous rollout of large-scale strategic development initiatives;
- Substantially lower brand recognition in developed markets, a substantially lower diversification across geographic markets and customers, and a more limited financial scale and capacity for aggressive competition for resources and customers as compared to leading international integrators.

The main **opportunities**, driven by the degree and trends of market development, the competitive environment and the Group's strengths, are reflected in detail in its strategy (the subject of Section 6 of this Document), and can be summarized as follows:

- Introducing innovative offerings relative to the penetration of *Cloud*-based systems and the *Internet of Things*;
- Entering markets with high development potential (Macedonia, Kosovo and Albania);
- Sale of *Office Productivity* solutions to "digitally immature" customers throughout the Balkan region in which the Group operates;
- Expanding niche positioning in Serbia, Montenegro, Bosnia and Herzegovina, and Slovenia with competitive *Information Security* offerings;
- Expanding the presence in existing and new multinational clients based on competitive service quality, *Managed Services* and other innovative products (including *Platform Based Infrastructure*) and subsequent establishment of direct presence on major developed markets;
- Cross-sale and up-sales of products and services of all categories across new clients or markets.

The significant potential **threats** that the Group faces in terms of its current and target market position include:

- Growing competition for engineering, technical and project personnel in Bulgaria and in the other Balkan markets with potential consequences - shortage and increased human resources costs;
- Aggressive resistance by local and international integrators in response to the Group's entry into new markets and customers in terms of pricing and human resource recruitment;
- Aggressive entry of regional telecommunications operators into the system integration market in competition with the Group.

A more detailed description of the above and other major risks to the Group's business and strategy is contained in *Section 2: Risk Factors* of this Document.

4.3.4. THE BASIS FOR ANY STATEMENTS MADE BY THE ISSUER REGARDING ITS COMPETITIVE POSITION

In describing its competitive position, the Group follows the principle of highlighting its own strengths and weaknesses, avoiding the reference to negative definitions and highlighting the weaknesses of its competitors.

Except when specifically attributed to external sources in this Document, the definitions related to the Group's competitive position are based on its own analysis and market observations, including products and services offered by other market participants together with the publicly available information for their participation in tenders and other procedures for common target clients or other clients.

4.4. INVESTMENTS

4.4.1. A DESCRIPTION OF ANY MATERIAL INVESTMENTS OF THE ISSUER AS OF THE DATE OF THIS DOCUMENT

Table 15: Combined investments of the Group for the period 01.01.2016 up to the date of the Prospectus

Acquisitions and Transfers* of FA & IA	(combined)					
TBS Group	**2018**	**2017**	**2016**	**01-06'2019**	**01-06'2018**	**07'2019-DP**
('000 BGN)						
Machinery and Equipment	83	47	180	43	5	185
Computers	358	177	171	108	208	91
Vehicles	16	182	21	0	16	0
Furniture and fittings	1	0	2	121	0	27
Assets for Managed Services	656	1 185	0	1 602	12	625
Total Acquisitions and Transfers – Fixed Assets	**1 114**	**1 591**	**374**	**1 874**	**241**	**928**
Software	155	12	997	0	155	0
R&D	533	166	716	14	126	109
Other	0	0	0	71	0	0
Total Acquisitions and Transfers – Intangible Assets	**688**	**178**	**1 713**	**85**	**281**	**109**
Total	**1 802**	**1 769**	**2 087**	**1 959**	**522**	**1 037**
(relative share)						
Machinery and Equipment	5%	3%	9%	2%	1%	18%
Computers	20%	10%	8%	6%	40%	9%
Vehicles	1%	10%	1%	0%	3%	0%
Furniture and fittings	0%	0%	0%	6%	0%	3%
Assets for Managed Services	36%	67%	0%	82%	2%	60%
Total Acquisitions and Transfers – Fixed Assets	**62%**	**90%**	**18%**	**96%**	**46%**	**89%**
Software	9%	1%	48%	0%	30%	0%
R&D	30%	9%	34%	1%	24%	11%
Other	0%	0%	0%	4%	0%	0%
Total Acquisitions and Transfers – Intangible Assets	**38%**	**10%**	**82%**	**4%**	**54%**	**11%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

* From Inventory.
DP = date of the prospectus

Source: Telelink Business Services Group AD

The Group's investments in fixed assets and intangible assets during the period 2016-2018 and the first half of 2019 are presented in Table 15 above.

During this period, the Group has made substantial investments in the purchase and transfer from inventories related to the provision of *Equipment as a Service*, accounting for an average of 46% of the combined investments for the whole period and 62% for the period from the conclusion of the first contracts for the provision of the respective *Managed services* with a leading multinational company in 2017.

With an average share of 11%, the purchase of computer equipment for the assurance of employed personnel, internal IT and test infrastructure and the provision of services formed a regular part of the Group's investments during the period 01.01.2016-30.06.2019. Made with similar purposes, purchases of other machinery and equipment amount to an average of 5% of the combined investments for the same period.

Forming an average of 18% of the total investments of the Group during the period 01.01.2016-30.06.2019, R&D expenses reflect the value of externally purchased goods and services and internal development costs, complementing the specialization of the Group in the field of *Office Productivity*, *Patient Tracking Systems*, *Cloud Systems*, *Information Security* and the *Internet of Things*.

Averaging 14% of the Group's total investments made during the same period, the purchases of third party software are mainly related to systems that support the provision of services, including a system for tracking network device configurations for the *Networking* division in 2016, and system for tracking data flows for the *Information Security* division in 2018.

Given the increasing use of cars under operating lease, the Group's investments in vehicles are relatively limited.

The main source of the above investments, forming on average 98% of the value of acquisitions and transfers from inventories to fixed assets and 100% of the acquisitions of intangible assets for the period 01.01.2016-30.06.2019, is *TBS EAD*.

The rest of the Group's investments are formed almost entirely by the purchase of machinery, equipment, computers, vehicles and furniture and fittings at *Comutel*. Due to the significantly smaller number of staff and the lack of sales of *Managed Services*, including the provision of *Equipment as a Service*, and research and development in the respective companies, the Group's operations outside Bulgaria generally did not require significant investments during the covered period.

(AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)

The Group’s investments in fixed assets during the 2019 financial year and up to the date of the Supplement of the Registration document date 16.03.2020 are presented in Table 15.1 below.

Table 15.1: Consolidated investment of the Group in 2019 and for the period starting 01.01.2020 up to the date of the Supplement to the Registration document of the Prospectus dated 16.03.2020.

Acquisitions and Transfers* of FA & IA	(consolidated)	
TBS Group	**2019**	**01'2020-DS**
('000 BGN)		
Machinery and Equipment	347	31
Computers	266	28
Vehicles	7	0
Furniture and fittings	216	27
Assets for Managed Services	2,314	435
Total Acquisitions and Transfers – Fixed Assets	**3,150**	**521**
Software	0	0
R&D	162	0
Other	70	0
Total Acquisitions and Transfers – Intangible Assets	**232**	**0**
Total	**3,382**	**521**
(relative share)		
Machinery and Equipment	10%	6%
Computers	8%	5%
Vehicles	0%	0%
Furniture and fittings	6%	5%
Assets for Managed Services	68%	84%
Total Acquisitions and Transfers – Fixed Assets	**93%**	**100%**
Software	0%	0%
R&D	5%	0%
Other	2%	0%
Total Acquisitions and Transfers – Intangible Assets	**7%**	**0%**
Total	**100%**	**100%**

* From Inventory.
DS = date of the supplement to the prospectus

Source: Telelink Business Services Group AD

The Group's investments in 2019 were mainly focused on the acquisition of provided *Equipment-as-a-Service* which represent 68% of the consolidated investment for the year and 76% on average for the period 01.01.2019 up to the date of the Supplement. The average relative share of this asset category in the overall investments of the Group for period 01.01.2016 up to the date of the Supplement amounts to 51%.

With a relative share of 10% in the overall investments in 2019, the purchases of machinery and equipment mark relative increase compared to previous years due to the acquisition of computing and specialized equipment for the assurance of internal IT and test infrastructure and the provision of services. The average relative share of this asset category in the overall investments of the Group reaches 8% for the period starting 01.01.2019 up to the date of the Supplement and 6% for the period starting 01.01.2016 up to the date of the Supplement.

Despite marking a decrease compared to previous years, investments in computers for the assurance of personnel and other operating functions retain a substantial relative share of 8% in 2019 and amount to 6% of the total investments for the period starting 01.01.2019 up to the date of the Supplement. The relative share of this asset category to the total investments of the Group for the period starting 01.01.2016 up to the date of the Supplement amounts to 10%.

With a 5% share in the total investments in 2019, representing mostly the development solutions in the *Internet of Things* category, R&D expenses also exhibited a decrease compared to previous years. The average relative share of this asset category in the total investments of the Group decreased to 2% for the period starting 01.01.2019 up to the date of the Supplement and 16% for the period staring 01.01.2016 up to the date of the Supplement.

In 2019, the Group did not report any software acquisitions. The average share of this asset category in the total investments of the Group for the period starting 01.01.2016 up to the date of the Supplement amounts to 11%.

Accounting for the continues use of the vehicles acquired under operating lease contracts, the Group's investments in vehicles for the period starting 01.01.2019 up to the date of the Supplement are relatively immaterial.

With a 96% share in the fixed asset purchases and 100% in the intangible assets' purchases, *TBS EAD* remained the major driver of consolidated investments in the Group in 2019. The average share of the company in the total investments of the Group for the period starting 01.01.2016 up to the date of the Supplement amounts to 98%.

The rest of the Group's investments include machinery, equipment, computers, vehicles and furniture and fittings in *Comutel* together with computers and furniture and fittings for the new *TBS Group* subsidiaries, *Telelink Albania* and *Telelink Macedonia*. With considerably lower number of employees and lack of provision of Managed Services which entail the supply of Equipment as a service, and R&D, the Group's operations outside Bulgaria continue to require relatively insignificant investments for the period starting 01.01.2016 up to the date of the Supplement to this Registration document.

4.4.2. DESCRIPTION OF ANY MATERIAL INVESTMENTS OF THE ISSUER THAT ARE IN PROGRESS OR FOR WHICH A FIRM COMMITMENT HAS BEEN MADE

Commitments to incur capital expenditures for the acquisition or construction of tangible or intangible fixed assets may arise from:

- *Managed Services* contracts involving the provision of *Equipment as a Service* that remains the property of the companies of the Group, which are providing such services;
- Participation in projects under EU structural programs to improve competitiveness, develop and introduce technologies or based on them products or services, for which the Group's companies have adopted a plan to incur and refinance or co-finance such costs.

As of the date of this Document, *TBS EAD* has concluded contracts and/or had received orders, according to which it is to fulfil its commitments to purchase the provided *Equipment as a Service* worth a total of BGN 84 thousand. In accordance with its established practice, the Company intends to finance these purchases through financial leasing contracts similar to the ones described in *Item 9.1.1.4* of this Document.

As of the date of this Document, *TBS EAD* has submitted documents for participation in two projects under EU structural programs, the approval of which would entail commitments to incur expenses for the acquisition or construction of its own fixed assets:

- *Automated Unified Security Platform* Project

The project should be implemented in partnership with 14 other organizations within 24 months of signing the relevant contract. The budget for participation of *TBS EAD* amounts to EUR 1,102,000, including expenses for personnel, equipment and other accompanying expenses, financed in a ratio of own funds to program funds of 30:70, forming an own contribution of BGN 647,000. The company expects to form a commercially viable product of the type of *Integrated Security Management System (CSIM)*.

- *Intelligent Research Platform for 5G Network Access with Fog Computing*

The project should be completed within 18 months after signing the relevant contract. The budget for participation of *TBS EAD* amounts to BGN 690,000, including expenses for personnel, equipment and external services, financed in the ratio of own funds to program funds of 38:62, forming an own contribution of BGN 264,000. The company expects to further enhance its experience and competence in the 5G network generation.

As of the date of this Document, the company has not yet received approval for these projects and there are no other approved projects by the competent authorities or existing signed contracts for the implementation of such projects.

Other than the intentions for the purchase of a minority interest in *Telelink Albania*, described in Section 7 of this Document, the Issuer is not in the process of executing and has not undertaken any other investments in subsidiaries.

4.4.3. INFORMATION RELATED TO THE JOINT VENTURES AND UNDERTAKINGS IN WHICH THE ISSUER HOLDS A PROPORTION OF THE CAPITAL

During the period under review and to the date of this Document, the Group's interests in joint ventures are limited to the participation of *TBS EAD* in commercial entities and partnerships under the Obligations and Contracts Act, established for the joint realization of revenue generating projects together with other companies from the field of ICT.

As of the date of this Document, the only commercial entity is *Green Border Ltd.,* established to implement the *Green Border Stage 2 Project*, with the purpose of developing border security systems. The project is fully implemented and is not expected to have any future impact on the financial position and results of TBS EAD.

As of the date of this Document, there are seven partnership agreements (presented in Table 16 below) with the participation of *TBS EAD*, which have or should have an impact on its financial position and results after 30.06.2019 as a result of signed as of to this date commercial contracts.

Table 16: Material participation of TBS EAD in Partnership Agreements under the OCA as of the date of this Document

Name	TBS EAD share	Project
Green Border Consortium DZZD (Green Border 3)	75.91%	Expansion of the Integrated Border Surveillance System at the Bulgarian-Turkish Border - Construction of Sensory Surveillance Lines
Secure Borders Telesec DZZD	50.00%	Delivery of equipment and software, and integration into an existing MoI CCTV system for processing, storing and analyzing video information and data from at least 341 vehicles
Technolink DZZD	59.10%	Establishment of a Unified Violations Processing Centre (UVPC)
ATP Services DZZD	29.00%	CEZ Bulgaria's SAP system support (2015-2021) and one-time delivery, installation, integration and configuration of an EMC hardware system, one-time software delivery, data migration from existing infrastructure and warranty support for CEZ Bulgaria
Consortium Telesystems DZZD	63.50%	Merging of parts of the Integrated Monitoring System (CCI) at the Bulgarian border with the Republic of Turkey

Bulgarian Riverssides DZZD	15.00%	Establishment of a system for the management of the waters of the Iskar River as the first stage of the National Real-Time Water Management System.
Consortium Electronic Healthcare DZZD (e-Health)	80.00%	Provision of communication connectivity, maintenance of information-communication systems and tracking system operational control and management of the fleet of ambulances of the Emergency Medical Assistance of the Republic of Bulgaria (2014 - 2017)

Source: Telelink Business Services Group AD

The Partnership Agreements mentioned above, realized in the first half of 2019 or estimated to generate future revenue which exceed 5% of the revenues of *TBS EAD* for the last financial year, include *Consortium Green Border Partnership Agreement* and *Secure Borders Telesec Partnership Agreement*.

The realization of revenues from the *Consortium eHealth Partnership Agreement* depends on the potential positive outcome of a lawsuit in a claim for reimbursement of actually rendered services.

(AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)

In addition to the abovementioned information, as per the date of the Supplement of the Registration document of 16.03.2020 one additional Partnership agreement under OCA was established (as presented in Table 16.1 below) with the participation of *TBS EAD*, which has or will affect the financial position and results post 31.12.2019 in relation to contractual obligations in the process of execution as per the date of the Supplement.

Table 16.1: New material participations of TBS EAD in Partnership Agreements under OCA as per the date of the Supplement of the Registration document of the Prospectus, 16.03.2020

Name	TBS EAD share	Project
Consortium Sistel DZZD	50.00%	Design, construction and commissioning of a State Private Cloud (SHPC) and secure Internet node for e-Government public services

Source: Telelink Business Services Group AD

The expected revenue from the abovementioned DZZD exceed 5% of *TBS EAD*'s revenues for the last fiscal year. Accordingly, the company's participation in it is considered material.

4.4.4. DESCRIPTION OF ANY ENVIRONMENTAL ISSUES THAT MAY AFFECT THE ISSUER'S UTILIZATION OF TANGIBLE FIXED ASSETS

Overall, the Group's operations are not related to activities that have a significant direct environmental impact.

Physical activities related to system integration, delivery and maintenance are limited to the transportation, installation and setup, replacement or repair of on-site ICT equipment and materials, and do not include construction activities for the construction or conversion of infrastructures, facilities and complex sites. By their nature and scope, the transport, installation and repair activities performed do not pose significant environmental risks.

To the extent that the legislation has rules for the recycling and disposal of defective ICT equipment and materials, relevant obligations and risks for the Group arise to the extent that such equipment is the property of the Group's companies or in which they have entered into contractual commitments to perform the relevant operations on behalf and at the client's expense.

In the case of delivery services, system integration on a project basis and maintenance of the property, the risks and obligations associated with the operation, disposal and recycling of the delivered equipment are transferred to the customer at the time of delivery of the project or integration activity under the project.

When providing *Managed Services*, including the provision of *Equipment as a Service*, the equipment remains the property of the Group. In this sense, the Group companies providing such services undertake contractual and legal obligations to safely operate, remove and dispose of or recycle the relevant ICT equipment and materials.

Insofar as the nature and scope of the use of ICT equipment does not pose significant environmental risks, the likelihood of environmental problems arising that may affect the use by the Issuer of its own ICT equipment to provide services or for internal purposes, is insignificant.

4.5. SUMMARY INFORMATION RELATED TO THE EXTENT TO WHICH THE ISSUER IS DEPENDENT ON PATENTS OR LICENSES, INDUSTRIAL, COMMERCIAL, OR FINANCIAL CONTRACTS OR NEW MANUFACTURING PROCESSES

4.5.1. PATENTS, LICENSES, INDUSTRIAL CONTRACTS OR MANUFACTURING PROCESSES

During the period under review and to the date of this Prospectus, the Group's companies have no registered patents, have not been part of a licensing agreement for the use of registered foreign patents or other intellectual property for manufacturing purposes and their business activities are generally not related to the assembly or production of material components and products.

Commercial software developments cariied out by the Group and incorporated into the specific Application Services provided for individual, one-off projects and/or proprietary products include the integration and development of open source software components (Open Source). The latter are under license regimes such as the LGPL - Free Software Foundation (US) Common Public Right of Public Use, BSD License - Berkeley Software Distribution (US) Public License, Apache License - Publicly Available Software License Apache Software Foundation (USA), etc., which do not restrict the commercial use or other disposal of the developed complete software solutions, including the transfer of copyright over them.

Insofar as they are based on external software components, commercial software development projects incorporated into propriatary products designed for recurring sales primarily involve the use of licensed platforms such as *SolarWinds*, *ServiceNow*, *RSA NetWitness* and others.

As end users of software products, the Group companies use duly licensed operating systems and applications for computers, servers and other ICT equipment necessary for the normal technological assurance of their internal processes and work.

4.5.2. COMMERCIAL CONTRACTS

To the extent that the provision of sales, revenue, and supplies, respectively goods and materials for internal use and for the purposes of sales and related costs is carried out under commercial contracts, the Group's core business is normally dependent on their conclusion and performance.

The types of commercial contracts entered into in the ordinary course of the business of the Group and which have a material impact on its results can be separated into the following main categories:

- Sales contracts, including:
  - Contracts with clients for one-time delivery and/or integration and warranty maintenance of equipment and/or software, rendering of services and/or implementation of complex projects;
  - Framework contracts with customers for the supply and/or integration and warranty maintenance of equipment and/or software and/or the provision of services;
  - Contracts with customers for recurring services, incl. support, software licenses, *Managed Services*, *Equipment as a Service*, and more.
  - Consortium contracts with other ICT companies for joint project implementation.

- Contracts specifying the terms for the purchase of equipment, software, materials and services:
  - Framework contracts with vendors of equipment, software, materials and services;
  - One-off contracts with vendors of equipment, software, materials and services;

- Partnership agreements with manufacturers of equipment and software defining the applicable purchasing regimes (directly or through an authorized representative), preferential pricing, payment terms and obligations of companies within the Group for the maintenance of their technical specializations, etc.

4.5.3. MATERIAL SALES CONTRACTS

As of the date of this Document, the Group identifies as material in terms of current or expected sales the following signed contracts with a one-time or annual value in excess of 5% of the revenues of the respective company of the Group for the past financial year:

- Contracts for recurring services:
  - Agreement between *TBS EAD* and the Ministry of Education and Science of the Republic of Bulgaria for licenses for the rights of use and software assurance of Microsoft products, as well as services such as Premier Support Services, Professional consulting services and system license management services for pre-school and school education in the Republic of Bulgaria, with estimated annual revenues of BGN 4.6 million for 2019 and BGN 13 million for the whole contract period until 2022;
- Single Supply and Integration Contracts:
  - Agreement between *TBS EAD* and *Green Border Consortium DZZD* for Extension Activities of the Integrated Border Surveillance System at the Bulgarian-Turkish Border - Construction of Sensor Surveillance Lines with total revenue for BGN 3.7 million, charged mainly in the first half of 2019 and fully invoiced in August 2019;
  - Agreement between *TBS EAD* and *VMware Bulgaria Ltd.* for the supply of hardware and/or software products with a total revenue of BGN 3.4 million, realized in the first half of 2019.

(AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)

In addition to the abovementioned, as per the date of the Supplement dated 16.03.2020 the Group has identified as material in current and expected revenues the following contract for one-off provision and integration amounting to more than 5% of the Group's and *TBS EAD*'s revenue over the last fiscal year:

  - Contract between *TBS EAD* and *Consortium Sistel DZZD* for the execution of a public procurement contract "Design, construction and commissioning of a State Private Cloud (SHPC) and secure Internet node for e-Government public services" with expected revenues of up to BGN 15 million which are expected to be realized over the 2020-2021 period.

4.5.4. MATERIAL PURCHASE CONTRACTS

As of the date of this Document, the Group identifies as significant by the size of current or expected purchasing signed purchase contracts with a one-time or annual value in excess of 5% of the direct costs that form the cost of sales for 2018 with the following ICT equipment and software manufacturers and vendors:

- OEMs and technology partners:
  - *Cisco Systems* and related companies as a direct provider and technology partner of *TBS EAD, Comutel* and *Telelink Slovenia* in the field of *Networks* and *Managed Services*, including *Equipment as a Service*;
  - *Microsoft* and its affiliates as a direct provider and technology partner in the *Office Productivity* domain and in the field of integrated security systems and cloud services;

    - *DellEMC* and its affiliates as a direct provider and technology partner of TBS EAD related to *Data Center*, computer equipment and peripherals;
    - *IBM* and its affiliates as a direct vendor and technology partner of *TBS EAD* related to the *Data Center* category;
- Distributors based on framework contracts and regular transactions:
    - *Solitron Bulgaria Ltd.*, in its capacity of a distributor and a significant direct supplier of *TBS EAD* by the amount of purchasing for equipment manufactured by *Cisco Systems, DellEMC* and others.
    - *NDB Ltd.*, as a distributor and a significant direct supplier by the amount of purchasing of equipment and software manufactured by *IBM*, *VMWare* and others.
    - *Comtrade* (Serbia, Montenegro, Bosnia and Herzegovina, and Slovenia), as a distributor and direct supplier to the Group's companies in the Western Balkans region of telecommunications equipment manufactured by the *Cisco Systems* group.

Of utmost importance to the securing of the Group's purchases are its relationships with the original vendors - technological partners, with most of which (incl. *Cisco Systems*, *Microsoft* and *DellEMC*) the Group has agreements, featuring direct purchase arrangements. The selection of distributors as direct suppliers of equipment and software is dependent on the ability to provide shorter lead times, lower transportation costs and other delivery conditions and is subject to change at the discretion of the vendor - technology partner and/or on of the Group's companies, depending on these and other commercial and market conditions.

4.5.5. FINANCIAL CONTRACTS

The companies within the Group do not reinvest all their profits. Also, depending on the dynamics of their working capital and their investment costs, their cash requirements may exceed their availability over a given period. For these reasons, they are dependent on working capital and investment financing agreements with banks and other external creditors of the Group, or financial support from other of the Group's companies.

At the date of this Document, active revolving financial contracts include:

- Agreement for the undertaking of credit commitments under overdraft and revolving working capital limits between *TBS EAD* and *Unicredit Bulbank AD* with a total limit for the effective utilization of funds up to EUR 5 million and a current availability period up to 31.05.2020, subject to annual renewal;
- Loan agreement between *Comutel* and *Raiffeisen Banka AD Beograd (Serbia)* with revolving credit limit for effective utilization of working capital up to USD 5 million with current availability period up to 28.01.2020, subject to annual renewal.

As of the date of this Document, the material active financial contracts for investment purpose include the finance leases of *TBS EAD* with *UniCredit Leasing* and *Sogelease Bulgaria* (renamed *OTP Leasing*) with the subject - financing of *Equipment as a Service* provided according to *Managed Services* contracts between *TBS EAD* and the divisions of a large multinational client in the transport and logistics sector, with a total equivalent of the financed amounts of BGN 3 347 thousand.

Further information on the conditions and amounts due under the above and other contracts in force during the period 2016-2018 and the first half of 2019 is provided in *Section 9*, *Loans and Capital Resources* of this Document.

5. STRATEGY AND OBJECTIVES

5.1. KEY TRENDS ON THE LOCAL AND GLOBAL MARKETS

During the last decade, ICT have evolved significantly. Mobile connectivity, social media, automation, big data analytics and cloud services are now integral parts of business, while emerging technologies such as the *Internet of Things* (IoT), *Artificial Intelligence* (AI), *Machine Learning* (ML), *Augmented and Virtual Reality*, and *Blockchain* are changing the opportunities for activity and competition deployment and optimization in every domain.

The accelerating transformation of digital technology requires continuous investment in traditional and emerging systems and networks. New technologies support business growth and success with companies using them in every aspect of their operations (digital native companies), enabling them to be fast, innovative and focused on client needs by applying flexible techniques for servicing and development.

The leading research firm *International Data Corporation (IDC)* defines digital transformation as a continuous process by which enterprises adapt as quickly as possible to the challenges and changes of the market and customer needs by using digital competencies for innovation, introducing new business models, products and services and increasing competitiveness. According to IDC, global digital transformation costs are expected to reach USD 7 trillion[1] in the period 2018-2022.

According to the *Gartner research group*, global IT spending will reach USD 3.79 trillion worldwide in 2019[2].

5.1.1. NETWORKS

The popularity of mobile devices, *IoT* sensors, server-less computing, increasing volumes of shared data and automation is putting increasing pressure on existing transmission and enterprise data networks and is changing the architecture and the way they are built.

Building modern networks allows for greater flexibility, making it possible to configure them to meet different types of performance, capacity and availability requirements. Network management frameworks increasingly allow companies to dynamically configure and control their network resources through software.

Some of the main trends that will affect the development of data networks in the medium term are:

5G

With the continuous development of the Internet, the technologies and the functionality of various applications, the need for a faster, more stable and wide-ranging data connection is at the forefront. Fifth-generation wireless technology offers faster speed, lower latency and, most importantly, the ability to connect a large number of sensors and smart devices to a network.

With 5G, many network protocols can co-exist and be managed together to meet the specific requirements of individual devices.

Analysts predict that the market for 5G infrastructure will hit a CAGR of 42.84% in the period 2019-2020[3].

With telecom operators, the 5G revolution is underway. *Deloitte* predicts[4], that 2019 will be the year in which 5G networks will be rolled out in considerable scale. In 2018, 72 operators conducted tests to deploy 5G on their networks and it is expected that by the end of 2019, 25 operators will offer 5G service in at least part of their coverage areas (typically cities). Additionally, 26 operators have announced their intention to launch 5G in 2020.

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[1] *IDC's 2019 Predictions for Worldwide Digital Transformation*

[2] *Gartner Says Global IT Spending to Grow 1.1 Percent in 2019*

[3] *5G Infrastructure Market - Growth, Trends and Forecast (2019 - 2024)*

[4] *Connectivity of tomorrow, Deloitte, 2019*

SOFTWARE DEFINED NETWORKS AND FUNCTIONAL NETWORK VIRTUALIZATION

The evolution and growing variety of network service capabilities necessitate the use of modern virtualization techniques such as software defined networks (SDNs) and network function visualization (NFV).

Analysts expect the global SDN solution market to reach USD 28.9 billion in 2023, booking a CAGR of 26.8%[5]. A key factor driving software-defined network market growth is the increasing demand for cloud solutions, leading to lower operating costs and the ability to regulate workflows to workloads. Companies and operators from the US and Europe are major users of SDN solutions.

Analysts project the NFV solutions market to reach USD 70 billion in 2024.[6] The rapid growth of this segment is due to the fact that NFV technologies allow businesses to eliminate the cost of purchasing and maintaining hardware while accelerating the deployment of new network services.

MANAGED SERVICES

Given the increasing complexity of building and maintaining data networks, more and more companies are turning to managed services. They give them access to enhanced applications and services that they would not be able to build on their own, while allowing them to focus on their core business.

Analysts estimate that the managed services market at USD 180.5 billion in 2018 and expect it to grow to USD 282 billion in 2023, with an average annual growth of 9.3% over the period considered[7].

5.1.2. **DATA CENTERS**

Along with the increasing consumption of managed services, there is a tendency for more companies to stop building and maintaining their own data centers due the considerable capital expenditures. According to a *Gartner* survey[8], 80% of companies surveyed will close their own data centers in 2025, with 10% of organizations already doing so.

Companies with older data centers prefer to outsource physical infrastructure management to specialized vendors. *Gartner* data for 2019 shows that the percentage of IT budgets spent on data centers has decreased in the last few years and now represents only 17% of the total. Most often organizations use colocation solutions as a substitute for traditional data centers as they offer higher availability, reliability, certified levels of service, energy efficiency, specialized facility management and scalability.

PUBLIC CLOUD SERVICES

The increasing complexity of building and maintaining IT infrastructure and the need for more flexibility in creating up-to-date IT solutions and products are among the main reasons for the increasing demand for public cloud services by organizations. *Gartner* analysts [9] expect public cloud revenue to grow 17.3% in 2019, reaching USD 206.2 billion.

The fastest growing segment of the market is Infrastructure as a Service (IaaS) with a growth of 27.6% in 2019 and sales of USD 31 billion. According to *Gartner*, by 2022 90% of IaaS solution users will also use the *Platform as a Service (PaaS)* solution, most often using the same IaaS and PaaS provider. The growth in the PaaS use is also associated with the fact that more organizations are beginning to use cloud native applications in an effort to accelerate their innovation potential by using flexible techniques for developing and managing applications and business processes. According to a *Capgemini* survey[10] in 2020 32% of applications in organizations will be cloud-based, resulting in the expected significant growth in the market for cloud micro-services and the *Deployment of Software Optimization* (DevOps).

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[5] Global Software defined networking market
[6] NFV Market size exceeded USD 5 billion in 2017, growing at a CAGR of over 42% from 2018 to 2024.
[7] Managed service market
[8] Gartner: The Data Center Is (Almost) Dead, 2019
[9] Worldwide public cloud revenue to grow 17.3 percent in 2019
[10] Cloud native applications adoption is set to double by 2020

Market Research Future's (MRFR) analysts expect the cloud micro-services market to be booming in the coming years, with a compound annual growth rate of 25% in 2018-2023, reaching USD 2.1 billion in 2023[11].

Experts estimate accelerated cloud service usage to drive growth in the use of DevOps tools and solutions. A report by *Grand View Research* [12] predicts that the DevOps market will reach USD 12.85 billion in 2025, with a compound annual growth rate of 18.6% over the period considered.

Software as a Service (SaaS) continues to hold the largest market share with more than 40% in 2019 and an increase of 17.8%, reaching USD 85.1 billion.

HYBRID CLOUD SOLUTIONS

Along with projected growth in the use of public cloud services, analysts expect that the hybrid cloud solutions market will grow at a compounded annual growth rate of 22.7% in the period 2018-2023, reaching USD 138.6 billion in 2023[13].

The main drivers for the growth of the hybrid cloud solutions market are the growing focus on flexible and scalable computer processing power, the high-level benefits of these clouds and the growing volume of business data. The emergence of hybrid IT services (for which the hybrid cloud is a key factor), combined with an increased focus on data analytics, is expected to open up new growth opportunities over the forecast period. However, concerns about integration and operational aspects of the cloud and security issues remain major challenges affecting market growth.

5.1.3. INFORMATION SECURITY

According to *Cybersecurity Outlook 2025*[14], in 2017, the value of the cybersecurity solutions market was USD 104.6 billion. It is projected to reach USD 259 billion in 2025, with a compounded annual growth rate of 11.9% over the period. Industry growth is fueled by the increasing data leakage incidents in large corporations and government agencies, as well as the increasing use of Internet of Things solutions and the increasing trend of employees using their own devices (BYOD , bring your own device).

The growing demand for cloud cybersecurity solutions is also one of the major market growth drivers. However, it is somewhat limited by the need to comply with stringent standards of compliance in terms of cybersecurity, state regulations in the field and the complexity of providing security in the presence of multiple types of different devices.

The solutions segment dominates the common cybersecurity market in 2017. This segment is expected to remain the largest share during the forecast period, due to the increased need to monitor external and internal threats in organizations of all sizes.

The segment covering the use of cybersecurity solutions by large enterprises generates the highest market share in 2017, reflecting the significantly higher level of maturity of such organizations in the awareness of the need to protect business and customers from incidents involving IT security breaches. However, the segment of small and medium-sized enterprises is expected to have the highest average annual growth of 14.5% over the period under consideration as a result of the growing awareness of the adverse impact of security breaches on businesses and smaller companies.

In terms of the most active cybersecurity users by sectors, the financial sector dominates the market in 2017 and is expected to show significant growth over the forecasted period. The growth is mainly due to the growing need for financial institutions to provide high levels of security and digital confidentiality in view of the increasing use of mobile and internet banking.

5.1.4. OFFICE PRODUCTIVITY

[11] Global cloud micro services market
[12] DevOps Market Worth $12.85 Billion by 2025
[13] Global hybrid cloud market 2019-2024
[14] Cyber Security Market Outlook - 2025

Office productivity and collaboration tools are used to increase productivity and facilitate the work of individual teams in business organizations. They allow for quick and easy sharing, processing and management of files, documents and other types of data between colleagues internally and externally (business partners, employees, consultants and clients).

According to a study by *Markets and Markets*[15], the global office productivity and collaboration solutions market is expected to grow from USD 34.57 billion in 2018 to USD 59.86 billion in 2023, with an average annual growth of 11.6% for the years under review. Leading market growth factors are the increased use of mobile devices for employee-client collaboration, as well as the increasing use of corporate social networks within organizations.

According to the data in the cited report, the cloud market segment will grow at a faster pace than the office productivity solutions implemented on the spot. The growth in the demand for cloud-based office productivity solutions is due to the fact that they are easy to deploy, provide higher flexibility and scaling features than locally based solutions. They are also particularly attractive to small and medium-sized enterprises as they enable them to optimize their software, hardware, data storage and technical staff costs.

5.2. STRATEGY

In line with the identified market trends, competitive positions and opportunities, the Group's strategy targets expansion on both the current key markets in Bulgaria, Serbia, Bosnia and Herzegovina and Slovenia, and across the rest of the Western Balkans and Romania, Western Europe, Northern America and the global market for multinational companies. The focus is on attractive and innovative products in the *Data Center, Information Security, Office Productivity categories and Managed Services*. Vital preconditions for achieving these goals are a segmented approach to the target customer groups and the assurance of operations with human resources, combined with a flexible and efficient organizational structure.

5.2.1. PRODUCTS AND SERVICES

DATA CENTERS

The Group will focus on developing solutions for the transition from traditional data centers to flexible *Private Cloud* systems that can be easily extended to *Hybrid Cloud Solutions*. Additional areas in focus will include *Platform-based Infrastructure* solutions, as well as *Application Services* aimed at integrating applications in a cloud environment, which are regarded as a channel for entry or expansion into multinational clients and developed markets. They are also expected to be a factor in generating additional sales from products in the *Enterprise Networks* and *Information Security* groups as well as *Managed Services*.

INFORMATION SECURITY

The Group sees the propagation and further development of products and services in this division as a competitive advantage and a means of penetrating digitally developed clients in Eastern European markets, as well as a complementary offering to developed market customers with an emphasis on relevant Managed Services.

OFFICE PRODUCTIVITY

The Group intends to take advantage of its established partnership with Microsoft to expand the market penetration of Office 365 and other products in this category as a channel to attract digitally immature customers on Eastern European markets.

[15] Enterprise Collaboration Market worth 59.86 Billion USD by 2023

NETWORKS

The group intends to use its traditionally strong positioning in this category and the introduction of Software-Defined Networks (SDNs) and services to absorb the expected additional demand in this area, generated by the penetration of cloud-based systems and Office 365, the consolidation of the Balkan telecommunications sector and the penetration of 5G.

5.2.2. MARKET SEGMENTATION

Accounting for the different characteristics of the markets and customer target groups by the degree of competitive saturation, development and penetration of IT, the Group intends to implement a differentiated product expansion strategy, applying as guiding principles:

- entry and/or expanding into clients with digital development potential based on popular and easy-to-implement Office Productivity solutions and the gradual implementation of products in other categories as the clients make their transition to digital maturity;
- entry and/or expansion into digitally developed clients based on innovative and competitive products in the categories of *Data Centers, Information Security* and *Networks* and/or *Managed Services* according to the degree of development of the relevant market.

5.2.3. EXPANSION STRATEGY BY GEOGRAPHY

Summarizing its product strategy and applied market segmentation, the Group aims to expand its sales and customer base by countries and regions as follows:

Bulgaria

- Expansion in existing developed enterprise clients based on sustainable quality of service, ICT infrastructure modernization and innovative *Private Cloud, Application Services* and *Security Solutions*;
- Entries and expansion in digitally immature enterprise clients with popular Office Productivity solutions and subsequent up-sales of products from other categories along their transition to digital maturity;
- Expansion in the telecom sector on the basis of projects related to their consolidation in capital and operationally integrated groups, the adoption of 5G and new operator services.

Serbia, Montenegro, Bosnia and Herzegovina, Slovenia, Croatia, Romania

- Entries and expansion in digitally immature enterprise clients with popular Office Productivity solutions and subsequent up-sales of products from other categories along their transition to digital maturity;
- Expansion in digitally mature clients based on innovative and competitive Information Security offerings previously unavailable on the respective market;
- Expansion in existing clients and entering new clients in the telecom sector based on projects relative to their consolidation in capital and operationally integrated groups, 5G and new operator services.

Macedonia, Albania

- Entries and expansion across digitally immature enterprise clients with popular Office Productivity solutions and subsequent up-sales of products from other categories along their transition to digital maturity;
- Expansion in digitally mature enterprise clients based on innovative and competitive Information Security offerings previously unavailable on the respective market, as well ason solutions of the Networking and Data Centre categories, with regard to which these markets are yet to reach competitive saturation in this sector;
- Expansion in existing clients and entering new clients in the telecom sector on the basis of projects relative to their consolidation in capital and operationally integrated groups, the adoption of 5G and new operator services.

Western Europe, US and multinational clients

- Expansion in existing multinational clients through the extension of the product and territorial scope of provided managed services, including *Equipment as a Service*, and up-sales of innovative and competitive *Platform-based Infrastructure*, *Application Services* and *Information Security* solutions;
- Replication of the successfully established model of Managed Services and up-sales across other multinational clients, targeting as a priority such with points of presence in Bulgaria and other existing markets;
- Establishment of local presence, including sales and marketing teams, on key markets and approach of new local clients in Western Europe and the US in the medium term.

5.2.4. ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCES

To assure the provision of the planned expansion with sufficient and efficiently organized human resources, the Group has planned on launching the implementation of a matrix structure integrating employees and managers across subsidiaries in a seamless international service organization. The planned structure is based on establishing interactions between 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.

In connection to the emphasis on new clients on the one hand and the expansion in existing clients on the other, appropriate profiling and allocation of human resources to marketing and sales functions is foreseen.

In view of the key aspect of service quality and flexibility and the expected growth, the Group has also planned the expansion of existing and the establishment of new technical expert hubs on the Balkans.

The deployment of this organizational structure is expected to contribute to the most effective implementation of the strategic goals of the Group through the created opportunities for dynamic targeting and full utilization of resources by clients and projects, regardless of the territory of realization.

5.3. POTENTIAL FUTURE DEVELOPMENT OF THE ISSUER

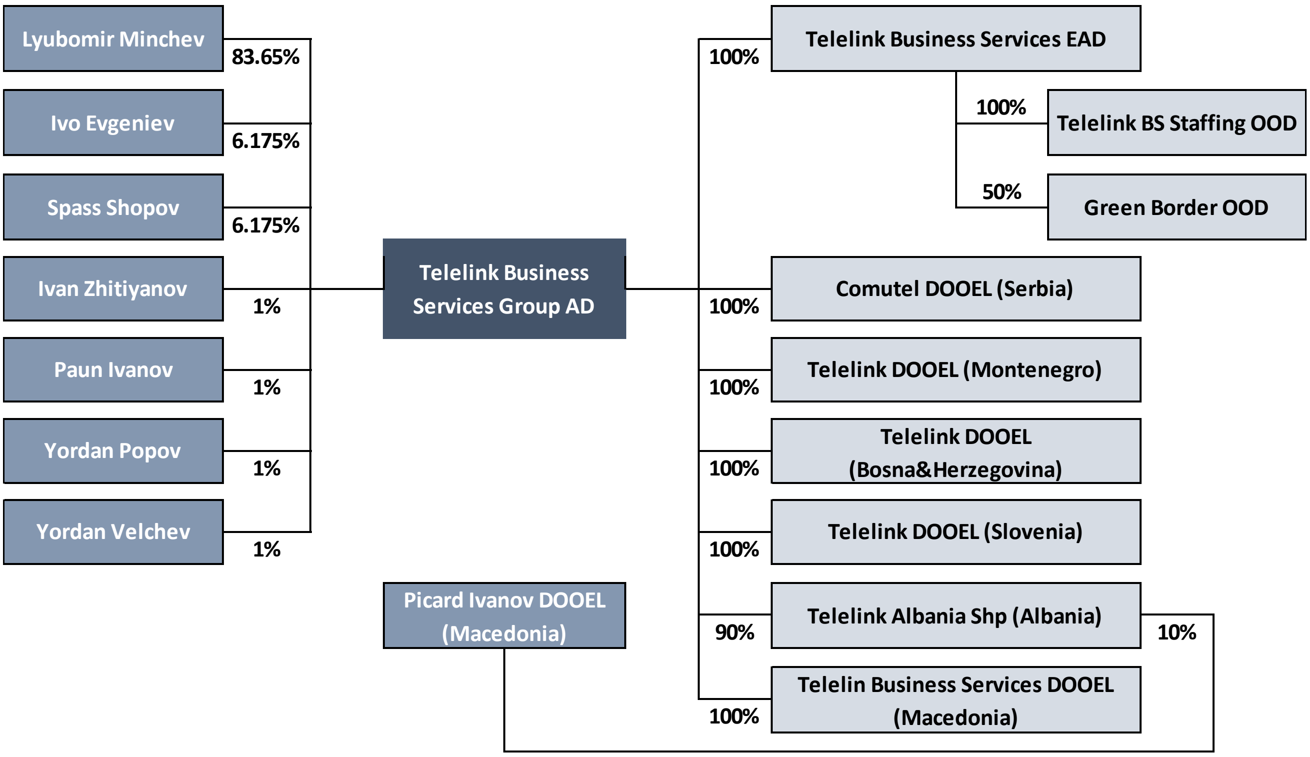
In line with the adopted strategy and objectives the potential future development of the Group would involve:

- significant growth and diversification of revenues as a result of expansion in both existing and new clients and markets;
- significant growth in the number of employees, and the respective expenses, on all levels and all resource hubs, including operations (technical and project management), sales and marketing and general and administrative staff related to the planned expansion;
- steady growth in equipment Capex and related non-current assets, depreciation and finance lease obligations, as a result of accelerated growth in Equipment as a Service;
- gradual gross margin improvement as a result of:
    - the growing share of revenues from developed markets, yielding typically higher price levels while serviced at the lower staff costs per employee of Balkan-based resource hubs,
    - the growing share of innovative solutions and services bearing typically higher added value, including advanced Data Centre solutions, Information Security, Managed Services and services as a whole;
    - operating efficiency improvement as a result of the flexible allocation of resources and economies of scale in the planned matrix organization structure;
- accelerated EBITDA margin improvement and growth as result of the growing share of depreciation relative to provided Equipment as a Service in the cost of sales.

6. ORGANISATIONAL STRUCTURE (AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)

The Issuer's shareholder structure and its holdings in subsidiaries and their subsidiaries forming together with it the Group as of the date of this Document are illustrated in Figure 1 below.

Figure 1: Structure of the Group's shareholders and its subsidiaries as of the date of the Prospectus



Source: Telelink Business Services Group AD

According to the Supplement of this Document dated 16.03.2020, on 31.01.2020 the Issuer's MB voted and the SB approved the contract with *Picard Ivanov DOOEL* to acquire 1 share in the capital of *Telelink Albania*, representing 10% of the share capital of the latter, for the total purchase price of EUR 1 000 , equivalent to BGN 2 000. The contract has been signed on 25.02.2020.

Respectively, *TBS Group*'s shareholding in *Telelink Albania* will increase from 90% to 100%, which is expected to allow for the optimization of the company's management , including more expedient decision making in the context of single ownership, as well as to provide for future dividend distribution, including a possible payout in 2020, entirely to the benefit of *TBS Group*.

6.1. BRIEF DESCRIPTION OF THE GROUP AND THE ISSUER'S POSITION WITHIN THE GROUP

As of the date of this Document, *Group TBS* is an independent economic group formed by the Issuer *Telelink Business Services Group AD*, its subsidiaries and companies controlled by its subsidiary *TBS EAD*.

To the extent that the majority shareholder of *Telelink Business Services Group AD* is Lyubomir Minchev as an individual, the Issuer is not a direct part of an economic group. Indirectly, it originates and is under common control with the group formed by *Telelink Bulgaria EAD* and its subsidiaries, also controlled directly or indirectly by Lyubomir Minchev.

Further information on the formation of the Group and the transformation of the *Telelink Group* is contained in *Section 4, item 4.2: History and Development of the Issuer* in this Document.

6.2. SUBSIDIARIES OF THE ISSUER

As of the date of this Document, the Issuer has direct holdings in seven subsidiaries and indirect participation in two companies controlled by *TBS EAD* listed in the table below, each of which is managed in the country in which it is incorporated.

As of the date of the Supplement to the Registration document dated 16.03.2020, the Issuer is the sole owner of all directly held subsidiaries, including *Telelink Albania* in which it increased its participation to 100% with the acquisition of 10% of the share capital in the latter from Picard Ivanov DOOEL on 25.02.2020.

Table 17: Telelink Business Services Group AD's subsidiaries as of the date of this Document

Subsidiary	Country of incorporation and management	TBS Group's share holding
(Direct)		*(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 SHPK	Albania	90%
Telelink Business Services DOOEL	Macedonia	100%
(Indirect)		*(Through TBS EAD)*
Telelink BS Staffing EOOD	Bulgaria	100%
Green Border OOD	Bulgaria	50%

Source: Telelink Business Services Group AD

Table 17.1: Up-to-date holdings of TBS Group in its subsidiaries as of the date of the Supplement dated 16.03.2020

Subsidiary	Country of incorporation and management	TBS Group's share holding
(direct)		*(direct)*
Telelink Albania SHPK	Albania	100%

Source: Telelink Business Services Group AD

Companies engaged in active trading activities and generating significant income and operating results as of the date of this Document include *TBS EAD, Comutel, Telelink (Montenegro), Telelink (Bosnia and Herzegovina)* and *Telelink (Slovenia)*. The activities and financial results of these companies are presented in detail in *Section 4: Business Overview* and *Section 8: Operating and Financial Review* of this Document.

Telelink (Albania) and *TBS (Macedonia)* were established in May and September 2019, respectively. As of the date of this Document, *TBS (Macedonia)* already generates revenue, while *Telelink (Albania)* has singed sales contracts but has not yet started their execution. Both companies are expected to make sales by the end of 2019, but with a relatively insignificant contribution to the Group's financial result for the current fiscal year.

As of the date of this Document, the indirectly owned *Telelink BS Staffing EOOD*, established by *TBS EAD* for the purpose of potential joint operations with a leading financial advisory organization, has not yet developed significant economic activity. The project objective of the *Green Border* joint venture, co-founded by *TBS EAD*, has been exhausted with the implementation of the respective project and it is not expected to have any significant future effects on the Group's operations and financial position.

7. FINANCIAL INFORMATION

7.1. SCOPE OF THE FINANCIAL INFORMATION

TBS Group was incorporated on 12.07.2019. Its purpose is to unite in one independent company all investments of *Telelink Bulgaria EAD* in subsidiaries spezialized in the *Business Services* business line. The spin-off of the *Business Services* activity from *Telelink Bulgaria EAD* to *TBS Group* was completed with the transformation of the two companies on 14.08.2019 in compliance with the provision of art. 262c of the Commercial Act.

As a newly incorporated company, *TBS Group* has not yet prepared consolidated and individual financial statements. In compliance with Regulation (EU) 2019/980 and as of the date of this Document and the Prospectus as a whole, the Issuer should include in the latter financial information about the Group covering the last three financial years as well as an interim period covering at least the first six months of 2019. According to the abovementioned Regulation, the Issuer has “complex financial history” as a newly incorporated holding company, which has been formed as such as a result of the spin-off from an existing entity, uniting companies under joint control that, from a legal point of view, were not part of a group prior to 14.08.2019, and should provide respective pro forma financial information.

With regard to the above-mentioned circumstances and the present public offering, the Issuer has prepared combined annual financial statements and combined interim financial statements.

The purpose of the combined financial information is to illustrate what the financial results and position of the Group would have been, if the companies, which it comprises as subsidiaries of *TBS Group* as a result of the legal reorganization from 14.08.2019 and which existed during the 01.01.2016-30.06.2019 period, had been a part of it over the same period.

For this purpose, the combined financial statements aggregate financial information on the *Business Services* activities of the following *TBS Group*’s subsidiaries, regarded as a combination representative of the Group during the respective periods:

- *TBS EAD*, *Comutel*, *Telelink Montenegro*, *Telelink Bosnia* and *Telelink Slovenia* for the period 01.01.2016-31.12.2018;
- The above five companies and *Telelink (Albania)*, incorporated in May, 2019 for the period 01.01.2019-30.06.2019

By providing combined information on the entities that best represent the scope and operations of the Group during the above-mentioned periods, the combined financial information complies with the pro forma financial information provision of Regulation (EU) 2019/980.

According to the requirements of the abovementioned Regulation, pro forma information may be published in respect of the last completed financial period and should be accompanied by an auditor report prepared by an independent auditor stating that in their opinion the pro forma financial information has been prepared properly on the basis of provided data. Accordingly, the Issuer has provided an audited combined financial statement for the last financial period ending 31.12.2018. Prior period information is presented for comparison purpose only.

In accordance with the abovementioned, the annual combined financial statement covers information for the last three financial years prior to the date of this Document, specifically from 01.01.2016 to 31.12.2016, from 01.01.2017 to 31.12.2017 and from 01.01.2018 to 31.12.2018. The information included in the financial statement from 01.01.2018 to 31.12.2018 has been audited. Comparative information has been included in the financial statement from 01.01.2016 to 31.12.2016 as well as from 01.01.2017 to 31.12.2017, which has not been audited.

In accordance with the abovementioned, the interim combined financial statement covers the period from 01.01.2019 to 30.06.2019. The report has not been published and the included financial information has not been audited.

It should be borne in mind that the combined financial statement is for illustrative purposes only, representing a hypothetical financial position and results of the Group which may differ from the actual financial position and results that the Group would have had if the Company had existed from 01.01.2016 onwards.

7.2. AUDITOR'S REPORT RELATED TO THE COMBINED FINANCIAL INFORMATION

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Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., floor 4
1124 Sofia, Bulgaria

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ey.com

Independent auditor's report

To the sole shareholder of Telelink Business Services Group EAD

Opinion

We have audited the accompanying combined financial statements of Telelink Business Services Group EAD, carving out the financial information of business services segment (the Group), which comprise the combined statement of financial position as at 31 December 2018, and the combined statement of profit or loss and comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the combined Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the combined financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 2 and 3 to the combined financial statements which describes the purpose of the financial statements and the basis for their preparation, including the methods applied and judgements made in establishing the assets, liabilities, revenue and expenses of the Group. Our opinion is not modified in respect of this matter.

Translation in English of the official Auditor's report issued in Bulgarian.

A member firm of Ernst & Young Global Limited

Ernst & Young Audit OOD,
seat and address of management in Sofia
Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., floor 4
UIC: 130972874, VAT # BG130972874
BGN IBAN: BG48 UNCR 7000 1520 6686 91
BIC: UNCRBGSF with Unicredit Bulbank AD

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Other matter

The comparative information included in the accompanying combined financial statements of the Group for the year ended 31 December 2018 is unaudited.

Responsibilities of Management for the combined Financial Statements

Management is responsible for the preparation and presentation of the combined financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Audit Firm Ernst & Young Audit OOD:

Nikolay Garnev
Legal Representative and
Registered Auditor in charge of the audit

Sofia, Bulgaria
30 August 2019

Translation in English of the official Auditor's report issued in Bulgarian.

7.3. COMBINED FINANCIAL INFORMATION

Table 18: Combined statements of financial position of the Group for the period 01.01.2016-30.06.2019

Indicators ('000 BGN)	31.12.2018	31.12.2017	31.12.2016	30.06.2019	30.06.2018
ASSETS					
Non-current assets					
Property, plant and equipment	2 132	1 654	751	6 782	1 568
Investment properties	342	332	332	342	332
Intangible assets	802	461	1 310	649	438
Prepayments	2 704	2 044	2 489	4 947	3 612
Other non-current assets	1	2	2	0	2
Deferred tax assets	637	526	265	651	534
Total non-current assets	**6 618**	**5 019**	**5 149**	**13 371**	**6 486**
Current assets					
Inventories	3 865	4 063	1 875	8 773	4 522
Trade and other receivables	26 384	26 055	24 384	23 635	24 480
Contract assets	3 746	0	0	5 757	158
Loans granted	6 426	0	0	0	0
Prepayments	4 173	5 433	5 657	4 181	4 492
Cash and cash equivalents	3 313	7 408	1 256	2 451	1 368
Income tax receivable	0	108	276	136	21
Assets classified as held for sale	933	405	405	934	405
Total current assets	**48 840**	**43 472**	**33 853**	**45 867**	**35 446**
TOTAL ASSETS	**55 458**	**48 491**	**39 002**	**59 238**	**41 932**
EQUITY AND LIABILITIES					
Total equity	**8 469**	**5 663**	**3 232**	**5 473**	**8 949**
Non-current liabilities					
Obligations under financial lease	890	766	23	3 576	625
Employee benefits	8	5	7	8	5
Government grants	42	0	1	222	0
Deferred income	0	2 055	1 975	0	0
Contract liabilities	2 584	0	0	4 611	3 918
Total non-current liabilities	**3 524**	**2 826**	**2 006**	**8 417**	**4 548**
Current liabilities					
Interest-bearing loans and borrowings	5 312	1 845	4 047	8 771	5 693
Obligations under financial lease	538	277	14	1 426	279
Derivatives	0	0	7	0	0
Trade and other liabilities	27 038	32 934	25 087	26 775	18 025
Government grants	130	1	1	330	1
Deferred income	0	4 918	4 481	0	0
Contract liabilities	10 000	0	0	7 803	4 119
Income tax liabilities	447	27	127	243	318
Total current liabilities	**43 465**	**40 002**	**33 764**	**45 348**	**28 435**
Total liabilities	**46 989**	**42 828**	**35 770**	**53 765**	**32 983**
TOTAL EQUITY AND LIABILITIES	**55 458**	**48 491**	**39 002**	**59 238**	**41 932**

Source: Telelink Business Services Group AD

Table 19: Combined income statements of the Group for the period 01.01.2016- 30.06.2019

Indicators ('000 BGN)	2018	2017	2016	01-06' 2019	01-06' 2018
Revenue	**116 367**	**105 987**	**98 663**	**46 832**	**57 757**
Cost of sales	-97 806	-91 852	-84 841	-38 531	-47 864
Gross Profit	**18 561**	**14 135**	**13 822**	**8 301**	**9 893**
Other revenues	323	112	152	155	45
General & Administrative Expenses	-4 541	-3 833	-3 264	-2 295	-2 068
Sales & Marketing Expenses	-4 962	-4 555	-4 396	-2 472	-2 214
Other expenses	-161	-131	-87	-24	-152
Net impairments on receivables and contract assets	8	-59	0	0	0
Operating Profit	**9 228**	**5 669**	**6 227**	**3 665**	**5 504**
Financial income	1	7	116	2	1
Financial expenses	-461	-335	-339	-464	-417
Profit /(loss) before taxes	**8 768**	**5 341**	**6 004**	**3 203**	**5 088**
Income tax expense	-1 104	-665	-757	-364	-601
Profit/(loss) for the year	**7 664**	**4 676**	**5 247**	**2 839**	**4 487**
Other comprehensive income					
Foreign exchange differences from translation of foreign operations	8	102	-59	4	18
Total comprehensive income for the year, net of taxes	**7 672**	**4 778**	**5 188**	**2 843**	**4 505**
Total comprehensive income attributable to:					
Parent company equity owners	7 672	4 778	5 188	2 843	4 505
Non-controlling interest	0	0	0	0	0
Normalized EBITDA					
Operating profit	8 768	5 341	6 004	3 203	5 088
Interest expense/ (income), net	181	91	175	161	76
Depreciation/amortization	919	1 546	938	990	583
EBITDA (earnings before interest, taxes, depreciation and amortization)	**9 868**	**6 978**	**7 117**	**4 354**	**5 747**
Net impairment of receivables and contract assets	-8	59	0	0	0
Normalized EBITDA	**9 860**	**7 037**	**7 117**	**4 354**	**5 747**

Source: Telelink Business Services Group AD

Table 20: Combined statements of cash flow of the Group for the period 01.01.2016-30.06.2019

Indicators ('000 BGN)	2018	2017	2016	01-06' 2019	01-06' 2018
Operating activity					
Profit / (loss) before income taxes	**8 768**	**5 341**	**6 004**	**3 203**	**5 088**
Adjustments to reconcile profit before tax to net cash flows					
Non-cash adjustments:					
Net financial costs/ (income)	373	266	282	293	179
Dividend income	0	0	-28	0	0
Movements in defined benefit plans and government grants	-198	16	-20	-84	0
Impairment of trade receivables and contract assets	-8	59	0	0	0
Trade and other payables written off	-5	0	0	0	0
Write down of inventories	0	0	57	0	0
Change in the fair value of investment property	-10	0	-51	0	0
(Gain) on sale of property, plant and equipment	-48	-26	-7	-1	-23
Depreciation / Amortization	919	1 546	938	990	583
Working capital adjustments					
Decrease /(Increase) in inventories	93	-2 188	342	-4 911	-459
Decrease/ (Increase) in trade and other receivables, contract assets	-3 466	-1 061	9 023	-1 492	790
(Decrease) / Increase in trade and other liabilities, contract liabilities	-803	8 364	-12 349	-2 126	-14 845
Bank charges paid	-192	-175	-107	-132	-103
Income taxes paid	-503	-619	-712	-718	-227
Net cash flows from / (used in) operating activity	**4 920**	**11 523**	**3 372**	**-4 978**	**-9 017**
Investing activity					
Acquisition of property, plant and equipment	-223	-158	-355	-1 366	-241
Acquisition of intangible assets	-688	-178	-1 713	-85	-281
Proceeds from sale of property, plant and equipment and intangible assets	98	189	7	2	73
Government grants	372	0	0	464	0
Loans granted	-6 429	0	0	0	-55
Proceeds from loans	0	0	0	6 426	133
Interest received	0	0	0	2	0
Dividends received	0	0	28	0	0
Net cash flows (used in) / from investing activity	**-6 870**	**-147**	**-2 033**	**5 443**	**-371**
Financing activities					
Proceeds from loans	23 566	2 695	18 221	18 092	18 128
Repayments of loans	-20 749	-5 019	-19 875	-14 632	-14 347
Repayments of finance lease obligations	-387	-420	-20	-460	-139
Dividends paid	-4 348	-2 347	-1 702	-4 166	-219
Interest paid on loans and financial leases	-234	-89	-173	-165	-92
Net cash flows used in financing activities	**-2 152**	**-5 180**	**-3 549**	**-1 331**	**3 331**
Net change in cash and cash equivalents	**-4 102**	**6 196**	**-2 210**	**-866**	**-6 057**
Net foreign exchange differences	7	-44	-54	4	17
Cash and cash equivalents at the beginning of the period	**7 408**	**1 256**	**3 520**	**3 313**	**7 408**
Cash and cash equivalent at the end of the period	**3 313**	**7 408**	**1 256**	**2 451**	**1 368**

Source: Telelink Business Services Group AD

7.4. SUBSTANTIAL CHANGE IN THE FINANCIAL POSITION OF THE ISSUER

As of the end of September 2019, all other current liabilities of *TBS Group* to *Telelink Holdings BV*, a company under joint control, in the amount of BGN 3 231 thousand, undertaken with the legal reorganization of *Telelink Bulgaria EAD* on 14.08.2019, were paid by the Company with proceeds from the partial payment of its receivables under a financial support agreement from *TBS EAD*, taken over as a result of the same reorganization.

There is no other significant change in the financial position of the Issuer that occurred after the end of the period covered by the interim financial statements of the Group, prepared as of 30.06.2019.

7A.1. SUPPLEMENTED SCOPE OF THE FINANCIAL INFORMATION (AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)

Following the formation of the Group with the legal reorganization of the Issuer as of 14.08.2019 and in compliance with the requirements of the applicable legislation, incl. POSA, *TBS Group* has submitted a notification on its consolidated financial position as per the end of the fourth quarter of 2019, prepared on a cumulative base as of the beginning of the financial year, and will present audited consolidated financial statement for 2019 prepared in accordance with the IFRS as adopted by the EU, no later than 30.04.2019. As per the date of the Supplement to the Registration document dated 16.03.2020, the consolidated financial statement of the Issuer in accordance with IFRS has not been audited yet.

In view of the above, in compliance with the provision of item 18.2.1. of Section 18 from Annex 1 of Delegated regulation EU) 2019/980 and with the purpose to provide investors with the opportunity to make an informed decision based on the most up-to-date financial information, the Issuer presents with a Supplement to the Registration document to the Prospectus dated 16.03.2020 unaudited consolidated financial information in accordance with IFRS for the period 01.01-31.12.2019.

7A.2. CONSOLIDATED FINANCIAL INFORMATION *(AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)*

(Continues on the next page)

Table 18.1: Consolidated statement of financial position of the Group as of 31.12.2019 in accordance with the Supplement to the Registration document from 16.03.2020.

Indicators ('000 BGN)	31.12.2019
ASSETS	
Non-current assets	
Property, plant and equipment	8 371
Investment properties	362
Intangible assets	574
Prepayments	3 617
Other non-current assets	0
Deferred tax assets	517
Total non-current assets	**13 441**
Current assets	
Inventories	5 691
Trade and other receivables	24 871
Contract assets	1 700
Loans granted	0
Prepayments	5 013
Cash and cash equivalents	2 199
Income tax receivable	471
Assets classified as held for sale	729
Total current assets	**40 674**
TOTAL ASSETS	**54 115**
EQUITY AND LIABILITIES	
Total equity	**7 784**
Non-current liabilities	
Obligations under financial lease	4 331
Employee benefits	10
Government grants	72
Deferred income	0
Contract liabilities	2 988
Total non-current liabilities	**7 401**
Current liabilities	
Interest-bearing loans and borrowings	4 124
Obligations under financial lease	1 883
Derivatives	0
Trade and other liabilities	27 318
Government grants	328
Deferred income	0
Contract liabilities	4 939
Income tax liabilities	338
Total current liabilities	**38 930**
Total liabilities	**46 331**
TOTAL EQUITY AND LIABILITIES	**54 115**

Source: Telelink Business Services Group AD

Table 19.1: Consolidated income statement of the Group for the period 01.01-31.12.2019 in accordance with the Supplement to the Registration document from 16.03.2020.

Indicators ('000 BGN)	2019
Revenue	**110 328**
Cost of sales	-90 469
Gross Profit	**19 859**
Other revenues	364
General & Administrative Expenses	-4 589
Sales & Marketing Expenses	-5 498
Other expenses	-179
Net impairments on receivables and contract assets	-155
Operating Profit	**9 802**
Financial income	2
Financial expenses	-641
Profit /(loss) before taxes	-21
	9 142
Income tax expense	
Profit/(loss) for the year	-990
	8 152
Other comprehensive income	
Foreign exchange differences from translation of foreign	
Total comprehensive income for the year, net of taxes	9
	8 161
Total comprehensive income attributable to:	
Parent company equity owners	
Non-controlling interest	8 161
	0
Normalized EBITDA	
Operating profit	
Interest expense/ (income), net	9 142
Depreciation/amortization	362
EBITDA (earnings before interest, taxes, depreciation and	2 151
Net impairment of receivables and contract assets	**11 655**
Normalized EBITDA	176
	11 831

Source: Telelink Business Services Group AD

Table 20.1: Consolidated statement of cash flow of the Group for period 01.01.-31.12.2019 in accordance with the Supplement to the Registration document from 16.03.2020

Indicators ('000 BGN)	2019
Operating activity	
Profit / (loss) before income taxes	**9 142**
Adjustments to reconcile profit before tax to net cash flows	
Non-cash adjustments:	
Net financial costs/ (income)	597
Dividend income	0
Movements in defined benefit plans and government grants	-234
Impairment of trade receivables and contract assets	155
Trade and other payables written off	0
Write off loans granted	21
Write down of inventories	0
Change in the fair value of investment property	0
(Gain) on sale of property, plant and equipment	-8
(Gain) on sales of assets held for sale	78
Depreciation / Amortization	2 151
Working capital adjustments	
Decrease /(Increase) in inventories	-1 825
Decrease/ (Increase) in trade and other receivables, contract assets	2 316
(Decrease) / Increase in trade and other liabilities, contract liabilities	-7 612
Bank charges paid	-235
Income taxes paid	-1 450
Net cash flows from / (used in) operating activity	**3 096**
Investing activity	
Acquisition of property, plant and equipment	-2 072
Acquisition of intangible assets	-232
Proceeds from the sale of property, plant and equipment	88
Government grants	464
Loans granted	0
Proceeds from loans	6 406
Interest received	3
Dividends received	0
Net cash flows (used in) / from investing activity	**4 657**
Financial activities	
Proceeds from equity	50
Proceeds from loans	49 307
Repayments of loans	-50 494
Repayments of finance lease obligations	-1 426
Dividends paid	-5 881
Interest paid on loans and financial leases	-374
Net cash flows used in financing activities	**-8 818**
Net change in cash and cash equivalents	**-1 065**
Net foreign exchange differences	-49
Cash and cash equivalents at the beginning of the period	**3 313**
Cash and cash equivalent at the end of the period	**2 199**

Source: Telelink Business Services Group AD

8. OPERATING AND FINANCIAL REVIEW

This section presents information that the management believes to be essential to understand the financial position and results of the Group for the financial years ending on 31.12.2016, 31.12.2017 and 31.12.2018, and for the interim period ending on 30.06.2019.

As a newly incorporated company, *TBS Group* has not yet prepared financial statements. In the future, it will prepare them on a consolidated and individual basis. The summary of the financial position and operations presented below is based on the audited annual combined financial statement as of 31.12.2018, including unaudited comparative financial information as of 31.12.2017 and 31.12.2016, as well as an unaudited interim combined financial statement as of 30.06.2019, attached to this Prospectus.

The following overview of the financial position and results of the Group includes an overview of the financial position and results of each of the key subsidiaries of *TBS Group* in accordance with their separate financial statements. In this regard, the submitted operating and financial review of the Issuer and its subsidiaries should be considered and interpreted together with the other financial information contained in the other sections of this Document and the Prospectus as a whole.

The audited combined financial statement as of 31.12.2018 and the unaudited interim combined financial statement as of 30.06.2019 have been prepared in compliance with IFRS as adopted by the EU.

In accordance with IAS 8.12 and the rules for accounting for subsidiaries under joint control, the "predecessor value method" was applied in the preparation of the Group's combined financial statements. This means that the financial information in the combined financial statements is derived from the consolidated financial statements of *Telelink Bulgaria EAD* and reflects the income and expenses, assets and liabilities intrinsic to the "*Business Services*" business activity that have historically been included in these financial statements during the period 01.01.2016-30.06.2019.

In general, in preparing the combined financial statements, the Group applies the same accounting policies and principles as were applied in the preparation of the consolidated statement of *Telelink Bulgaria EAD*, respectively, of the *Telelink Group* formed by the latter and its subsidiaries. Transactions among the companies within the Group and the other companies that have formed the *Telelink Group* during the relevant periods, are recognized in compliance with IFRS and have been classified as related party transactions.

All intra-group balances within the combined group, income, expenses and unrealized gains and losses on transactions among the Group companies are eliminated in the combined financial statements.

Due to the preparation of the combined financial statements, the presentation of the equity of the Group differs from the presentation of the equity as prescribed by IAS 1. The line of equity in the balance sheet of the Group represents the total amount of share capital, equity reserves and retained earnings of all the companies included therein, existing at the end of the respective periods. Therefore, the presentation of earnings per share in compliance with IAS 33 "*Earnings per Share*" is not applicable.

The accounting policies applied in the preparation of the interim combined financial statements are consistent with those followed in the preparation of the Group's combined financial statement for the year ending on 31 December 2018, with the exception of the adoption and the initial application of the new standard IFRS 16 "*Leasing*" as of 01.01.2019.

8.1. COMBINED FINANCIAL POSITION AND RESULTS OF THE GROUP

Table 21: Selected combined financial information for the Group for the period 01.01.2016-30.06.2019.

Indicator ('000 BGN)	2018	2017	2016	30.6.2019	30.6.2018
Revenue	**116 367**	**105 987**	**98 663**	**46 832**	**57 757**
Cost of Sales	-97 806	-91 852	-84 841	-38 531	-47 864
Gross Profit	**18 561**	**14 135**	**13 822**	**8 301**	**9 893**
Sales and Marketing Expenses	-4 962	-4 555	-4 396	-2 472	-2 214
General and Administrative Expenses	-4 541	-3 833	-3 264	-2 295	-2 068
Other Operating Income and Expense (Net)	170	-78	65	131	-107
Operating Profit	**9 228**	**5 669**	**6 227**	**3 665**	**5 504**
Financial Income and Expense (Net)	-460	-328	-223	-462	-416
Income Tax Expense	-1 104	-665	-757	-364	-601
Net Profit	**7 664**	**4 676**	**5 247**	**2 839**	**4 487**
EBITDA	**9 868**	**6 978**	**7 117**	**4 354**	**5 747**
Total Assets	**55 458**	**48 491**	**39 002**	**59 238**	**41 932**
Non-current Assets	6 618	5 019	5 149	13 371	6 486
Current Assets	48 840	43 472	33 853	45 867	35 446
Equity	**8 469**	**5 663**	**3 232**	**5 473**	**8 949**
Total Liabilities	**46 989**	**42 828**	**35 770**	**53 765**	**32 983**
Non-current Liabilities	3 524	2 826	2 006	8 417	4 548
Current Liabilities	43 465	40 002	33 764	45 348	28 435
Cash and cash equivalents	**3 313**	**7 408**	**1 256**	**2 451**	**1 368**
Total Financial Debt*	**6 740**	**2 888**	**4 084**	**10 661**	**6 597**
Net Cash Flow from Operating Activities	**4 920**	**11 523**	**3 372**	**-4 978**	**-9 017**
Net Cash Flow from Investing Activities	**-6 870**	**-147**	**-2 033**	**5 443**	**-371**
Net Cash Flow from Financing Activities	**-2 152**	**-5 180**	**-3 549**	**-1 331**	**3 331**

** Incl. loans and financial lease contracts*

Source: Telelink Business Services Group AD

8.1.1. BUSINESS DEVELOPMENT AND TRENDS IN THE COMBINED REVENUE OF THE GROUP

During the last three financial years, the Group's revenues have reported compound annual growth rate of 9%, increasing from BGN 98 663 thousand in 2016 to BGN 116 367 thousand in 2018, mainly as a result of the strong performance of *TBS EAD* while maintaining relatively stable overall revenues of the companies in Serbia, Montenegro, Bosnia and Herzegovina and Slovenia.

Throughout the period, the Group's companies have generated revenue in all major product lines and regions. Service Provider Specific solutions (and others to customers in the telecommunication sector) played the leading role in generating annual recurring revenues. Sales in all product lines to other clients from various industries of the private and public sectors also have a significant share, both in relation to large one-off projects and growing in importance contracts for regularly delivered services.

The main source of growth in 2017 is the 73% jump in sales in the *Data Center* category as a result of a wide range of projects related to both the implementation of complex security systems and the general trend of accelerated modernization of information systems in Bulgaria. Significant contribution during the same year has also the more than twofold increase in sales in the *Office Productivity* category, reflecting the growing market presence of *TBS EAD* on the basis of the strategic partnership established with *Microsoft* in 2015.

Along with the continued expansion of the *Data Center* and *Office Productivity* categories, a significant growth factor in 2018 is the tripling of Information Security revenue, including the implementation of significant projects in highly sensitive areas and the growing number of small clients. Following a moderate decline in 2017, the Group also saw a resurgent growth in the *Networks* category, reflecting mainly the overall positive trend in deliveries from the *Service Provider Specific* group on all markets. A promising contribution to the growing sales of *Enterprise Networks* is the gradual expansion of recurring revenues from a multinational customer from the transport sector on the basis of *Managed Services* contracts concluded in 2017 thereon.

The revenue growth from the Bulgarian and international markets, serviced by *TBS EAD*, determines the growing share of the latter in combined sales of the Group from 35% in 2016 to 45% in 2018. Still, overall sales of the companies in the Western Balkans region retain a predominant share of the Group's sales throughout the period.

The combined revenue generated in the first half of 2019 is 19% lower compared to the same period of the previous year, falling from BGN 57 757 thousand as of 30.06.2018 to BGN 46 832 thousand. The key reason for this trend is the relatively slower sales deployment in Serbia, Montenegro, Bosnia and Slovenia.

Despite a slight decrease in sales by 2% and a smaller number of large projects completed on an interim basis compared to the same period of the previous year, *TBS EAD* registered a very positive trend in the area of *Enterprise Networks* and had a predominant contribution of 56% to the total revenue of the Group for the period.

During the same period, total sales to customers outside the Group in Serbia, Montenegro, Bosnia and Slovenia slowed by 33%. This trend is mainly a reflection of transitional factors related to the introduction of new categories of equipment by the main customers in the telecommunications sector. Notwithstanding, as of 30.06.2019 and the date of this Document, the relevant companies of the Group retain their key partnerships and continue to generate significant turnover with these customers.

8.1.2. COMBINED FINANCIAL RESULTS

COMBINED GROSS PROFIT

During the period under review, the Group's gross profit increased with a compound annual growth rate of 16% from BGN 13 822 thousand in 2016 to BGN 18 561 thousand in 2018. In addition to the increase in revenues, the increase in the gross margin from 14% in 2016 to 16% in 2018, also contributed to the above positive trend. For the period as a whole, gross profit averaged 14.4%.

Table 22: Combined gross profit of the Group for the period 01.01.2016-30.06.2019

Indicator ('000 BGN)	2018	2017	2016	01-06'2019	01-06'2018
Revenue	**116 367**	**105 987**	**98 663**	**46 832**	**57 757**
Cost of Sales	-97 806	-91 852	-84 841	-38 531	-47 864
Gross Profit	**18 561**	**14 135**	**13 822**	**8 301**	**9 893**
Gross Margin	*16.0%*	*13.3%*	*14.0%*	*17.7%*	*17.1%*

Source: Telelink Business Services Group AD

TBS EAD has a leading role in generating the Group's gross profit over the whole period, with an average annual margin of 22.9%, reflecting the significantly bigger share of higher value-added solutions and services in its revenues as compared to the Western Balkan companies.

Still, the accelerated upward trend of 31% in 2018 reflects both the significant increase in relatively more profitable revenues in *TBS EAD*, and the increase in profitability in Serbia, Montenegro, Bosnia and Herzegovina and Slovenia (from 7.7% in 2016-2017 to 11.1% in 2018). The latter is partly due to the intense sales of telecommunication equipment with preferential delivery terms at the end of this period.

The combined gross margin of the Group is also improving in the first half of 2019, reaching 17.7% compared to 16% for the whole of 2018 and 17.1% for the first half of the same year. Again, the significantly higher share in the combined revenues of the typically more profitable *TBS EAD* contributes to this. However, the relative decline in revenues on an interim basis is reflected in a 16% decrease in the combined gross profit from BGN 9 893 thousand for the first half of 2018 to BGN 8 301 thousand for the same period of 2019.

COMBINED SALES AND MARKETING EXPENSES

The combined sales and marketing expenses include employee benefits, depreciation and amortization, consulting and agency, marketing and advertising, and other expenses.

Table 23: Combined sales and marketing expenses of the Group for the period 01.01.2016-30.06.2019.

Indicator ('000 BGN)	2018	2017	2016	01-06'2019	01-06'2018
Employee Benefits Expense	-2 005	-1 796	-1 381	-1 371	-806
Depreciation and Amortization	-382	-991	-460	-16	-325
Consulting and agency services	-404	-303	-1 082	-230	-186
Marketing and advertising expenses	-1 602	-945	-874	-520	-633
Other Expenses	-569	-520	-599	-335	-264
Total Sales and Marketing expenses	**-4 962**	**-4 555**	**-4 396**	**-2 472**	**-2 214**

Source: Telelink Business Services Group AD

Over the last three financial years, combined sales and marketing expenses have maintained a stable ratio of an average of 4.3% of combined revenues. In parallel with the latter, they are increasing with a CAGR of 6%, rising from BGN 4 396 thousand in 2016 to BGN 4 962 thousand in 2018. The main factors behind this increase are the recruitment of additional staff and the expansion of respective activities at *TBS EAD* in 2017 and the preparation for the introduction of an expanded portfolio of products and services in the Western Balkans at *Comutel* in 2018.

The same factors are reflected in the growth of sales and marketing expenditures on an interim basis in the first half of 2019 by 12% compared to the same period of the previous year.

COMBINED GENERAL AND ADMINISTRATIVE EXPENSES

Combined general and administrative expenses include employee benefits, depreciation and amortization, consulting, office rent and utilities, representative and other expenses.

Table 24: Combined general and administrative expenses of the Group for the period 01.01.2016-30.06.2019

Indicators ('000 BGN)	2018	2017	2016	01-06'2019	01-06'2018
Employee Benefits Expense	-2 292	-2 348	-2 083	-1 221	-1 048
Depreciation and Amortization	-126	-95	-102	-62	-69
Consulting services	-1 361	-467	-408	-423	-557
Office rent and utilities	-202	-213	-219	-278	-105
Representative Expenses	-129	-118	-182	-60	-44
Other Expenses	-431	-592	-270	-251	-245
Total General and Administrative Expenses	**-4 541**	**-3 833**	**-3 264**	**-2 295**	**-2 068**

Source: Telelink Business Services Group AD

Over the last three financial years, general and administrative expenses have increased with a CAGR of 18%, rising from BGN 3 264 thousand at the end of 2016 to BGN 4 541 thousand at the end of 2018. The main reason for this is the reorganization of *TBS EAD* and the *Telelink Group* in 2017. Following the separation of the other activities, as of the 1st of September 2017, *TBS EAD* formed separate administrative functions with a higher value compared to the intrinsic share of the similar expenses shared between all activities for 2016 and the first eight months of the year. In 2018, the costs of consulting services increased significantly along the lines of corporate management services[16], provided by *Telelink Bulgaria EAD*, which combine both administrative and management functions separated with the reorganization, and general marketing functions, which formed part of the internal marketing expenses and the sales

[16] With the legal reorganization of TBS Group as of 14.08.2019, the respective corporate governance support contract is transferred form *Telelink Bulgaria EAD* to *TBS Group* and is no longer external service for the Group as of that date.

of *TBS EAD* until 2017. In this sense, part of the growth of general and administrative expenses noted in 2018 is structural and these costs should be considered in conjunction with the costs of the Group's sales and marketing costs.

Despite the observed growth, general and administrative expenses retain a relatively moderate ratio to annual revenues in the range of 3.3% to 3.9%.

In the first half of 2019, the upward trend is sustained, with the indicator increasing by 11% from BGN 2 068 thousand as of 30.06.2018 to BGN 2 295 thousand as of 30.06.2019. The increase is mainly due to the increase in the cost of remuneration in connection with the allocation of staff to the general administrative assurance of the already achieved and planned future expansion of the business.

COMBINED OPERATING PROFIT (EBIT) AND EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

Table 25: Combined operating profit and EBITDA of the Group for the period 01.01.2016-30.06.2019.

Indicators ('000 BGN)	2018	2017	2016	01-06'2019	01-06'2018
Operating Profit	**9 228**	**5 669**	**6 227**	**3 665**	**5 504**
Operating Profit Margin	*7.9%*	*5.3%*	*6.3%*	*7.8%*	*9.5%*
EBITDA	**9 868**	**6 978**	**7 117**	**4 354**	**5 747**
EBITDA Margin	*8.5%*	*6.6%*	*7.2%*	*9.3%*	*10.0%*

Source: Telelink Business Services Group AD

In the last three financial years, the Group's combined operating profit has increased significantly by 22% CAGR, rising from BGN 6 227 thousand in 2016 to BGN 9 228 thousand in 2018. A major factor behind this positive trend is the growth in gross profit which outpaced the rise in the all in marketing, sales, general and administrative expenses in 2018. Overall, this increase significantly exceeds the drop in 2017 due to the negative difference in growth in the same indicators this year. A similar trend is observed in the relative profitability of the Group at this level, as, after a decline from 6.3% in 2016 to 5.3% in 2017, the operating margin increased to 7.9% in 2018.

The combined earnings before interest, taxes, depreciation and amortization (EBITDA) increased by a similar CAGR of 18%, rising from BGN 7 117 thousand in 2016 to BGN 9 868 thousand in 2018. In addition to the positive change within this horizon, EBITDA also stands out with a significantly lower decline compared to operating profit in 2017, when depreciation expense accounted for a significantly larger portion of the Group's operating expenses. The reason for the high concentration of depreciation costs this year is the accruals associated with systems of high value and short amortization periods purchased in the previous 2016.

Considering the lower interim revenues and gross profit, the continued rise in operating expenses for marketing, sales and general administration leads to a relative decrease in combined operating profit by 33% from BGN 5 504 thousand at the end of June 2018 to BGN 3 665 thousand as of the end of June 2019. However, the operating margin of 7.8% reported in the first half of 2019 remains in line with the same indicator for the full year of 2018.

Despite the negative impact of the same factors, EBITDA recorded a significantly lower (as compared to operating profit) decline of 24% from BGN 5 747 thousand at the end of June 2018 to BGN 4 354 thousand at the end of June 2019. A major factor is the new increase in the depreciation expense in the Group's total operating expenses, resulting from the formation of rights of use assets relative to a new long-term office rental contract and operating leases of vehicles under the new IFRS 16, as well as from the growing pool of equipment provided as a service in *TBS EAD*.

Summarizing the above trends, the Group's EBITDA margin improved significantly over the period under review, rising from 7.2% in 2016 to 8.5% in 2018 and 9.3% at the end of June 2019.

COMBINED FINANCIAL INCOME/EXPENSES

Financial income consists of interest income on loans granted and foreign exchange gains.

Financial expenses consist of interest expenses, including bank fees and other direct credit costs, foreign exchange loss and other financial expenses, including costs of bank guarantees and other bank fees and commissions.

Table 26: Combined financial income/expenses of the Group for the period 01.01.2016-30.06.2019

'000 BGN	2018	2017	2016	01-06'2019	01-06'2018
Financial Income	1	7	116	2	1
Financial Expenses	-461	-335	-339	-464	-417
Net Financial Income/Expenses	**-460**	**-328**	**-223**	**-462**	**-416**

Source: Telelink Business Services Group AD

Despite the increase in net financial expenses during the period under review, their amount remains relatively low when compared to the Group's combined revenue, reaching a maximum annual ratio of 0.4% in 2018 and an interim ratio of 1.0% in the first half of 2019.

COMBINED NET PROFIT

Given the relatively low net financial expenses and the stable annual effective tax rate averaging 12.6% for the period 2016-2018, the combined net profit of the Group over the period under review closely follows the profitability trends at the operational level.

Table 27: Combined net profit of the Group for the period 01.01.2016-30.06.2019

'000 BGN	2018	2017	2016	01-06'2019	01-06'2018
Net Profit/(Loss)	**7 664**	**4 676**	**5 247**	**2 839**	**4 487**
Net Profit Margin	*6.6%*	*4.4%*	*5.3%*	*6.1%*	*7.8%*

Source: Telelink Business Services Group AD

In line with these trends, the combined net profit has increased with 21% CAGR from BGN 5 247 thousand in 2016 to BGN 7 664 thousand in 2018 over the last three financial years. A similar improvement is observed in the relative profitability at this level, with the Group's net margin rising from 5.3% in 2016 to 6.6% in 2018.

During the first half of 2019, the Group's net profit decreased by 36.7% from BGN 4 487 thousand at the end of June 2018 to BGN 2 839 thousand at the end of June 2019. Despite a parallel decrease in the net margin from 7.8% at end-June 2018 to 6.1% at end-June 2019, the latter ratio remains close to that of the reported for the full 2018.

8.1.3. COMBINED CASH FLOWS

CASH FLOW FROM OPERATING ACTIVITIES

In addition to the operating profit generated before depreciation and paid bank fees and taxes, the dynamics of the net cash flow from operating activity is determined by the varying direction of changes in the Group's net working capital over the period. In 2017, the significant decrease in the latter as a result of the accumulation of significant advances on projects in the process of execution in *TBS EAD* and other factors increasing trade and other liabilities contributes to a more than threefold increase in the net annual operating cash inflow compared to 2016. The subsequent widening of the spread between trade receivables and payables as a result of the shortening of payment terms to key equipment suppliers for companies in the Western Balkans region and others factors led to a decrease in net cash flow from operating activities by 57% in 2018.

Notwithstanding the above fluctuations, the realized net cash flows from operating activities are positive throughout the period and amount to at least 47% (in 2016) and an average of 86% of operating profit adjusted for cash flow purposes during each of the financial years covered.

Due to the gradual deployment of key sales and major projects on an interim basis and the final realization of the respective cash flows in the second half of the financial year, the Group notes a significant increase in its net working capital, which causes negative net cash flows from operating activities towards the end of June.

The main factor behind this trend in the first half of 2019 is the increase in the working capital of *TBS EAD* due to the accumulation of significant inventories and contract assets on major projects with upcoming invoicing in the second half of the year, as well as the accumulation of receivables and deductions of advances from customers received towards the end of 2018 on already invoiced deliveries. Despite their considerable size, the reported net operating outflows were 45% lower than in the same period last year, when both *TBS EAD* and other Group companies recorded parallel increases in net working capital.

CASH FLOW FROM INVESTING ACTIVITIES

Given the financing of equipment purchased as a service with finance leases during the period, the outgoing cash flows related to the acquisition and formation of fixed assets are significantly lower than the amount of these investments and are mainly formed by the cost of purchasing software and research and development.

Payments on purchased systems for providing services and other software assets have a significant impact on the net cash flow from investing activities in 2016. In the absence of similarly sizeable expenditures, net payments on investment activity in 2017 are relatively insignificant, and the more substantial amount related to research and development in 2018 is partially offset by government funding from EU programs.

A major factor behind the significant negative net cash flow from investing activities in 2018 is the loan granted by *TBS EAD*, representing the transfer of free funds of the company to *Telelink Bulgaria EAD* under the financial support agreement [17] between the two companies in effect at the end of the period. The transferred funds are provided indefinitely and are subject to repayment at the request of and within the time limit specified by *TBS EAD*.

The observed increase in the reported cash flows related to the acquisition and formation of fixed assets observed in the first half of 2019 is mainly due to the significant purchases of equipment provided as a service by *TBS EAD*. At the end of the period, part of the latter has not yet been refinanced with finance leases. Payments for the period also include purchases of furniture and fittings and one-off expenses arising from the relocation of *TBS EAD* to a new office at the end of 2018.

Despite the acceleration of these payments, the Group recognizes a strong positive net cash flow from investing activities for the first half of 2019 as a result of the repayment of the loan provided by *TBS EAD* to *Telelink Bulgaria EAD* as a transfer of available funds under a financial support agreement as of the end of 2018.

CASH FLOW FROM FINANCING ACTIVITY

During the period 2016-2017, the Group made significant net repayments on loans received, mainly related to the reduction of the funds utilized under *Comutel*'s revolving credit line. Reciprocally, the increase in the working capital financing needs of the company in 2018 led to a new increase in these balances and a net increase of loans received for the Group as a whole, despite the simultaneous reduction of the financial support agreement obligations of *TBS EAD*.

Throughout the period, the Group reports payment of dividends, formed mainly by the distributions by *Comutel* and other companies in the Western Balkans, with the exception of the dividend amounting to BGN 1 000 thousand distributed by *TBS EAD* in 2018.

In addition to the repayment of loans and other sources, the increase in *TBS EAD*'s net working capital in the first half of 2019 was financed by a significant net increase in the financial support used under the contract with *Telelink Bulgaria EAD*. As a result, the Group reports significant net proceeds from received loans, regardless of their net decrease in *Comutel* and the positive amount of the combined net cash flows from operating and investing activities during the period.

[17] The contract will be terminated with the signing of a separate bank lending agreement by *TBS EAD* at the end of October 2019.

However, the net cash flow from financing activities at the end of June 2019 was negative due to the significant dividend payments of BGN 4 166 thousand in connection with new distributions by Comutel and other subsidiaries in the Western Balkans region.

NET CASH FLOW

The reported negative net changes in the cash flows of the Group in 2016 and 2018 are mainly due to dividend distributions. Together with the highly positive net cash flow in 2017, the Group reported a relatively minimal net decrease in cash (after payment of dividends) amounting to BGN 116 thousand for the three-year period under review.

Although significant dividend payments lead to a total decrease of cash by BGN 866 thousand in the first half of 2019 as well, the latter is significantly less than in the same period of 2018.

8.1.4. COMBINED ASSETS, LIABILITIES AND EQUITY

COMBINED ASSETS

The combined total assets of the Group increase with a CAGR of 19% from BGN 39 002 thousand at the end of 2016 to BGN 55 458 thousand at the end of 2018.

A major factor in the growth of non-current assets are the increasing investments in equipment provided as a service within the *Property, plant and equipment* group.

In current assets, between 2016 and 2018, there is an increase in both inventory and the amount of trade and other receivables, contract assets, loans granted (as a result of the loan granted under a financial support agreement between *TBS EAD* and *Telelink Bulgaria EAD*) and cash (as a result of the positive net cash flow realized in 2017).

Assets classified as held for sale increased by BGN 405 thousand at the end of 2016 to BGN 933 thousand at the end of 2018. According to Note 16 of the Combined Financial Statement of *TBS Group* as of December 31, 2018, these include apartments in Bulgaria and Serbia, acquired as collateral for loans and available trade receivables, and classified as held for sale in accordance with management's intentions for their realization. The market appraisals of these assets at the end of 2017 and 2018 did not warrant their impairment.

The overall upward trend in assets continued in the first half of 2019, with a 41% increase reported on an interim basis from BGN 41 932 thousand at the end of June 2018 to BGN 59 228 thousand at the end of June 2019.

Fixed tangible assets, reported as at 30 June 2019, have increased significantly compared to 2018, both as a result of continuing investments in *Equipment provided as a service* by *TBS EAD* and other assets, and as a result of applying the new IFRS 16. According to the latter, the companies within the Group classify as fixed assets the rights to use assets under long-term rental contracts, including office and vehicles subject to operating leases. As of the end of the period, their total book value amounts to BGN 3 165 thousand (5% of the total assets), with a major contribution to this significant amount coming from the new rental contract of *TBS EAD* concluded at the end of 2018. Overall, the Group's non-current assets reach 23% of its total assets by the end of the first half of 2019.

A significant factor in the observed interim growth is also the increase in current assets as a result of an increase in inventories and contract assets in connection with the increased volume of projects in the process of implementation towards the end of June 2019. However, current assets decreased compared to the end of 2018, both due to the decrease in cash as a result of funding non-cash working capital and as a result of the repayment of the loan provided under a financial support agreement between *TBS EAD* and *Telelink Bulgaria EAD*.

COMBINED LIABILITIES

The combined total liabilities of the Group increase at a compound annual growth rate of 15% from BGN 35 770 thousand at the end of 2016 to BGN 46 989 thousand at the end of 2018, mainly as a result of the overall increase in trade and other liabilities, deferred revenue and contract liabilities and to a lesser extent the growth in financial debt.

Notwithstanding the steady increase in financial leasing obligations in connection with the financing of *Equipment provided as a service* by *TBS EAD*, the dynamics of the Group's total financial debt is determined primarily by the individual needs of the participating companies to finance their net working capital. As a result of this dependence, the amount of interest-bearing loans and finance lease obligations ranged from BGN 4 084 thousand at the end of 2016 to BGN 2 888 thousand at the end of 2017 and BGN 6 740 thousand at the end of 2018. Similarly, the ratio of financial debt to total assets ranged from 6% from end-2017 to 12% at end-2018, with an average of 10% over the three-year period under review.

The overall upward trend in liabilities continued in the first half of 2019, with a 63% increase reported on an interim basis from BGN 32 983 thousand at the end of June 2018 to BGN 53 675 thousand at the end of June 2019.

In connection with the implementation of the new IFRS 16, at the end of the first half of 2019, the Group reported a total of BGN 3 112 thousand lease obligations (including BGN 2 417 thousand non-current and BGN 695 thousand current) formed in connection with the rights to use assets under long-term leases and operating leases, amounting to a total of 5% of its total assets. However, these liabilities do not reflect actual credit relations and should not be considered part of the Group's financial debt. Summing up the interest-bearing loan and finance lease obligations, total financial debt reached BGN 10 661 thousand or 18% of total assets at the end of the period under review, mainly as a result of the increased working capital financing needs of *TBS EAD*'s.

Information about the Group's loans at the date of the Registration Document is provided in *Section 9 „Loans and Capital Structure"* of this Document.

At the end of the period, the Group's trade and other payables include other liabilities in the amount of BGN 2 000 thousand, formed by a voted but unpaid dividend by *TBS EAD*.

LIQUIDITY

During the three-year period under review, the Group maintains a stable ratio of combined current assets and liabilities (current liquidity ratio) averaging 1.1 over the period and at the end of 2018. The indicator decreases to 1.0 at the end of the first half of 2019.

COMBINED EQUITY

Due to the preparation of the combined financial statements, the equity of the Group is presented as the sum of the share capital, the capital reserves and retained earnings of all the companies included in it, which existed at the end of the respective periods, and should be presented only as a total amount in the Group's financial statement.

In this sense, the structure of the Group's combined capital presented in Table 27 below is presented for analytical purposes only and should not be considered as indicative of the registered capital, legal reserves and other of the TBS Group or which the Group would have accounted for if it had been consolidated under *TBS Group* at the end of the period.

Table 28: Combined equity of the companies within the Group for the period 01.01.2016-30.06.2019.

Indicator ('000 BGN)	31.12.2018	31.12.2017	31.12.2016	30.06.2019	30.06.2018
Share capital	1 574	1 574	1 574	1 594	1 574
Legal reserves	100	100	100	100	100
Other reserves	0	0	0	0	0
Retained earnings	-304	-114	-3 014	1 501	3 343
Current profit	7 664	4 676	5 247	2 839	4 487
Equity	**9 034**	**6 236**	**3 907**	**6 034**	**9 504**
Currency reserve	-565	-573	-675	-561	-555
Total equity	**8 469**	**5 663**	**3 232**	**5 473**	**8 949**

Source: Telelink Business Services Group AD

Despite significant dividend distributions, the combined equity of the companies within the Group has increased steadily as a result of the accumulation of positive financial results from operations, accounting for an average of 12% of total assets for the period under review, reaching a similar ratio of 15% by the end of 2018.

Given the earlier distribution of dividends in 2019, their size exceeds the interim profit realized for the period. As a result of the corresponding decrease in retained earnings, the combined equity of the companies within the Group recorded an interim decrease to 9% of its total assets by the end of June 2019.

With an overall asset ratio of 18% and 22% at the end of 2018, the Group's equity and non-current liabilities provide adequate coverage of its non-current assets with long-term sources over the three-year period under review. The similar ratio of 23% observed at the end of June 2019 is approximately identical to the ratio of non-current to total assets at the same date.

8.2. STANDALONE OPERATING AND FINANCIAL REVIEW OF THE COMPANIES WITHIN THE GROUP

8.2.1. TELELINK BUSINESS SERVICES EAD

Telelink Business Services EAD (TBS EAD) is the founding subsidiary of the Group with a leading role in the development of its product competence and concentrating the majority of its engineering and technical staff and general personnel.

- Year of incorporation: 2001 as *Telelink OOD*; reorganized and renamed in 2017
- UIC: 130545438
- Address: *Bulgaria, Sofia, Malinova Dolina District, 6 Panorama Sofia Str., Richhill Business Center, Bl. B, floor 2*.

Table 29: Selected financial information for TBS EAD for the period 01.01.2016-30.06.2019.

Indicator ('000 BGN)	2018	2017	2016	30.6.2019	30.6.2018
Revenue	**52 220**	**44 957**	**35 104**	**26 335**	**26 971**
Cost of sales	-40 771	-35 372	-26 185	-20 532	-20 688
Gross profit	**11 449**	**9 585**	**8 919**	**5 803**	**6 283**
Sales and marketing expenses	-3 479	-3 552	-3 270	-1 825	-1 646
General and administrative expenses	-3 869	-3 204	-2 709	-1 786	-1 800
Other operating income and expenses (net)	122	18	7	137	-106
Operating profit	**4 223**	**2 847**	**2 947**	**2 329**	**2 731**
Financial income and expenses (net)	-172	-11	-2	-158	-128
Income tax expense	-418	-297	-295	-217	-260
Net profit	**3 633**	**2 539**	**2 650**	**1 954**	**2 343**
EBITDA	**5 040**	**4 376**	**3 836**	**3 211**	**3 222**
Total assets	**27 680**	**27 897**	**13 537**	**35 789**	**15 701**
Non-current assets	4 128	2 985	3 227	9 009	2 759
Current assets	23 552	24 912	10 310	26 780	12 942
Equity	**3 131**	**498**	**-2 041**	**3 085**	**1 841**
Total liabilities	**24 549**	**27 399**	**15 578**	**32 704**	**13 860**
Non-current liabilities	1 198	958	426	3 893	738
Current liabilities	23 351	26 441	15 152	28 811	13 122
Financial assets	**150**	**4 851**	**0**	**123**	**349**
Total financial debt *	**1 432**	**2 888**	**2 733**	**5 935**	**3 614**
Net cash flow from operating activities	**6 151**	**6 523**	**419**	**-8 995**	**-4 750**
Net cash flow from investing activities	**-6 883**	**-267**	**-2 025**	**5 451**	**-349**
Net cash flow from financial activities	**-3 969**	**-1 405**	**1 606**	**3 517**	**597**

** Incl. loans and finance leases*

Source: Telelink Business Services Group AD

8.2.1.1. *REVENUE DEVELOPMENT AND TRENDS*

TBS EAD reports a clear trend of steady growth in its revenues over the last three financial years. With an increase of 31% in 2017 and 16% in 2018, the company's sales are growing with a CAGR of 22%, rising from BGN 35 104 thousand in 2016 to BGN 52 200 thousand in 2018.

Throughout the period, the company has been making sales across all major product lines to clients from a variety of private and public sectors, both related to large projects and an expanding range of small and medium-sized projects with one-off sales and increasingly important contracts for regularly delivered services.

The main source of the 2017 growth recorded was the 84% jump in sales from the Data Center category, including the first significant revenue from *Application Services*. The trend is the result of a wide range of completed projects related to the implementation of complex security systems, as well as the general wave of accelerated modernization of information systems, catalyzed by the introduction of new digital processes and services in the banking, public, utility, telecommunications and other sectors in Bulgaria.

Significant contribution during the same year had also the more than twofold increase in sales in the *Office Productivity* area. The observed growth reflects the realization of over 10 medium-sized and numerous small deliveries and projects for various clients in the utility, banking, transport, telecommunications, healthcare and other sectors. Strategically, the trend marks the second consecutive year of successful positioning of *TBS EAD* in this market segment on the basis of a key partnership with *Microsoft* concluded in 2015.

Along with the continued expansion in *Office Productivity*, as a significant growth factor in 2018 stands out the more than triple jump in revenue in the *Information Security* category. Sales in this category cover both significant projects implemented in high-sensitivity areas and a growing number of small customers.

Following a moderate decline in 2017, the company is also resuming its growth in the *Networks* category. A promising contribution to the growing sales of *Corporate Networks* is the gradual expansion of regular revenue from a multinational customer in the transport sector on the basis of new contracts for *Managed Services* concluded in 2017.

In the first half of 2019, *TBS EAD* sales reported a slight decrease of 2% from BGN 26 971 thousand at the end of June 2018 to BGN 26 335 thousand at the end of June 2019. Despite this and the smaller number of large projects completed on an interim basis compared to the same period of 2018, *TBS EAD* continues to generate significant revenues in all product categories. The high revenue from *Enterprise Networks*, benefiting both from new ICT and security projects and from the ongoing upgrade of *Managed Services* for multinational clients, has a leading role.

8.2.1.2. FINANCIAL RESULTS

The average gross margin of the *TBS EAD* for the last three years amounts to 22.9%, reaching 21.9% in 2018. The relative decrease of this ratio in 2017 manifests itself against the background of some particularly profitable projects implemented in 2016. Despite these fluctuations gross profit posted a steady CAGR of 13% in parallel with revenue growth over the same period.

An increase of 11% CAGR is also recorded in marketing, sales and general administrative expenses. However, their ratio to the company's revenue has been steadily declining over the period under review from 17% in 2016 to 14% in 2018.

Marketing and sales expenditures increase at CAGR of 3% mainly due to the recruitment of additional staff and the expansion of their respective activities in 2017. In 2018, they slightly decreased by 2% on an annual basis, falling to 6.7% of annual sales compared to 9.3% in 2016.

General and administrative expenses, on the other hand, report an outpacing CAGR of 20%. The reported growth was mainly due to the reorganization of the company and the *Telelink Group*. After the separation of the other activities as of September 1, 2017, *TBS EAD* formed separate administrative functions with higher costs compared to the inherent part of the similar expenses shared among all activities for 2016 and the first eight months of the year. In 2018, significant expenses are formed from corporate management services[18] provided by Telelink Bulgaria EAD, encompassing both administrative and management functions transferred with the company's reorganization and marketing functions, which formed part of the internal expenses for marketing and sales of *TBS EAD* up until the end of November 2017. Given this trend, costs in this category remained relatively stable at an average of 7.4% of annual net sales over the three-year period under review.

Although the increase in marketing, sales and general administration spending exceeds gross profit growth and causes a temporary decrease in operating profit by 3% in 2017, the positive reversal in this trend in 2018 is reflected in an average annual growth of 20% similar to revenue for the period as a whole. Similar trends are observed in the relative profitability of the company at this level, as, after a fall to 6.3% in 2017, the operating margin is restored to a level of over 8% in 2018.

Despite the observed increase in net financial expenses, they remain relatively insignificant, reaching a maximum of 0.3% of annual revenue and 4.1% of annual operating profit for the period under review.

In the context of a constant corporate tax rate of 10% and in the absence of significant differences between taxable and accounting profit before taxes, the effective tax rate of the company remains at a relatively constant level of 10.0-10.5%.

Accordingly, trends in the company's net profit reflect to a large extent changes in its operating profit, with a decline of 4% in 2017, an increase of 43% in 2018 and a 21% CAGR over the three-year period under review. Similar trends are observed in the relative profitability of the company at this level, as, after a decline to 5.7% in 2017 the net margin increased to 7.0% in 2018.

The significant increase in depreciation expense in 2017, which is the only full year of depreciation of high value systems purchased in the previous 2016, and their subsequent normalization in 2018, are a factor in achieving a steady increase in EBITDA with 14-15% annually, despite the variable parallel dynamics of operating profit over the period under review. The reported EBITDA margin slightly decreased from 10.9% in 2016 to 9.7% in 2017, stabilizing at the same level in 2018.

During the first half of 2019, the company maintained its gross margin at a level of 22%, comparable to the result for the full 2018 and 1.3% lower than the reported in the first half of the previous year. Combined with the slight decrease in revenues, this trend leads to a decrease in the interim gross profit by 8% compared to the same period of the previous year.

At the same time, the continued expansion of marketing and sales functions and the overall administrative support of the company's activity in relation to the current and planned sales growth leads to a 5% increase in the corresponding expenses compared to the first half of 2018.

As a result of the above trends, operating profit declined by 15% and net profit by 17% compared to the first half of 2018. Although the profitability ratios reported at both levels (an operating margin of 8.8% and a net margin of 7.4%) were lower than in the same period of the previous year, they significantly exceeded the similar margins for the full 2018.

Given the significant increase in depreciation costs associated with the formation of a right of use asset relative to a new long-term office rental contract under the new IFRS 16 and the growing pool of Equipment provided as a service, reported for the past six months of 2019, EBITDA remains almost unchanged from that realized in the same period of 2018. Also comparable to the latter is the reported EBITDA margin of 12.2%, which is more than 2.5% higher than the one reported for the full year 2018,.

8.2.1.3. CASH FLOWS

[18] With the legal reorganization of *TSB Group* as of 14.08.2019, the respective corporate governance support contract is transferred from *Telelink Bulgaria* to *TBS Group*.

In addition to the generated operating profit before depreciation and paid bank fees and taxes, the dynamics of the net cash flow from operating activities is determined by the varying direction of changes in the company's net working capital over the periods under review.

Against the background of the significant increase of the latter in 2016, the company reports significant decreases in the next two financial years. The main factors are the accumulation of advances on projects in the process of implementation and the overall increase in trade and other payables at the end of 2017 and the reduction of trade and other receivables and expenses for future periods in 2018. The above dynamics determine the minimum value of net operating inflows in 2016, their sharp increase in 2017 and their retention at a comparable level in 2018 against the background of a relatively uniform increase in operating profit adjusted for cash flow purposes, throughout the period under review.

In spite of the above fluctuations throughout the years, in total, in the period 2016-2018, *TBS EAD* reported a moderately positive effect of the change in its net working capital and converted almost 100% of its operating profit adjusted for cash flow to net receipts from operations.

Given the financing of equipment purchased as a service during the period with financial leasing contracts, the cash outflows associated with the acquisition and formation of fixed assets are significantly lower than the amount of these investments and are formed mainly by purchase costs of software and research and development activity.

Payments on purchased systems for providing services and other software assets have a significant impact on the net cash flow from investing activities in 2016. In the absence of similarly sizeable expenditures, net payments on investment activity in 2017 are relatively insignificant, and the more substantial amount related to R&D in 2018 is partially offset by government funding from EU programs.

The main factor for the significant negative net cash flow from investing activities in 2018 is the granted loan of BGN 6 426 thousand, which represents a transfer of free funds to *Telelink Bulgaria EAD* under the financial support agreement between the two companies in effect at the end of the period. The transferred funds are provided indefinitely and are subject to repayment at the request of and within the time limit specified by *TBS EAD*.

In accordance with the dynamics and needs for financing the net working capital, the company reports a net increase in loans received in 2016 and a net repayment of financial debt in 2017 and 2018. Apart from the latter, the negative net cash flows from financial activities in the last two years also include dividends from the company in the amount of BGN 1 million in 2018.

In general, during the period 2016-2018, the Company generated significant net proceeds of BGN 7 579 thousand from the activity before dividend payment and loans granted. The major factor behind the significantly lower net increase in cash over the same period is the transfer of free funds under the financial support agreement with *Telelink Bulgaria EAD*, which in essence also represent funds at the call of *TBS EAD*.

A major factor in the first half of 2019 is the accumulation of significant inventories and contractual assets on major projects with pending invoicing by the end of the year, as well as the accumulation of receivables and the deduction of advances from customers already invoiced by the end of 2018. The relatively slower deployment of projects and the corresponding increase in net working capital on an interim basis in 2019 also led to a significantly higher value of net operating payments compared to the same period of the previous year.

The observed increase in the reported cash flows related to the acquisition and formation of fixed assets during the period is mainly due to the significant purchases of *Equipment Provided as a Service*, part of which has not yet been refinanced with finance leases. Payments for the period also include purchases of furniture and fittings and one-off expenses arising from the relocation of the company to a new office at the end of 2018.

Despite the acceleration of these payments, the Group recognizes a strong positive net cash flow from investing activities for the first half of 2019 as a result of the repayment of the loan provided by *TBS EAD* to *Telelink Bulgaria EAD* as a transfer of available funds under a financial support agreement as of the end of 2018.

In addition to the recovery of these funds and other sources, the increase in net working capital was financed by a significant net increase in the financial support used under the same agreement from *Telelink Bulgaria EAD*. As a result, the company reports significant net proceeds from borrowings and financial activity as a whole, given that dividends of BGN 2 000 thousand have not yet been paid by the end of the period.

In general, balancing the negative cash flow from operating activities and purchases of non-current assets with net proceeds from loans and borrowings retained the minimum cash available at the end of the period against the background of their significant decline in the same period of 2018.

8.2.1.4. BALANCE SHEET INDICATORS

During the period under review, the assets of *TBS EAD* increased by a CAGR of 43% from BGN 13 537 thousand at the end of 2016 to BGN 27 680 thousand at the end of 2018. This is due to the sustainable growth of long-term assets as a result of investments in *Equipment Provided as a Service* and the significant amount of long-term prepayments. However, during the period under review, non-current assets accounted for a limited portion of the company's total assets, with a relative share of 16% on average over the period and 15% at the end of 2018.

The significant profits realized and the limited amount of dividends paid during the period contribute to the sustainable growth of equity inherent in the company's core business. As of the end of 2018, the latter accounted for 11% of total assets, 7% of which is generated by retained earnings from current and past years.

With a total ratio of 16% of total assets at the end of 2018, the Group's equity and non-current liabilities provide adequate coverage of its non-current assets with long-term sources.

A systematic increase over the period under review was also noted by the current assets to liabilities ratio (current liquidity ratio), which reached 1.0 at the end of 2018, compared to an average of 0.9 for the three financial years covered.

Despite the steady increase in financial leasing liabilities in connection with the financing of equipment provided as a service by *TBS EAD*, during the period under review the dynamics of the Company's total financial debt is determined mainly by the needs for financing the net working capital. Reflecting this dependence, the sum of the interest-bearing loans and finance lease obligations (BGN 1 432 thousand at the end of 2018, BGN 2 888 thousand at the end of 2017 and BGN 2 733 thousand at end of 2016) ranges from 20% of total assets at end of2016 to just 5% by end-2018, with an average ratio of 12% over the period considered.

At the end of the first half of 2019, tangible fixed assets marked a new significant increase, reflecting both continuing investments in Equipment provided as a service and other assets and the application of the new IFRS 16. According to the latter, the Company classifies as fixed assets the rights to use assets under long-term rental contracts, including office and vehicles subject to operating leases. At the end of the period their total book value amounts to BGN 3 009 thousand (8% of the total assets), with a major contribution to this significant amount being the new office rental contract signed at the end of 2018. Overall, the company's non-current assets reach 25% of its total assets by the end of the period under review.

Taking into account the 2019 dividend vote, which is close to that of the interim profit realized for the period, *TBS EAD*'s equity remains almost unchanged compared to the end of 2018. Against the background of significant growth in total assets on an interim basis, this trend was reflected in a decrease in their equity coverage to 9% towards the end of the period.

In total, equity and non-current liabilities, including leasing obligations recognized in connection with rights of use assets from long-term rental contracts under the new IFRS 16, amount to 19% of total assets and are 6% lower than non-current assets.

Despite the marked decline from the end of the first half of 2018, the reported ratio between combined current assets and liabilities (current liquidity ratio) of 0.9 remains within the company’s typical range and is comparable to its average for the last three financial years.

At the end of the period, the Group's trade and other payables include other liabilities in the amount of BGN 2 000 thousand, formed by a voted but undistributed dividend.

In connection with the implementation of the new IFRS 16, at the end of June 2019, the Company reported a total of BGN 2 950 thousand of leasing obligations (including BGN 2 305 thousand non-current and BGN 645 thousand current), relative to the rights to use assets under long-term rentals and operating leases, amounting to a total of 8% of its total assets. However, these obligations do not reflect actual credit relations and should not be considered part of the financial debt. Summing up the obligations under loan and finance lease agreements, the total financial debt reached BGN 5 935 thousand, or 17% of the total assets at the end of the period under consideration, mainly as a result of the company's increased working capital funding needs.

8.2.2. COMUTEL

Comutel is the second most important company in the Group with a key role in its specialization in the field of video transmission networks and the management of activities related to servicing key customers from the telecommunications sector in the Western Balkans.

- Year of acquisition: 2010 (with participation of 60% of the capital, increased to 100% in 2018)
- UIC: 07554133
- Address: *Serbia, 11070 Belgrade, 65B Omladinski Brigade Street*

Table 30: Selected financial information for Comutel for the period 01.01.2016-30.06.2019

Indicator ('000 BGN)	2018	2017	2016	30.6.2019	30.6.2018
Revenue	**49 757**	**48 354**	**51 082**	**16 591**	**23 747**
Cost of sales	-44 975	-44 536	-46 756	-14 835	-21 011
Gross profit	**4 782**	**3 818**	**4 326**	**1 756**	**2 736**
Sales and marketing expenses	-1 084	-657	-1 134	-440	-370
General and administrative expenses	-551	-499	-440	-395	-224
Other operating income and expenses (net)	77	-96	53	15	17
Operating profit	**3 224**	**2 566**	**2 805**	**936**	**2 159**
Financial income and expenses (net)	-134	-241	-51	-199	-288
Income tax expense	-461	-350	-417	-110	-279
Net profit	**2 629**	**1 975**	**2 337**	**627**	**1 592**
EBITDA	**3 200**	**2 423**	**2 973**	**846**	**1 911**
Total assets	**21 286**	**16 237**	**20 927**	**19 133**	**20 743**
Non-current assets	1 630	1 522	1 244	3 128	2 797
Current assets	19 656	14 716	19 683	16 005	17 946
Equity	**3 785**	**4 277**	**4 547**	**972**	**5 887**
Total liabilities	**17 501**	**11 960**	**16 380**	**18 161**	**14 856**
Non-current liabilities	1 434	1 299	837	3 074	2 732
Current liabilities	16 067	10 661	15 543	15 087	12 124
Financial assets	**1 369**	**880**	**665**	**1 337**	**187**
Total financial debt *	**5 308**	**0**	**1 351**	**4 726**	**2 983**
Net cash flow from operating activities	**-1 564**	**4 061**	**3 624**	**4 249**	**-3 626**
Net cash flow from investing activities	**-34**	**-6**	**-8**	**-7**	**-20**
Net cash flow from financial activities	**2 087**	**-3 840**	**-5 159**	**-4 274**	**2 953**

** Incl. loans and finance leases*

Source: Telelink Business Services Group AD

8.2.2.1. REVENUE DEVELOPMENT AND TRENDS

Over the last three financial years, *Comutel* reported stable revenues with a small negative CAGR of 1% from BGN 51 082 thousand in 2016 to BGN 49 757 thousand in 2018 and an intermediate decrease of 5% to 48 354 thousand BGN in 2017.

Throughout the period, the company's activity was focused on the regular sales of equipment and related services of the *Service Provider Specific* group, aimed mainly at traditional customers from a leading regional group of fixed cable network operators. While realized mostly directly to the Serbian market, sales within this leading product line also typically involve substantial supplies to neighboring markets of Slovenia, Bosnia and Montenegro, both directly and through other Group companies incorporated in the respective countries. Supplies in the *Data Center* category play a supplementary role in revenue generation as well as one-off projects and maintenance contracts with various other clients in the fields of finance, media and telecommunications, utility and other private and public industries.

The reason for the fall in revenue recorded in 2017 was the slowdown in sales to the traditional customer from a leading regional group of fixed cable network operators in Bosnia, which was only partially offset by the increase in deliveries to other customers in the same year.

The main factor for the resumption of growth in 2018 is the increase in direct deliveries and sales to *Telelink Montenegro* and *Telelink Slovenia* destinated to the traditional customer from the regional group of operators in Slovenia. Accelerated orders for some types of equipment from the same group of customers play a major role in the development of sales throughout the year.

At the end of the period under review, the served regional group of operators showed a growing preference for purchases destined to Bosnia and Slovenia to be made directly from the Group's local companies and *Telelink Montenegro*. At the same time, through its partnerships with key suppliers, *Comutel* remains the Group's primary purchaser for the equipment delivered to these markets. As a result, the period is marked by a significant increase in the share of intra-group sales to companies from Montenegro, Bosnia and Slovenia, from an average of 5% of total company sales in 2016-2017 to 20% in 2018.

The first half of 2019 saw a significant slowdown in sales by 30% compared to the same period in 2018, reflecting mainly the accelerated sales of certain types of equipment in the latter period and the transitional factors associated with the introduction of new categories of CPE in the networks of the telecommunications operators served.

Notwithstanding this interim trend, as of June 30, 2019 and the date of this Prospectus, the Company retains its key partnerships and continues to generate significant turnover with these clients.

8.2.2.2. FINANCIAL RESULTS

In parallel with revenue dynamics, *Comutel* reported a moderate decrease in gross margin from 8.5% in 2016 to 7.9% in 2017 and a subsequent significant increase to 9.6% in 2018. Reflecting this trend, gross profit outpaced revenue trends with a with a fall of 12% in 2017 and an increase of 25% in 2018, booking a 5% CAGR, despite a slight decrease in sales throughout the period.

Significant role in gross profitability improvement in 2018 have the large volumes realized and the corresponding preferential conditions for the purchase of certain types of equipment delivered to regular customers, as well as significant sales to another client in the Serbian telecommunications sector.

Marketing, sales and general administrative expenses follow similar to revenue and gross profit dynamics. With an compounded annual growth rate of 2%, formed by a decline of 27% in 2017 and a subsequent increase of 41% in 2018, the latter remain in a relatively stable ratio to net sales of 2.9% on average over the period under review.

Ranging from 1.4% to 2.2% of annual revenue, marketing and sales costs are a major factor in the above changes, with their decline in 2017 including the cessation of some marketing and advertising costs and their subsequent increase in 2018 - the preparation for the planned introduction of an expanded portfolio of products and services in the Western Balkans from 2019. With an average annual decline of 2%, the costs in 2018 remain comparable to those reported in 2016.

Despite a 12% CAGR, *Comutel*'s general and administrative expenses remain relatively limited in size in the range of 0.9-1.1% of annual net sales.

The similar direction of the change in gross profit and in the expenses for marketing, sales and general administration help both to reduce the drop in operating profit to 9% in 2017 and to translate the positive effect of the improved gross margin in 2018, when operating profit increased by 26% year-on-year and reached a 7% CAGR for the period 2016-2018. A positive trend is also observed in the relative profitability at this level, with the operating margin of 6.5% reported for 2018 showing a significant increase compared to the average of 5.4% for the previous two years.

The net loss reported in 2017 from exchange rate differences against the backdrop of a net gain in 2016 and their approximately neutral effect in 2018 is a major factor in the changes in net financial expenses recorded over the period. Despite their relative peak in 2017, they generally remained within a relatively moderate range, accounting for an average of 0.3% of annual revenue and 5.1% of the company's annual operating profit during the period under review.

Given the constant corporate tax rate of 15% and in the absence of significant differences between taxable and accounting profit before taxes, the effective tax rate of the company remains at a relatively constant level of 14.9-15.1%.

As a result of the aforementioned factors, *Comutel*'s net profit evolved ahead of its operating profit by a drop of 15% in 2017, accelerated growth of 33% in 2018, and a 6% CAGR for the period 2016-2018. Similar trends are also observed in the relative profitability of the company at this level, as, after a decline from 4.6% in 2016 to 4.1% in 2017, the net margin reached a maximum for the period of 5.3% in 2018.

Given the insignificant depreciation expense, the difference between *Comutel*'s operating profit and EBITDA is formed mainly by non-interest financial expenses and, in particular, by the net result of changes in foreign exchange rates resulting from purchases of equipment in USD. As a result, EBITDA developed ahead of operating profit by a decline of 19% in 2017, accelerated growth of 32% in 2018 and a 4% CAGR for the period 2016-2018. Similar trends are observed in the company's relative profitability on this level, as, after falling from 5.8% in 2016 to 5.0% in 2017, the EBITDA margin reached a maximum value of 6.4% in 2018.

In the first half of 2019, gross profit posted a significant decline of 36% against the significantly sizeable and highly profitable sales of certain types of equipment realized in the first half of 2018. However, gross margin reported at the end of June 2019 of 10.6% continues to significantly exceed the same result for the full 2018.

At the same time, the costs of marketing, sales and general administrative services increased by 41% compared to the same period of 2018, mainly in connection with the expansion of the respective functions started in the second half of the previous year related to the planned expansion of the local and regional market.

As a result of the above trends, the company's operating profit declined by 57% and net profit by 61% compared to the first half of 2018, marking significantly lower profitability ratios on both levels of 5.6% and 3.8%, respectively.

Despite the significant decrease in the net loss from changes in foreign exchange rates and the increase in depreciation expenses related to the formation of right of use assets from operating leases of vehicles under the new IFRS 16, EBITDA recorded a similar decrease of 56% at the end of June 2019 compared to the same period in 2018. Overall, the 5.1% profitability ratio reported at this level also remains below the same for the full 2018.

8.2.2.3. CASH FLOWS

Apart from the generated operating profit before depreciation, paid bank fees and taxes, the dynamics of the net cash flow from operating activities is determined by the various changes in the net working capital of the company during the period.

In 2017, the significant decrease in the latter as a result of the relative slowdown in sales led to a moderate increase in net annual operating cash, despite the reported annual decline in operating profit compared to 2016. In turn, the subsequent increase in trade and other receivables as a result of resumed sales growth while maintaining trade and other payables as a result of the shortening of payment terms on a significant portion of purchases from the *Cisco Systems* group from 90 to 60 days are the cause of the reported negative net cash flow from operating activities in 2018.

On average over the period, the net cash flows from operating activities amount to 77% of the operating income adjusted for cash flow for each of the financial years covered.

During the period the company did not make significant investments and there were no significant cash outflows related to the acquisition and formation of fixed assets.

In line with the variation of working capital requirements, depending on the above described dynamics of the net working capital, the company recorded net repayments of loans received in 2016-2017 and a significant increase in the utilized funds under a revolving credit line in 2018.

During each of the last three financial years, the Company has paid significant dividends, with a trend of increasing from BGN 1 707 thousand in 2016 to BGN 3 127 thousand in 2018 and an average of BGN 2 415 thousand annually.

Despite the increasing dividend payments, the net cash flow remains positive in 2017 and 2018. However, given its significant negative value in 2016, the company reported an overall decrease in cash (after payment of dividends) of BGN 839 thousand over the three-year period under consideration.

The relative slowdown in sales during the first half of 2019 is reflected in a significant decrease in the company's net working capital compared to the end of 2018. Along with the substantial positive operating profit after adjustments for cash flow, the net release of working capital contributed to a significant net operating cash inflow against the significant net payments reported as a result of the increase in net working capital over the same period in 2018.

During the period the company did not make significant investments and there were no significant cash outflows related to the acquisition and formation of fixed assets.

In line with the observed decrease in net working capital, *Comutel* reported net repayments of loans received. At the same time, significant dividends in the amount of BGN 3 442 thousand were paid at the end of the first half of 2019.

Despite the significant outflow from financial activity, the net cash flow for the period remains positive against the background of the significant decrease in cash recorded in the same period of 2018.

8.2.2.4. BALANCE SHEET INDICATORS

During the period under review, *Comutel*'s assets increased with a compound annual growth rate of 1% from BGN 20 297 thousand at the end of 2016 to BGN 21 286 thousand at the end of 2018.

Non-current assets, mainly formed by prepayments on one-time invoiced commitments for the maintenance of delivered equipment, make up a relatively small part of the total assets of the company with a relative share of 8% on average over the period and at the end of 2018. The company has no significant tangible and intangible fixed assets related to its core business in the period under review. Investment property recorded by the company is formed by an owned office building, which the company leases to third parties.

Despite its moderate decline as a result of significant dividend distributions, *Comutel*'s equity remains significant in size. In relation to the total value of the assets, the company reports a decrease in the respective capitalization ratio to 18% towards the end of 2018 compared to 22% on average over the period under review.

With a combined ratio to total assets of an average of 28% over the period considered and 25% at the end of 2018, the company's equity and non-current liabilities provide multiple coverage of its non-current assets with long-term sources.

During the period under review, the company maintained a relatively stable ratio between current assets and liabilities (current liquidity ratio), ranging from 1.2 in 2018 to 1.4 in 2017, with an average of 1.3 for the period as a whole.

Formed entirely on the basis of the revolving bank loan for working capital used by the company, financial debt (amounting to BGN 5 308 thousand at the end of 2018, BGN 0 thousand at the end of 2017 and BGN 1 351 thousand by the end of 2016) reaches a maximum ratio of 25% of total assets in relation to the increase in net working capital at the end of 2018, with an average respective ratio of 10% for the whole period under review.

As of 30 June 2019, tangible fixed assets have increased compared to the end of 2018 mainly as a result of the implementation of the new IFRS 16. According to the latter, the company classifies as long-term assets the rights to use assets under long-term operating leases of vehicles. At the end of the period, their total book value amounts to BGN 162 thousand (0.8% of total assets). Due to this relatively insignificant amount, the non-current assets of the company remain relatively limited, with their increase to 16% of its total assets at the end of the period under consideration mainly due to an interim increase in prepayments.

Given the earlier distribution of dividends in 2019, their size exceeds the profit realized for the period. As a result of the corresponding decrease in retained earnings, the equity of the company recorded an interim decrease to 5% of the total assets at the end of the period.

In total, equity and non-current liabilities, including leasing obligations recognized in connection with rights to use assets as per long-term operating leases under the new IFRS 16, account for 21% of total assets and continue to significantly exceed the value of non-current assets.

Despite a decline to 1.1, the ratio between the company's current assets and liabilities (current liquidity ratio) remains close to that reported at the end of 2018.

In connection with the implementation of the new IFRS 16, at the end of the period, the company reports a total of BGN 162 thousand of leasing liabilities (including BGN 112 thousand non-current and BGN 50 thousand current) formed in connection with rights to use assets under long-term operating leasing contracts, amounting to a total of 0.8% of its total assets. However, these liabilities do not reflect actual credit relations and should not be considered part of the financial debt. Formed entirely on the basis of the revolving bank loan used by the company, the latter decreased to BGN 4 726 thousand, maintaining a ratio of 25% to total assets at the end of the period under review, identical to the one reported at the end of 2018.

8.2.3. TELELINK (MONTENEGRO)

Telelink (Montenegro) is a local subsidiary with a complementary role, specialized in supplies to key customers from the telecommunications sector on the local market and neighboring markets in the Western Balkans region.

- Established in 2009
- UIC: 5-0534394
- Address: *2/4 Crnogorski Battalion str., Podgorica, Montenegro*

Table 31: Selected financial information for Telelink (Montenegro) for the period 01.01.2016-30.06.2019

Indicators ('000 BGN)	2018	2017	2016	30.6.2019	30.6.2018
Revenue	**8 729**	**6 671**	**6 930**	**2 654**	**5 500**
Cost of sales	-8 189	-6 487	-6 750	-2 449	-5 021
Gross profit	**540**	**184**	**180**	**205**	**479**
Sales and marketing expenses	0	0	0	0	0
General and administrative expenses	-36	-37	-37	-25	-14
Other operating income and expenses (net)	-29	0	-2	-21	-18
Operating profit	**475**	**147**	**141**	**159**	**447**
Financial income and expenses (net)	8	-35	-65	-14	12
Income tax expense	-45	-10	-8	-14	-41
Net profit	**438**	**102**	**68**	**131**	**418**
EBITDA	**483**	**111**	**78**	**147**	**459**
Total assets	**2 770**	**2 275**	**2 560**	**2 269**	**3 677**
Non-current assets	348	417	479	632	868
Current assets	2 422	1 858	2 081	1 637	2 809
Equity	**548**	**329**	**227**	**264**	**528**
Total liabilities	**2 222**	**1 946**	**2 333**	**2 005**	**3 149**
Non-current liabilities	354	448	507	735	900
Current liabilities	1 868	1 498	1 827	1 270	2 249
Financial assets	**504**	**399**	**207**	**540**	**591**
Total financial debt *	**0**	**0**	**0**	**0**	**0**
Net cash flow from operating activities	**324**	**195**	**-198**	**451**	**411**
Net cash flow from investing activities	**0**	**-2**	**0**	**0**	**0**
Net cash flow from financial activities	**-219**	**0**	**0**	**-415**	**-219**

** Incl. loans and finance leases*

Source: Telelink Business Services Group AD

8.2.3.1. REVENUE DEVELOPMENT AND TRENDS

With a moderate decline of 4% in 2017 and accelerated growth of 31% in 2018, *Telelink (Montenegro)* has recorded a significant overall increase in sales over the last three financial years, with a 12% CAGR from BGN 6 930 thousand in 2016 to BGN 8 729 thousand in 2018.

Throughout the period, the company's activity is focused mainly on the regular sales of equipment and ancillary services of the *Service Provider Specific* group, destinated to traditional customers from a leading regional group of fixed cable network operators. As of 2017, an increasing complementary role is played by the growing supply of *Data Center* equipment to the same customers. Although they include regular sales on the local market, the company's revenues are mainly generated by the supply to Slovenia, which complements the deliveries to a major customer of the above group operating on that market by *Comutel* and *Telelink (Slovenia)*.

The reason for the drop in revenue recorded in 2017 was the slowdown in sales to the customer from the same group operating in Montenegro, which was only partially offset by the increase in deliveries to Slovenia in the same year. The latter are also a major factor in the accelerated growth recorded in 2018, driven by both the general increase in orders from the main client in Slovenia and the refocus towards the company of a growing part of the corresponding deliveries at the expense of direct sales by *Comutel*. Similar to the trend observed in the latter, accelerated orders for certain types of equipment play a major role in the development of sales throughout the year.

The significant slowdown in sales in the first half of 2019 by 52% compared to the same period in 2018 reflects mainly the strongly accelerated sales in the comparable period and transition factors related to the introduction of new categories of CPE in the networks of the served telecommunications operators.

Despite this interim trend, as of 30.06.2019 and the date of this Prospectus, *Telelink (Montenegro)* retains its key partnerships and continues to generate significant turnover with its main client.

8.2.3.2. FINANCIAL RESULTS

Along with the significant growth in revenues, the company also reported a significant improvement in the gross margin from 2.7% for 2016-2017 to 6.2% in 2018. This trend is the factor behind for the faster gross profit growth by 194% compared to the previous 2017 and a CAGR of 73% for the period as a whole.

A major role in the significant improvement in gross profitability in 2018 is played by the large volumes realized and the corresponding preferential conditions for the purchase of certain types of equipment.

During the period under review, the company has no marketing and sales expenses, while general and administrative expenses remain stable and relatively insignificant, accounting for an average of 0.5% of the annual revenue for the period considered.

In the absence of significant operating costs, in addition to the cost of sales, *Telelink (Montenegro)*'s operating profit exhibited trends similar to gross profit in 2016-2017 and more than tripled in 2018. The trend in the operating margin is similar with 2.1% on average for the first two years and 5.4% for the last financial year of the period under review.

The decline in the net loss from foreign exchange differences related to purchases of equipment in USD in 2017 and the positive result from them in 2018 lead to a decrease in the company's net financial expenses from 0.9% of its revenues in 2016 to a positive effect of 0.1% in 2018.

The effective tax rate of the company remains at a relatively constant level of 8.8-10.3% under the conditions of a constant corporate tax rate of 9% and in the absence of significant differences between taxable and accounting income before taxes.

As a result of the above factors, *Telelink (Montenegro)*'s net profit grew ahead of its operating profit growth by 49% in 2017 and increased more than four times in 2018, reaching a 153% CAGR for the 2016-2018 period. A similar trend is observed in the company's relative profitability at this level, with the net margin increasing from 1.0% to 1.5% in 2016-2017 to reach a maximum value of 5.0% in 2018.

In the absence of a depreciation expense, the difference between the company's operating profit and EBITDA is formed primarily by non-interest financial expenses and, in particular, by the net result of changes in foreign exchange rates. As a result, EBITDA also saw a faster than operating profit growth by 42% in 2017 and an increase of more than four times in 2018, reaching a 148% CAGR for the 2016-2018 period. A similar trend is observed in the relative profitability of the company at this level, after increasing from 1.1% to 1.7% in 2016-2017, the EBITDA margin reached a maximum for the period of 5.5% in 2018.

Compared to the significant in size and highly profitable sales in the first half of 2018, gross profit for the same period in 2019 marked a considerable decline of 57%. However, the gross margin of 7.7% reported for the first half of 2019 still exceeds significantly the same result for the full year 2018.

Despite their limited size, the increase in general and administrative expenses by 79% and the reported net financial expenses against the backdrop of net financial revenues during the same period in 2018 also had a negative impact.

As a result of the above trends, *Telelink (Montenegro)*'s operating profit declined by 64%, net profit by 69% and EBITDA by 68% compared to the first half of 2018. Close to the full 2018, but significantly lower compared to the first half of the previous year, the profitability ratios of 6.0%, 4.9% and 5.5%, respectively, were reported at the end of June 2019.

8.2.3.3. CASH FLOWS

Apart from the generated operating profit before depreciation, paid bank fees and taxes, the dynamics of the net cash flow from operating activities is determined by the various changes in the net working capital of the company during the period.

The decrease in the latter in 2017 contributes to the formation of positive net annual operating cash flows, offsetting their negative magnitude that reflecting an opposite trend in 2016. Despite the continued advanced increase in trade and other receivables relative to corresponding liabilities as a result of recorded sales growth and shortening payment terms for a significant portion of purchases from 90 to 60 days in 2018, the company's operating profit growth contributes to a significant increase in net cash flow from operating activities in this year as well.

In total for the period considered, the realized net cash flows from operating activities amounted to 45% of operating profit adjusted for cash flow.

During the period, the company had no significant cash outflows related to the acquisition and formation of fixed assets and no financial debt.

In 2018, the company uses part of the operating funds generated by operating activities to pay a dividend of BGN 219 thousand.

Given the offsetting of net cash flows between 2016 and 2017, the company's overall cash flow increase of BGN 100 thousand over the three-year period is mainly due to the residual net income after dividends from 2018.

The relative slowdown in sales during the first half of 2019 is reflected in a significant decrease in the company’s net working capital compared to the end of 2018. Along with the significant positive operating profit after adjustments for cash flow, the net release of working capital forms a significant net operating cash inflow similar to the one realized in the same period in 2018.

During the period, the company had no significant cash outflows related to the acquisition and formation of fixed assets and no financial debt.

Due to the higher amount of dividends paid during the period of BGN 415 thousand compared to the same period of 2018, the company realized a significantly lower net cash flow. However, the latter remains positive throughout the period under review.

8.2.3.4. BALANCE SHEET INDICATORS

During the period under review, the total assets of the company remained relatively stable, increasing with a 4% CAGR for 2016-2018.

Formed almost entirely by prepayments on one-time invoiced and gradually accrued equipment support commitments, non-current assets make up a limited portion of the company's total assets with a relative share of 17% on average over the period and 13% at end-2018.

In the absence of dividend distributions in 2016-2017 and in view of the significant excess of current profit over the distributed dividend in 2018, the company's equity increases steadily, reaching a ratio of total assets of 20% by the end of 2018 and an average of 14% over the period as a whole.

With a total ratio relative to total assets of an average of 32% over the period considered and 33% at the end of 2018, the company's equity and non-current liabilities provide adequate coverage of its non-current assets with long-term sources.

During the period considered, the company maintained a relatively stable ratio between total current assets and liabilities (current liquidity ratio), ranging from 1.1 in 2016 to 1.3 in 2018, with an average of 1.2 for the period as a whole.

During the three-year period considered, the company has no financial debt.

Similar to the same period in 2018, at the end of June 2019, *Telelink (Montenegro)* recorded a significant increase in prepayments compared to the end of the previous financial year. As a result of this increase and the lower total value of the assets compared to the end and the same period of the previous year, the relative share of non-current assets in the balance sheet of the company increased to 28%.

Given the earlier distribution of dividends in 2019, their size exceeds the interim profit booked for the period. As a result of the corresponding decrease in retained earnings, the equity of the company recorded an interim decrease to 12% of the total assets at the end of the period.

In total, equity and non-current liabilities account for 44% of total assets at the end of the period and continue to significantly exceed the value of non-current assets of the company.

The achieved ratio of total current assets to liabilities (current liquidity ratio) of 1.3 remains the same as at the end of 2018.

During the period under review, the company continued to have no financial debt.

8.2.4. TELELINK (BOSNIA AND HERZEGOVINA)

Telelink (Bosnia & Herzegovina) is a local subsidiary with a complementary role, specialized in supplies to a key telecommunications sector customer on the local market.

- Established in 2012.
- UIC: 65-01-0344-12
- Address: *Bosnia and Herzegovina, Sarajevo - Novi Grad, 32 Dr. Silve Rizvanbegovic str.*

Table 32: Selected financial information for Telelink (Bosnia and Herzegovina) for the period 01.01.2016-30.06.2019

Indicator ('000 BGN)	2018	2017	2016	30.6.2019	30.6.2018
Revenue	**6 891**	**1 723**	**2 277**	**1 594**	**1 509**
Cost of sales	-6 296	-1 614	-2 163	-1 395	-1 374
Gross profit	**595**	**110**	**113**	**199**	**135**
Sales and marketing expenses	0	0	0	0	0
General and administrative expenses	-44	-56	-49	-34	-22
Other operating income and expenses (net)	0	0	8	0	0
Operating profit	**551**	**54**	**72**	**165**	**113**
Financial income and expenses (net)	-123	11	-10	-79	-4
Income tax expense	-43	-8	-8	-9	-11
Net profit	**385**	**57**	**55**	**77**	**98**
EBITDA	**429**	**65**	**63**	**86**	**109**
Total assets	**4 606**	**826**	**1 564**	**1 379**	**2 354**

Non-current assets	415	148	256	546	301
Current assets	4 191	679	1 307	833	2 053
Equity	**408**	**234**	**177**	**485**	**332**
Total liabilities	**4 198**	**593**	**1 387**	**894**	**2 022**
Non-current liabilities	448	174	293	607	358
Current liabilities	3 750	419	1 093	287	1 664
Financial assets	**369**	**357**	**201**	**363**	**149**
Total financial debt *	**0**	**0**	**0**	**0**	**0**
Net cash flow from operating activities	**226**	**154**	**76**	**-6**	**-206**
Net cash flow from investing activities	**-3**	**0**	**0**	**0**	**-2**
Net cash flow from financial activities	**-211**	**0**	**0**	**0**	**0**

** Incl. loans and finance leases*

Source: Telelink Business Services Group AD

8.2.4.1. REVENUE DEVELOPMENT AND TRENDS

During the last three financial years, the company's revenue has fallen by 24% in 2017 and exhibited a fourfold increase in 2018, reaching a 74% CAGR for 2016-2018.

Throughout the period, the company's activity is focused mainly on the regular sales of equipment and related services of the *Service Provider Specific* group to a traditional local customer from a leading regional group of fixed cable network operators. As of 2017, an increasing complementary role is played by the growing supply of *Data Center* equipment to the same customer.

The drop observed in 2017 is part of the overall slowdown in supply to the Bosnian market as a reflection of the current phase in the investment cycle of the serviced operator.

In turn, the accelerated growth in 2018 reflects both the overall increase in orders from this customer and the refocus towards the company of a growing portion of relevant deliveries at the expense of *Comutel*'s direct sales due to the preferences of the served group of operators for local market purchases. Sales to other operators on the Bosnian market are also growing with an increasing share. Similar to the trend reported by *Comutel*, accelerated orders for some types of equipment play a major role in the development of sales throughout the year.

With a moderate growth of 6% compared to the same period of 2018, the company retains a stable level of interim sales for the first half of 2019 and an unchanged scope of business.

8.2.4.2. FINANCIAL RESULTS

During the period under review, *Telelink Bosnia* reported a steady improvement in its gross margin from 5% in 2016 to 6.4% in 2017 and 8.6% in 2018. A simultaneous significant increase in relative profitability and sales is reflected in more than a fivefold increase in gross profit in 2018 and a 129% CAGR for the period as a whole.

A significant role in improving gross profitability in 2018 is played by the large volumes realized and the corresponding preferential conditions for the purchase of certain types of equipment.

During the period under review, the company has no marketing and sales expenses, and general and administrative expenses vary within a limited range, with a slight decline in 2018. Against the backdrop of significant sales growth in the latter, the ratio of these expenses to revenues decreases to only 0.6 % in 2018 compared to an average of 2.7% in 2016-2017.

In the absence of significant operating expenses other than cost of sales, the operating profit of the company recorded similar trend to its gross profit with a moderate decline in 2017 and more than tenfold growth in 2018. Accordingly, the operating profitability ratio increased from 3.2% on average for 2016-2017 to 8.0% in 2018.

Following the net positive effect reported in 2017, the net foreign exchange rate loss generated in 2018 related to purchases of equipment in USD leads to an increase in the company's net financial expenses to 1.8% of revenues and 22.3% from operating profit.

With a constant corporate tax rate of 10%, and depending on moderate variations in accounting and tax profit before tax, *Telelink (Bosnia & Herzegovina)*'s effective tax rate varies from 10% to 12.5%.

As a result of the aforementioned factors, the net profit of the company registered a slight increase of 4% despite the decrease in operating profit in 2017 and lagging behind the operating profit, but still significant, more than six fold increase in 2018. In total for the period 2016-2018, it reached a CAGR of 165%. A similar trend is observed in the relative profitability of the company at this level, as, after increasing from 2.4% to 3.3% in 2016-2017, the net margin reached a maximum for the period of 5.6% in 2018.

In the absence of a significant depreciation expense, the difference between the company's operating profit and EBITDA is formed mainly by non-interest financial expenses and, in particular, by the net result of changes in foreign exchange rates. As a result, EBITDA also recorded minimal growth in 2017 and more than a six-fold increase in 2018. Overall, for the period 2016-2018, it also reached a CAGR of 162%. A similar trend is observed in the relative profitability of the company at this level, as, after increasing from 2.7% to 3.7% in 2016-2017, the EBITDA margin reached a maximum for the period of 6.2% in 2018.

During the first half of 2019, the company reported a gross margin of 12.5%, showing a trend of continued improvement in the background of both the comparable period and the full 2018. As a result, its gross profit for the period increased by 47% compared to the same period of the previous year.

Despite the parallel increase in general and administrative expenses by 55%, their amount remains relatively limited to 2.1% of interim revenue. In view of the above factors, the company reported a growth of 46% and a significantly higher margin of 10.4% at the operating profit level as well compared to the same period of 2018.

The observed net profit and EBITDA decrease of 21% compared to the first half of the previous year is due to the significant interim increase in the net financial expenses formed by differences in foreign exchange rates. Although the respective margins of 4.8% and 5.4% registered a moderate decrease, compared to the same ratios for the full year 2018, they retain the trend of significant improvements achieved at these levels over the previous financial years.

8.2.4.3. CASH FLOWS

Apart from the generated operating profit before depreciation, paid bank fees and taxes, the dynamics of the net cash flow from operating activities is determined by the various changes in the net working capital of the company during the period.

During the period 2016-2017, the decrease in the net working capital helps to achieve net operating inflow exceeding substantially the adjusted operating profit of the company. Despite the negative effect of the faster increase in trade and other receivables versus corresponding liabilities as a result of the observed growth in sales and the shortening of payment terms on a significant part of purchases from 90 to 60 days, due to its high operating profit, the company continues to realize increasing net inflows from operating activities in 2018.

In total for the period considered, the realized net cash flows from operating activities amounted to 81% of operating profit adjusted for cash flow.

During the period, the company has no significant cash outflows related to the acquisition and formation of fixed assets and no financial debt.

In 2018, the company uses part of the cash generated from operating activities to pay a dividend of BGN 211 thousand.

Despite this distribution, the company reported a positive net cash flow for the year, adding upon the net proceeds from 2016-2017 up to a total increase in cash after dividends of BGN 243 thousand for the three-year period under review.

Despite the positive operating profit and the relatively neutral dynamics of net working capital in the first half of 2019, the company reports a minimal negative net cash flow from operating activities as a result of the payment of profit tax on the significantly increased 2018 financial result. However, net payments are significantly lower than those reported for the same period in 2018, when the company reported a significant increase in net working capital in the context of growing sales.

Both during the same period of 2018 and the first six months of 2019, the company has not had significant cash outflows related to the acquisition and formation of fixed assets, has no financial debt and has not distributed dividends, so its net cash flows reflect fully or almost entirely the dynamics of operating cash flow.

8.2.4.4. BALANCE SHEET INDICATORS

During the 2016-2018 period, the total assets of the company increased at a compound annual growth rate of 72% mainly as a result of the increase of its current assets in parallel with the growing sales volume.

Formed almost entirely by prepayments on one-time invoiced and gradually accrued commitments for the maintenance of delivered equipment, non-current assets make up a limited portion of the company's total assets with a relative share of 14% on average over the period and 9% at the end of 2018.

In the absence of dividend distributions in 2016-2017 and in view of the significant excess of current profit over the distributed dividend in 2018, the company's equity increased steadily throughout the period considered. The relative decrease in equity to total assets from an average of 20% for 2016-2017 to 9% at the end of 2018 is due to the increase in the total balance sheet of the company as a result of a parallel increase in current assets and liabilities.

Notwithstanding the similar trend in relative terms, with a total ratio of 33% on average over the whole period and 19% at the end of 2018, the company's equity and non-current liabilities provide adequate coverage of its non-current assets with long-term sources.

During the period considered, the company maintained a ratio of total current assets to liabilities (current liquidity ratio) in the range of 1.1 in 2018 to 1.6 in 2017, with an average of 1.3 for the period as a whole.

During the three-year period considered, the company has no financial debt.

Similar to the same period in 2018, at the end of June 2019 the company recorded an increase in prepayments compared to the end of the previous financial year. As a result of this increase and the significantly lower total value of assets compared to the end and the same period of the previous year, the relative share of non-current assets in the company balance sheet increased to 40% at the end of the period.

In the absence of any dividend distributions during the period, the equity of the company continues to increase as a result of the generated interim profit. As a result of this increase and the significantly lower total value of assets compared to the end and the same period of the previous year, the equity to total assets ratio also increased significantly, reaching 35% at the end of the period.

In total, equity and non-current liabilities account for 79% of total assets at the end of the period and continue to significantly exceed the value of the company's non-current assets.

The significantly higher ratio between total current assets and liabilities (current ratio) of 2.9 as compared to the previous periods, is largely due to the sharp simultaneous decline in current assets and liabilities in the first half of 2019. Regardless of this relative effect, the company retains working capital comparable in size to the end of 2018.

During the period under review, the company continued to have no financial debt.

8.2.5. TELELINK (SLOVENIA)

Telelink Slovenia is a local subsidiary with a complementary role, specialized in supplies to key customers from the telecommunications sector on the local market and neighboring markets in the Western Balkans region.

- Established in 2014
- UIC: 6596240000
- Address: *Slovenia, 1210 Ljubljana, 032E Medno Street*

(Continues on the next page)

Table 33: Selected financial information for Telelink (Slovenia) for the period 01.01.2016-30.06.2019

Indicators ('000 BGN)	2018	2017	2016	30.6.2019	30.6.2018
Revenue	**12 095**	**11 862**	**23 169**	**2 498**	**6 061**
Cost of sales	-10 900	-11 424	-22 877	-2 151	-5 801
Gross profit	**1 195**	**438**	**291**	**347**	**260**
Sales and marketing expenses	-399	-346	0	-207	-198
General and administrative expenses	-41	-37	-29	-55	-8
Other operating income and expenses (net)	0	0	0	0	0
Operating profit	**755**	**55**	**262**	**85**	**54**
Financial income and expenses (net)	-39	-51	-96	-12	-8
Income tax expense	-137	0	-29	-14	-10
Net profit	**579**	**4**	**137**	**59**	**36**
EBITDA	**716**	**4**	**166**	**73**	**46**
Total assets	**4 869**	**2 132**	**4 375**	**3 745**	**3 741**
Non-current assets	463	12	4	752	123
Current assets	4 406	2 120	4 371	2 993	3 618
Equity	**597**	**325**	**321**	**656**	**361**
Total liabilities	**4 272**	**1 807**	**4 054**	**3 089**	**3 380**
Non-current liabilities	456	12	4	804	182
Current liabilities	3 816	1 795	4 051	2 285	3 198
Financial assets	**921**	**921**	**182**	**88**	**92**
Total financial debt *	**0**	**0**	**0**	**0**	**0**
Net cash flow from operating activities	**307**	**740**	**-597**	**-833**	**-829**
Net cash flow from investing activities	**0**	**0**	**0**	**0**	**0**
Net cash flow from financial activities	**-307**	**0**	**0**	**-1**	**0**

** Incl. loans and finance leases*

Source: Telelink Business Services Group AD

8.2.5.1. REVENUE DEVELOPMENT AND TRENDS

After a significant decline of 49% in 2017, the company stabilized its revenue, registering a slight increase of 2% in 2018.

Throughout the three-year period, *Telelink Slovenia*'s activity is focused mainly on the regular sales of equipment and related services from the *Service Provider Specific* group, destinated to traditional customers from a leading regional group of fixed cable network operators. Since 2017, growing shipments from the *Data Center* category to the same customers play a significant complementary role. Although formed mainly in the local market, sales also include deliveries to Serbia and Bosnia and Herzegovina made through other Group companies incorporated in those countries.

The significant decline observed in 2017 is entirely due to the significant reduction in intra-group sales to *Comutel* compared to 2016, when the share of purchases from Slovenia is extremely high due to the temporarily more favorable commercial terms for some categories of delivered equipment compared to direct purchases from Serbia and Bosnia and Herzegovina.

Intra-group deliveries to Serbia and Bosnia and Herzegovina continue to decline in 2018, when the company achieved a moderate increase in overall sales as a result of a larger increase in direct deliveries to its primary customer in Slovenia.

Overall, the share of intra-group deliveries in the total sales of the company decreased from 71% in 2016 to only 26% in 2018, which is the first of the period under review in which the company begun to generate its revenues mainly from direct sales.

The significant slowdown in sales by 59% in the first half of 2019 is also a reflection of both strongly accelerated sales and transition factors related to the introduction of new categories of service equipment by the primary customer in Slovenia compared to the same period of 2018, and the continued reduction of intra-group supplies to Serbia, which fall to only 4% of total revenues for the period.

Notwithstanding this interim trend, as of 30.06.2019 and the date of this Prospectus, the Company retains its key partnerships and continues to generate significant turnover with its main client.

8.2.5.2. FINANCIAL RESULTS

As a result of the systematic increase in gross margin from 1.3% in 2016 to 3.7% in 2017 and 9.9% in 2018, Telelink Slovenia reports a significant increase in gross profit by 50% in 2017, more than double in 2018 and a compound annual growth rate of 103% for 2016-2018, despite the observed trend of decline and stabilization of revenues during the same period.

To a large extent, the observed improvement in relative profitability at this level reflects the decline in intra-group sales, which are characterized by significantly lower value added. The large volumes realized and the corresponding preferential purchase terms of certain types of equipment have a significant effect in 2018.

At the same time, the company reports a significant increase in marketing and sales and general and administrative expenses, which increase from 0.1% of revenue in 2016 to a similar ratio of 3.6% in 2018. A major factor behind this increase is the formation of local marketing budget in 2017, resulting in marketing and sales spending averaging 3.1% of revenue for this and the following 2018. An 18% growth trend is also seen in general and administrative expenses. However, reaching a maximum ratio of 0.3% relative to revenues in 2017-2018, they remain with a limited impact on the company's performance.

As a result of the above factors, *Telelink (Slovenia)*'s operating profit declined significantly by 79% in relation to some of the newly incurred marketing and sales expenses in 2017, but increased more than 13 times in 2018, when gross profit growth exceeded this increase considerably. In relative terms, the company's operating profitability reached 6.2% in 2018 against an average profitability of only 0.8% for 2016-2017.

Reducing the net loss from changes in foreign exchange rates related to purchases of equipment in US dollars leads to a decrease in the company's net financial expenses. In 2018, they amount to 0.3% of revenue compared to 0.4% in 2016-2017. Given the dynamics of operating profit described above, the ratio of net financial expenses at this level has undergone a significant evolution, dropping from 36.6% in 2016 and 92.8% in 2017 to just 5.2% in 2018.

In the absence of significant differences between taxable and accounting profit before tax, the change in the effective tax rate of the company from 17.6% in 2016 to 19.0% stems mainly from the increase in the legal rate in Slovenia in 2018. In 2017, the company did not form a material taxable profit.

Summarizing the above trends, the company's net profit decreased to a minimum positive value in 2017 and increased more than 4 times compared to 2016 in 2018. The net margin rose to 4.8% in 2018.

In the absence of depreciation expense, the difference between the operating profit and EBITDA of the company is formed mainly by non-interest financial expenses and, in particular, by the net result of changes in foreign exchange rates. As a result, EBITDA also declined to a minimum positive value in 2017, ending the period under review with more than a fourfold increase compared to 2016, with corresponding profitability ratios of 0.7% in 2016 and 5.9% in 2018.

Despite the significant decline in revenue in the first half of 2019, the company achieved a 33% increase in gross profit over the same period in 2018 as a result of a more than threefold improvement in gross margin to 13.9% by the end of June 2019. The latter is a reflection the relatively later deployment of the factors that led to an overall improvement in the gross margin in 2018, and the reduction of the significantly less profitable intra-group shipments to a minimum in 2019.

Due to the strengthening of local administrative functions in view of the planned efforts to expand the market presence in Slovenia, the general and administrative expenses of the company are also marked by high relative growth. In view of this trend and lower interim sales, the amount of marketing, sales and general administration expenses amounts to 10% of the revenue generated during the period.

However, the aforementioned changes have a net positive effect on the profitability of the company, which is reflected in a 57% increase in operating profit, 64% in net profit and 59% in EBITDA compared to the first half of 2018. In comparison with the full year 2018, the margins reported at the three levels of 3.4%, 2.4% and 2.9%, respectively, marked a significant improvement of the same indicators compared to the first half of the previous year.

8.2.5.3. CASH FLOWS

Apart from the generated operating profit before depreciation, paid bank fees and taxes, the dynamics of the net cash flow from operating activities is determined by the various changes in the net working capital of the company during the period.

The decrease in the latter in 2017 contributes to the formation of net annual inflows from operating activities, offsetting their negative value which reflected an opposite trend in 2016. Despite the continued faster increase in trade and other receivables relative to similar liabilities as a result of recorded sales growth and shortening payment terms for a significant portion of purchases from 90 to 60 days in 2018, the growth of the company's operating profit helps to maintain a positive net cash flow from operating activities this year as well.

In total for the three-year period considered, the net operating cash flows accounted for 48% of operating profit adjusted for cash flow.

During the period, the company has no cash outflows related to the acquisition and formation of fixed assets and no financial debt.

In 2018, the company uses operating inflows generated from operating activities to pay a dividend of BGN 307 thousand.

However, the net operating inflows generated in 2017 contribute to a net increase of BGN 143 thousand over the three-year period under review.

As a result of the faster decline in trade and other payables as compared to receivables, similar to the same period in 2018, the company reported a significant interim increase in net working capital in the first half of 2019, which exceeded adjusted operating profit, resulting in significant net outflows from operating activities.

In the absence of significant cash flows from investing and financing activities, the above trend is the major factor for the reported net cash decrease by BGN 833 thousand, comparable to the one observed for the same period of 2018.

8.2.5.4. BALANCE SHEET INDICATORS

During the 2016-2018 period the total assets of the company increased at a moderate compound annual growth rate of 5% mainly due to the increase of its non-current assets.

However, the latter continue to be formed entirely of prepayments on one-time invoiced maintenance commitments for the delivered equipment and make up a limited portion of the company's total assets with a relative share of 3% on average over the period and 10% at the end of 2018.

In the absence of dividend distributions in 2016-2017 and in view of the significant excess of current profits over the distributed dividend in 2018, the company's equity increased consistently over the period considered, maintaining a ratio of total assets of 12% to end and average for the period considered, despite the significant increase of the balance sheet in 2018.

With an overall ratio of 15% on average relative to total assets over the period considered and 22% at the end of 2018, the company's equity and non-current liabilities provide adequate coverage of its non-current assets with long-term sources.

The company maintains a stable ratio between total current assets and liabilities (current liquidity ratio), amounting to 1.2 at the end of 2018 and an average of 1.1 over the last three financial years.

During the three-year period considered, the company has no financial debt.

Similar to the same period in 2018, in the first half of 2019 the company recorded a significant increase in prepayments compared to the end of the previous financial year. As a result of this increase and the lower total value of the assets compared to the end and the same period of the previous year, the relative share of non-current assets in the balance sheet of the company increased to 20%.

In the absence of dividend distributions, the accumulation of significant profit for the period contributes to the continued growth of the company's equity. As a result of this increase and the overall interim decrease in the company's assets and liabilities, the equity to total assets ratio increased to 18% by the end of the period.

In total, equity and non-current liabilities account for 39% of total assets at the end of the period and continue to significantly exceed the value of the company's non-current assets.

As a result of the faster decline in current liabilities, the ratio of total current assets to liabilities (current liquidity ratio) reported at the end of the period increased to 1.3.

During the period under review, the company continued to have no financial debt.

8.3. INFORMATION REGARDING SIGNIFICANT FACTORS, INCLUDING UNUSUAL OR INFREQUENT EVENTS OR NEW DEVELOPMENTS, MATERIALLY AFFECTING THE ISSUER'S INCOME FROM OPERATIONS

There are no significant factors beyond those specified in *Sections 3 and 4* of this Document and Sub-s*ections 8.1 and 8.2* of this Section, including unusual or accidental events or new developments that significantly affect the Issuer's operating income for the period under review.

8.4. MATERIAL CHANGES IN NET SALES OR REVENUES, DISCLOSED IN THE HISTORICAL FINANCIAL INFORMATION

The material changes in the net sales and revenues of the Group and its subsidiaries are described in *Sub-sections 8.1 and 8.2 of this Section*. Information on the key factors behind these changes and the development of the Group's business as a whole is provided in the analysis under points 8.1 and 8.2 of this section, as well as in *Section 3 "Information about the Issuer"* and *Section 4 "Business overview"* of this Document.

8A. SUPPLEMENTED OPERATING AND FINANCIAL REVIEW *(AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)*

Following the Group's legal reorganization as of 14.08.2019 and in accordance with the respective legislation, incl. POSA, *TBS Group* has disclosed its consolidated financial position as of the end of the fourth quarter of 2019 prepared with accumulation since the start of the financial year, and is to present an audited consolidated financial statement for the year end of 2019 under IFRS by 30.04.2020. As per the date of the Supplement to the Registration document dated 16.03.2020, the consolidated annual report of the Company has not been audited yet.

In line with the above mentioned, in accordance with the requirement of item 18.2.1 of Section 1 from Annex 1 to Delegated regulation (EU) 2019/980 and aiming to provide investors with the opportunity to make an informed decision based on the most up-to-date information, the Issuer presents with a Supplement to the Registration document dated 16.03.2020 unaudited consolidated financial information under IFRS for the period 01.01-31.12.2019.

In compliance with IAS 8.12 and the rules for accounting for business combinations under joint control, the unaudited consolidated financial statements of the Group, disclosed in the announcement of the consolidated financial position as of 31.12.2019 and included in the financial information for the 01.01-31.12.2019 period, have been prepared using the "predecessor value method". According to the latter, the results of the acquired companies have been included in the consolidated financial report retroactively for the period 01.01.-14.08.2019 using amounts which have been included in the consolidated financial report of the preceding *Mother-company*, and the sums formed reflect the scope and structure of the Group, even though it has not existed prior to the legal reorganization.

Overall, when preparing its consolidated unaudited financial information, the Group applies the same accounting policies and principles as the ones used to prepare *Telelink Bulgaria EAD*'s consolidated financial statement. The transactions among the Group and the companies that have remained under the control of *Telelink Bulgaria EAD* during the 01.01-14.08.2019 period are recognized in compliance with IFRS and have been classified as related party transactions.

All intra-group balances within the combined group, income, expenses and unrealized gains and losses on transactions among the Group companies have been eliminated.

8A.1. CONSOLIDATED FINANCIAL POSITION AND RESULTS OF THE GROUP FOR 2019

Table 21.1: Selected financial information about the Group for the period 01.01-31.12.2019

Indicators ('000 BGN)	2019
Revenue	**110 328**
Cost of Sales	-90 469
Gross Profit	**19 859**
Sales and Marketing Expenses	-5 498
General and Administrative Expenses	-4 589
Other Operating Income and Expense (Net)	30
Operating Profit	**9 802**
Financial Income and Expense (Net)	-660
Income Tax Expense	-990
Net Profit	**8 152**
EBITDA	**11 655**
Total Assets	**54 115**
Non-current Assets	13 441
Current Assets	40 674
Equity	**7 784**
Total Liabilities	**46 331**
Non-current Liabilities	7 401
Current Liabilities	38 930
Cash and cash equivalents	**2 199**
Total Financial Debt*	**6 361**
Net Cash Flow from Operating Activities	**3 096**
Net Cash Flow from Investing Activities	**4 657**
Net Cash Flow from Financing Activities	**-8 818**

** Incl. loans and financial lease contracts*

Source: Telelink Business Services Group AD

8A.1.1. CONSOLIDATED REVENUE DEVELOPMENT AND TRENDS IN 2019

Despite the 30% growth achieved by *TBS EAD* and the additions from the new established operations in Macedonia and Albania, the Group's consolidated revenues booked a 5% decline compared to the previous 2018 to BGN 110 328 thousand due to the prevailing in terms of size 38% decline in the combined revenues of *Comutel*, *Telelink Montenegro*, *Telelink Bosnia* and *Telelink Slovenia*. Despite this decline, the Group continues to report positive compound annual sales growth rate of 4% for the 2016-2019 period.

A leading role in the *TBS EAD*'s revenue expansion play the products and services in the *Enterprise Connectivity*, *Private Cloud* and *Office Productivity* categories, in which the company realized broad range of various in size projects in the private and public sectors. Corporate clients contribute the most to revenue growth in Bulgaria and on international markets, serviced by *TBS EAD, as a whole*. With promising contribution to sales in this segment stands out the continuous expansion in recurring revenue from multinational clients based on signed *Managed services* contracts.

The general sales decline registered during the year in Serbia, Montenegro, Bosnia and Slovenia reflects transitory factors, related to the introduction of new generations and categories of network equipment used by key clients in the telecommunication sector. The latter affect mainly sales of CPE with lower complexity and lower value added. Despite this decline, the respective companies within the Group retain their key partnerships and continue to generate significant turnover with these clients.

Structure-wise, the multifaceted trends in 2019 bring out Bulgaria as the key revenue generating territory with a 62% share in consolidated annual revenues (compared to 45% in 2018) versus 36% for the total sales from Serbia, Montenegro, Bosnia and Slovenia (compared to 55% in 2018). Sales in Albania and Macedonia, which commenced in the last quarter of the year, played a positive yet limited role in the Group's revenue formation and growth with a total share of 3% in 2019.

8A.1.2. CONSOLIDATED FINANCIAL RESULTS IN 2019

CONSOLIDATED GROSS PROFIT

Despite the consolidated sales decline, the consolidated gross profit of BGN 19 859 thousand booked in 2019 rose by 7% compared to 2018 due to the improving average profitability of sales (rising gross margin) from 16% in 2018 to 18% in 2019. For the 2016-2019 period, the Group's gross profit reached a 13% CAGR with a 15% average gross profit margin.

Table 22.1: Consolidated gross profit of the Group for the period 01.01.-31.12.2019

Indicator ('000 BGN)	2019
Revenue	**110 328**
Cost of sales	-90 469
Gross profit	**19 859**
Gross profit margin	*18.0%*

Source: Telelink Business Services Group AD

Major role to the gross profitability improvement played the growing share of more profitable *TBS EAD*' sales which continue to stand out with considerably higher share of higher value-added products and services compared to the ones on the Western Balkans. A positive effect also stems from the improving gross margin of the company from 22% in 2018 to 23% in 2019 as a result of which the average gross margin of *TBS EAD* for the 2016-2019 period reached 23% in comparison to the 9% on average for the same period and 10% in 2019 for the companies in Serbia, Bosnia, Montenegro and Slovenia.

With an average margin of 15% the revenues from the sales commenced during the year in Macedonia and Albania also surpassed the profitability levels of the traditional operations of the Group in the Western Balkans.

CONSOLIDATED SALES AND MARKETING EXPENSES

Table 23.1: Consolidated sales and marketing expenses of the Group for the period 01.01-31.12.2019.

Indicator ('000 BGN)	2019
Employee Benefits Expense	-3 169
Depreciation and Amortization	-159
Consulting and agency services	-242
Marketing and advertising expenses	-1 093
Other Expenses	-835
Total Sales and Marketing expenses	**-5 498**

Source: Telelink Business Services Group AD

The consolidated sales and marketing expenses of BGN 5 498 thousand booked in 2019 rose by 11% compared to 2018, reaching a 5.0% ratio to consolidated sales. For the 2016-2019 period in total, the expenses in this category booked an 8% CAGR and average ratio to revenues of 4.5%.

A key growth driver is the additional personnel hired in *TBS EAD*, the preparation for the implementation of an expanded product and service portfolio on the Western Balkans and the deployment of the strategic market goals of the Group as a whole.

CONSOLIDATED GENERAL AND ADMINISTRATIVE EXPENSES

Table 24.1: Consolidated general and administrative expenses of the Group for the period of 01.01-31.12.2019.

Indicators ('000 BGN)	2019
Employee Benefits Expense	-2 580
Depreciation and Amortization	-141
Consulting services	-776
Office rent and utilities	-452
Representative Expenses	-126
Other Expenses	-514
Total General and Administrative Expenses	**-4 589**

Source: Telelink Business Services Group AD

The consolidated general and administrative expenses of BGN 4 589 thousand booked in 2019 rose with 1% compared to 2018, reaching a 4.2% ratio to consolidated sales. For the 2016-2019 period, the expenses in this category booked a 12% CAGR and an average ratio to revenues of 3.7%.

Despite the continuous employee benefits rise, 2019 marked a considerable slowdown in the general expenses compared to the previous years as a result of the discontinued consulting services expense for corporate management, provided by *Telelink Bulgaria EAD*, after the date of the *Business Services* business line spin-off into to *TBS Group*.

CONSOLIDATED OPERATING PROFIT (EBIT) AND EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

Table 25.1: Consolidated operating profit and EBITDA of the Group for the period 01.01. -31.12.2019

Indicators ('000 BGN)	2019
Operating Profit	**9 802**
Operating Profit Margin	*8.9%*
EBITDA	**11 655**
EBITDA Margin	*10.6%*

Source: Telelink Business Services Group AD

Faster gross profit growth compared to the sales, marketing and general administrative expenses translates into an increase in the booked consolidated operating profit of BGN 9 02 thousand by 6% above 2018, along with a considerable improvement in the operating profit margin from 7.9% in 2018 to 8.9% in 2019.

For the 2016-2019 period, the Group's operating profit reached a 16% CAGR and an average operating profit margin of 7.1%.

On the other hand, the growing share of depreciation in the Group's total operating expenses, due to the formation of right of use assets from rental and operating lease contracts in accordance with IFRS 16 and the growing balance of Equipment provided as a service, leads to the advanced growth in the recorded consolidated EBITDA of BGN 11 655 thousand by 16% compared to 2018, along with a considerable improvement in the margin at this profitability level from 8.5% in 2018 to 10.6% in 2019.

For the 2016-2019 period, the Group's EBITDA reached an 18% CAGR and an average margin of 8.2%.

CONSOLIDATED FINANCIAL INCOME/EXPENSES

The consolidated financial income for the period includes interest on loans granted.

The consolidated financial expenses for the period include interest expenses, including bank fees paid and other direct loan costs, financial leasing contract expenses related to the rent contracts and operating leases under the new IFRS 16, net negative foreign exchange rate differences for the year as well other financial expenses, including bank guarantees costs and fees and commissions on other bank services.

Table 26.1: Consolidated financial income/expenses of the Group for the period 01.01.-31.12.2019

Indicators ('000 BGN)	2019
Financial income	2
Financial expenses	-641
Financial income/expenses, net	**-639**

Source: Telelink Business Services Group AD

The consolidated net financial expenses in 2019 of BGN 639 thousand increased by 43% compared to 2018.

The driver is the rise in interest expenses, which reflects both higher average utilization ofr revolving credit facilities during the year and expenses related to rental and operating lease contracts recorded for the first-time under the new IFRS16. The Group also recorded higher expenses related to bank guarantees and services related mostly to the expanding operations in Bulgaria.

Notwithstanding the latter trend, net financial expenses retain their moderate ratio to revenues of 0.6% close to the 0.4% ratio observed in 2018 and on average for the 2016-2019 period.

CONSOLIDATED NET PROFIT

In the context of a declining effective tax burden (11% compared to 13% in 2018) and a sustained relatively low level of net financial expenses, the consolidated net profit of BGN 8 152 thousand booked in 2019 tracks a trend similar to the profitability recorded on the operating level, rising 6% above 2018, along with an increase in the net profit margin from 6.6% in 2018 to 7.4% in 2019.

Table 27.1: Consolidated net profit of the Group for the period 01.01. -31.12.2019

Indicators ('000 BGN)	2019
Net profit / (loss)	**8 152**
Net profit margin	*7.4%*

Source: Telelink Business Services Group AD

For the 2016-2019 period, the Group’s net profit reached a 16% CAGR and an average margin of 5.9%.

8A.1.3. CONSOLIDATED CASH FLOWS

CASH FLOW FROM OPERATING ACTIVITIES

Despite the positive trends in the operating profit before depreciation, the Group’s net cash flow from operating activities of BGN 3 096 thousand declined 37% compared to the previous 2018. The key driver of this decline is the net working capital dynamics and mostly the faster decline in trade and other liabilities and contract liabilities compared to trade and other receivables and contract assets from the end of the previous year. A part of the 2019 outflows is a one-off payment of liabilities to *Telelink Holdings BV*, undertaken as a part of the *Business Services* operations with the legal reorganization as of 14.08.2019.

As a result of the abovementioned and other factors the net cash flow from operating activities in 2019 amounts to 27% of the operating income adjusted for cash flow with an average ratio of the latter of 72% for the 2016-2019 period.

CASH FLOW FROM INVESTING ACTIVITIES

In 2019, the Group continues to increase its investments in fixed assets mainly along the line of equipment provided as a service under long-term contracts for *Managed services*. Even though the latter are funded mainly with financial leasing, limiting the related cash outflow, payments for fixed assets, including other machines and equipment record a considerable increase compared to 2018.

Despite the latter trend, the Group booked a positive net cash flow from investing activities of BGN 4 657 thousand in 2019 compared to a negative one of BGN -6 870 thousand in 2018. A key factor for the positive value is the repayment of a BGN 6 426 thousand loan granted by *TBS EAD* to *Telelink Bulgaria EAD* as of 31.12.2018 under the financial support agreement between the two companies in force at the time. The Group also continues to record increasing inflows from EU program grants totaling BGN 464 thousand.

CASH FLOW FROM FINANCING ACTIVITIES

Considering the overall decline in the short-term loan financing, wherein the decrease in amounts utilized under the revolving credit facility at *Comutel* exceeded the increase in utilized amounts from the working capital financing limits at *TBS EAD*, , the rising payments under financial leasing contracts and interest payments as a whole, the Group records as a part of its cash flow from financing activities a net negative cash flow from credit financing in 2019 compared to a positive balance in 2018.

Prior to *TBS Group*'s reorganization from 14.08.2019, with which the holdings in their capital were spun off from *Telelink Bulgaria EAD*, the Group's subsidiaries paid to the latter total dividends of BGN 5 881 thousand compared to an similar payout of BGN 4 348 thousand in 2018.

In combination, the above-mentioned factors lead to an increasing negative consolidated net cash flow from financing activities of BGN - 8 818 thousand compared to BGN – 2 152 thousand in 2018.

NET CASH FLOW

Summarizing the above mentioned factors, despite the recorded operating income and EBITDA growth and the approximate offsetting of the dividends distributed to the predecessor mother-company *Telelink Bulgaria EAD* with a repayment of a loan granted to the latter, in 2019 the Group recorded a net decrease in cash and cash equivalents by BGN 1 114 thousand as a result of the increase in net working capital, rising investments and the net repayment of interest-bearing debt during the period considered.

8A.1.4. CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

CONSOLIDATED ASSETS

The consolidated assets of BGN 54 115 thousand booked as of the end of 2019 registered a moderate decline of 2% compared to the end of 2018. Overall, the Group continues to observe a considerable total assets' CAGR of 12% for the 2016-2019 period.

The consolidated non-current assets as of 31.12.2019 of BGN 13 441 thousand increased by 103% compared to 31.12.2018, reaching 25% of the Group's total assets versus 12% at the end of the previous year. Key growth contributors are both the rising investments in equipment provided as a service under long-term managed services contracts and the adoption of IFRS 16, which requires the companies within the Group to classify as fixed assets the rights of use arising from long term rental and operating lease contracts. At the end of the period, the total balance sheet value of the assets for *Managed Services* amounts to BGN 3 402 thousand or 6% of the Group's total assets, and right of use assets – to BGN 4 009 thousand or 7% of the Group's total assets, with a leading role in the formation of the latter falling to the office rental contracts of *TBS EAD* from December 2018 and *Comutel* from December 2019, as well as the use of vehicles under operating lease by both companies. A major role in the formation of non-current assets also continue to play prepayments, formed mainly in relation to equipment maintenance and warranty contracts lasting more than one year.

The consolidated current assets of BGN 40 674 thousand recorded as of 31.12.2019 decreased by 17% compared to 31.12.2018., maintaining a nonetheless predominant a share of 75% of the Group's total assets. Major factors for the decline are the recovery (repayment to the Group) of a BGN 6 426 thousand loan granted by*TBS EAD* to *Telelink Bulgaria EAD* as of 31.12.2018, and the booked decline in cash and cash equivalents of BGN 1 114 thousand. In parallel, the Group registered a decline in trade and other receivables and contract assets by BGN 3 559 thousand, partially offset with an increase in inventories by BGN 1 826 thousand compared to the previous year. The recorded decline in assets held for sale of BGN 204 thousand reflects the sale of a part of these assets and is not related to impairments thereof.

CONSOLIDATED LIABILITIES

Similarly to assets, the consolidated total liabilities of the Group amounting to BGN 46 331 thousand as of the end of 2019 registered a 1% decline compared to the end of 2018. Overall, the Group continues to observe a material CAGR of total liabilities of 9% for the 2016-2019 period.

The consolidated non-current liabilities amounting to BGN 7 401 thousand as of 31.12.2019 increased by 110% compared to 31.12.2018, reaching 14% of the Group's total assets and 16% of the Group's total liabilities compared to 6% and 7%, respectively, as of the end of the previous year. Key contributor to this increase is the growing obligation under financial lease contracts, funding investments in equipment for managed services, and the liabilities related to the adoption of the new IFRS 16 under which the companies within the Group report liabilities reflecting the discounted future and deferred initial payments for the use of assets under long-term rental and operating lease contracts. At the end of the period, the total balance sheet value of the non-current part of the financial lease contract obligations amounts to BGN 1 297 thousand, and the liabilities under rent and operating lease contracts – to BGN 3 034 thousand. A considerable role in the formation of non-current liabilities also has deferred income, formed mainly in relation to equipment maintenance and warranty fees due in more than one year.

The consolidated current liabilities amounting to BGN 38 930 thousand as of 31.12.2019 booked a 10% decline compared to 31.12.2018, nevertheless sustaining a predominating share of 93% of the Group's total liabilities and 72% of the Group's total assets. A major factor for the decline is the contraction of trade and other liabilities and contract liabilities by BGN 4 781 thousand, mostly due to the considerably lower advances from clients compared to the end of the previous year. Current interest-bearing debt declined by BGN 786 thousand due to the higher decline in credit facilities used by the companies within the Group compared to the increase in current financial lease obligations. At the end of the period, the current portion of the liabilities related to rentals and operating leases, reported due to the adoption of the new IFRS 16, amounted to BGN 943 thousand.

FINANCIAL DEBT

Summing up liabilities under loan and financial lease contracts, the consolidated financial debt amounting to BGN 6 361 thousand as of 31.12.2019declined by 6% compared to the end of 2018, maintaining a ratio of 12% relative to the Group's total assets and 14% of the Group's total liabilities.

Considering the simultaneous decline in cash and cash equivalents, the net financial debt (the difference between financial debt and cash and cash equivalents) rose by 21% compared to 2018, amounting to BGN 4 162 thousand as of 31.12.2019.

Lease obligations, formed under the new IFRS 16 in relation to the rights to use of assets under long-term contracts for rent and operating lease, do not reflect actual credit relationships and should not be considered as part of the financial debt of the Group.

LIQUIDITY

As of 31.12.2019, the Group reported consolidated current assets to liabilities (current ratio) of 1.04. The recorded moderate decline compared to the respective ratio of 1.12 as of the end of 2018, reflects the faster decline in current assets versus current liabilities of the Group, including the decline in cash and cash equivalents as of the end of 2019.

Regardless of the latter, the Group still recorded a material excess of current assets over current liabilities in the amount of BGN 1 744 thousand.

CONSOLIDATED EQUITY

TBS Group was incorporated in July 2019 with a share capital of BGN 50 thousand. The share capital in the amount of BGN 12 500 thousand as of 31.12.2019 is the result of the reorganization of *Telelink Bulgaria EAD* as a result of which additional share capital of BGN 12 450 thousand and general reserves of BGN 217 have been formed from the total net assets of BGN 12 667 thousand separated into the Company as intrinsic to spun-off *Business Services* activities.

Table 28.1: Consolidated shareholders' equity of the Group as of 31.12.2019

Indicator ('000 BGN)	31.12.2019
Share capital	12 500
Legal reserves	317
Other reserves	-14 108
Retained earnings	1 479
Current net profit	8 152
Shareholders' equity	**8 340**
Foreign exchange rate revaluation reserve	-556
Total shareholders' equity	**7 784**

Source: Telelink Business Services Group AD

In compliance with the rules of accounting for business combinations under joint control, pursuant to *TBS Group*'s reorganization the consolidated financial statement of the Group have included negative other reserves in the amount of BGN – 14 127 thousand, corresponding to the difference between the sum of investments in subsidiaries separated into the Company (BGN 15 718 thousand) and the sum of the part of their share capitals owned by *TBS Group* (BGN 1 590 thousand). The above-mentioned operation is the key factor for the reported consolidated other reserves in the amount of BGN -14 108 thousand.

Despite the considerable dividends distributed to the predecessor mother-company *Telelink Bulgaria EAD* in 2019, the more sizeable net profit for the year favoured an overall increase in retained earnings (amounting to BGN 9 631 thousand in total at the end of the period) by BGN 2 271 thousand compared to the end of 2018.

In total, consolidated equity as of 31.12.2019 amounts to BGN 7 784 thousand or 14% of the Group's consolidated total assets.

With a combined ratio of 28% relative to assets as of the end of 2019, equity and non-current liabilities provide adequate coverage of non-current assets with long-term resources.

8A.3. INFORMATION REGARDING SIGNIFICANT FACTORS, INCLUDING UNUSUAL OR INFREQUENT EVENTS OR NEW DEVELOPMENTS, MATERIALLY AFFECTING THE ISSUER'S INCOME FROM OPERATION

There are no significant factors beyond those specified in *Sections 8A* in this Document, including unusual or accidental events or new developments that significantly affect the Issuer's operating income for the period under review.

8A.4. MATERIAL CHANGES IN NET SALES OR REVENUES, DISCLOSED IN THE HISTORICAL FINANCIAL INFORMATION

The material changes in the net sales and revenues of the Group and its subsidiaries are described in *Section 8A* of the current Document. Information on the key factors behind these changes and the development of the Group's business as a whole is provided in the analysis under the same Section 8A of the current Document as well as in *Section 3 "Information about the Issuer"* and *Section 4 "Business overview"* of this Document.

9. LOANS AND CAPITAL STRUCTURE

During the period 2016-2018 and the first half of 2019, as well as of the date of this Document, individual companies within the Group use borrowing to finance working capital and fixed asset purchases in the *Vehicles* and *Equipment as a Service* categories. The exposures and underlying parameters of these liabilities at the respective dates are presented in Table 34 below. The terms and effects of the current financing contracts are summarized in sections 9.1-9.3 of this section.

As of the date of this Document, the companies within the Group have no commitments on loans to other companies. Guaranteed exposure commitments of *Telelink Bulgaria EAD* existing as of prior dates, as presented in Table 35 below, and collaterals provided thereunder have been terminated, respectively, deleted in accordance with the new short-term bank financing agreement between *TBS EAD* and *UniCredit Bulbank AD*, described in item. 9.1.1.3 of this section.

Table 34: Contracts for loans and financial lease arrangements of the Group with third parties for the period 01.01.2016 up to the date of the Prospectus

Type / Subject	Borrower	Lenders	Base currency	Sum in the base currency	Longevity / Maturity	Contracted interest %	PD ('000 BGN)		30.06.2019 ('000 BGN)		31.12.2018 ('000 BGN)		31.12.2017 ('000 BGN)		31.12.2016 ('000 BGN)	
							LT	ST	LT	ST	LT	ST	LT	ST	LT	ST
Long-term bank loans				**(initial)**												
Investment loan*	TBS EAD	UniCredit Bulbank AD	EUR	10 992 738	Prepaid	3m. EURIBOR+2% min. 2%	-	-	-	-	-	-	-	-	0	2 696
Total long-term bank loans							**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2 696**
Short-term loans from banks and related parties				**(current limit)**	**(as of 30.06.2019)**	**(as of 30.06.2019)**										
Overdraft Revolving credit facility	TBS EAD	UniCredit Bulbank AD	EUR EUR	3 000 000 2 000 000	30.5.2020	1m. EURIBOR+1.5%, min. 1.5%	- -	2 930 0	- -	- -	- -	- -	- -	- -	- -	- -
Financial support	TBS EAD	Telelink Bulgaria EAD	BGN	-	15 day from the contract termination	2.25%	-	-	-	4 045	-	4	-	1 845	-	-
Revolving credit facility for working capital	Comutel	Raiffeisen Banka AD Beograd (Serbia)	USD	5 000 000	28.01.2020	1m. LIBOR+1.6%	-	4 950	-	4 726	-	5 308	-	0	-	1 351
Total short-term loans from banks and related parties							**0**	**7 881**	**0**	**8 771**	**0**	**5 312**	**0**	**1 845**	**0**	**1 351**
Financial lease contact obligations				**(initial)**												
Equipment as a service (total)	TBS EAD	UniCredit Leasing EAD	BGN	1 082 012	July 2021 - Dec. 2021	3m. EURIBOR +2.167%-2.393%, min. 2.25%-2.5%	258	274	350	272	487	269	756	262	-	-
Equipment as a service (total)	TBS EAD	UniCredit Leasing EAD	EUR	664 247	May 2023 - Oct. 2023	3m. EURIBOR +0.542%-2.561%, min. 0.231%-2.25%	883	322	378	128	-	-	-	-	-	-
Equipment as a service (total)	TBS EAD	Sogelease (OTP Leasing)	EUR	493 884	Aug. 2021 - Feb. 2022	0%	309	342	416	342	402	261	-	-	-	-
Vehicles (total)	TBS EAD	UniCredit Leasing EAD	EUR	78 537	June 2019 - Feb. 2020	3m. EURIBOR +3.55%-3.682%	0	1	0	3	1	9	9	14	23	14
Total financial lease contract obligations							**1 451**	**940**	**1 145**	**745**	**890**	**538**	**766**	**277**	**23**	**14**
TOTAL							**1 451**	**8 821**	**1 145**	**9 516**	**890**	**5 850**	**766**	**2 122**	**23**	**4 061**

LT = long-term part
ST = short-term part
PD = as of the date of the Prospectus
** Part, related to the net assets of TBS EAD (previous Telelink EAD) identified as inherent to Business Services activities.*

Source: Telelink Business Services Group AD

Table 35: Guaranteed by the Group liabilities to third parties for the period 01.01.2016 as of the date of the Prospectus

Type of loan with a guaranteed obligation	Guarantor	Form	Borrower	Lender	Base currency	Max.* amount in base curr.	Amount of the guaranteed obligation PD ('000 BGN)	30.06.2019 ('000 BGN)	31.12.2018 ('000 BGN)	31.12.2017 ('000 BGN)	31.12.2016 ('000 BGN)
Investment loan	TBS EAD	Joint and several co-debtor	Telelink Bulgaria EAD	UniCredit Bulbank AD	EUR	2 977 253	-	3 135	5 823	-	-
Overdraft	TBS Group	Joint and several co-debtor	Telelink Bulgaria EAD	UniCredit Bulbank AD	EUR	7 000 000	-	-	-	-	-
	TBS EAD	Joint and several co-debtor					-	9 814	-	-	-
Revolving credit facility	TBS Group	Joint and several co-debtor	Telelink Bulgaria EAD	UniCredit Bulbank AD	EUR	6 000 000	-	-	-	-	-
	TBS EAD	Joint and several co-debtor					-	11 241	-	-	-
TOTAL							**0**	**24 190**	**5 823**	**0**	**0**

** For the periods under review, during which the arrangement was in force.*

PD = as of the date of the Prospectus

Source: Telelink Business Services Group AD

(Continues on the following page)

9.1. LOANS

9.1.1. TBS EAD

9.1.1.1. LONG-TERM BANK LOANS

As part of *Telelink EAD* as of the end of 2016 the separate activity of the *Business Services* business line reports related assets, equity and liabilities, including part of the interest-bearing loans received by the company. Insofar as the amounts due by the Company on interest-bearing loans at that date include only obligations under the *Bank Investment Loan Agreement* with *UniCredit Bulbank AD*, the Business Services business line interest-bearing obligations are also treated as formed under this loan.

Following the reorganization of the *Telelink Group* by transferring the shares of *Telelink EAD* into the capital of *Telelink Bulgaria EAD* and the separation of activities other than *Business Services* from *Telelink EAD* in December 2017, *Telelink Bulgaria EAD* signs its own contracts for an investment loan and undertaking overdraft credit facility obligations with *UniCredit Bulbank AD*, under which *Telelink EAD* (already renamed to *TBS EAD*) is a joint and several co-debtor, while its obligations under its corresponding contracts with *UniCredit Bulbank AD* from 2016 are refinanced (prepaid) and these contracts - terminated.

9.1.1.2. FINANCIAL SUPPORT CONTRACT

Following the abovementioned reorganization of the *Telelink Group* as of December 2017, *TBS EAD*'s working capital needs were met through a contract with *Telelink Bulgaria EAD* with subject matter - financial support and short-term financing, including granting loans, refinancing existing financial liabilities and issuing bank guarantees and letters of credit.

The contract does not set a credit limit and is open-ended, with the deadline for repayment of amounts disbursed by *TBS EAD* 15 days after its eventual termination. The disbursements were made at the request of the borrower and the funds were granted at the discretion of *Telelink Bulgaria EAD*.

With the spinoff of the separate *Business Services* business line from *Telelink Bulgaria EAD* to *TBS Group*, the amount of receivables from *TBS EAD* under the financial support agreement as of the date of transformation on 14.08.2019 was also separated into the Company's assets.

The contract was terminated by mutual agreement on 24.10.2019, and between the date of transformation from 14.08.2019 and the date of its termination there were no new withdrawals and no new obligations were formed or repaid.

9.1.1.3. SHORT-TERM BANK FINANCING (AS PER THE SUPPLEMENT TO THE REGISTRATION DOCUMENT DATED 16.03.2020)

On 10.10.2019 *TBS EAD* signed a new independent contract for short-term financing with *UniCredit Bulbank AD*.

The limits for the effective utilization of working capital funds and the commitments under the contract include:

- up to EUR 3 million overdraft for general financing of working capital needs;
- up to EUR 2 million of revolving credit facility for the partial financing of specific projects up to 80% of the difference between their total value and advances received, subject to disbursement on the basis of individual requests and approvals for each project;
- up to EUR 10 million, but not more than EUR 11 million in total, together with the overdraft limit and revolving credit above, for issuing bank guarantees and letters of credit.

The limits are subject to drawing in BGN, EUR or USD, with corresponding interest rates of BIR + 1.357%, 1m EURIBOR + 1.5% and 1m LIBOR + 1.5% but not less than 1.5% (regardless of the currency used).

The currently agreed utilization deadline is 31.05.2020, with corresponding deadlines for repayment of the overdraft utilization amounts up to 31.07.2020 and revolving credit facility - until payments from clients under each funded project are received, but no later than 31.05.2021. The contract is subject to annual renewal based on an annual review of the borrower and approval by the bank.

These limits are expected to be sufficient to cover the peak needs of *TBS EAD* for financing in the current contractual horizon, and the company believes that any increase in these needs could be met by timely renegotiation of higher limits at the annual renewal of the contract.

Collateral provided under the contract includes:

- pledge on bank account receivables
- pledge on current and future receivables under individualized contracts of *TBS EAD* with a view to secure the utilized overdraft funds and additional pledges on current and future receivables of *TBS EAD* on the projects financed by the revolving loan;
- a pledge on 100% of the shares in the capital of *TBS EAD* and related receivables;
- *TBS Group*'s guarantee, including commitment to maintain its participation in the capital of *TBS EAD*.

As of the date of this Document, the funds utilized by *TBS EAD* under the contract are secured by a pledge on current and future receivables for a total value of BGN 6 040 thousand.

In case *TBS Group* does not register for trading on the BSE within 6 months after the transformation of *Telelink Bulgaria EAD* (14.02.2020), pledges on the commercial enterprises of *TBS Group* and *TBS EAD* should be established in favor of the Bank.

With the Supplement to the current Document dated 16.03.2020, the Issuer clarifies that on 21.02.2020 *TBS EAD* has signed with *UniCredit Bulbank AD* an Annex to the contract for the extension of the abovementioned deadline to 30.04.2020.

In accordance with the latter, the abovementioned pledges should not be made in case the registration of the share issue of *TBS Group AD* for trading on the BSE is successfully finalized by 30.04.2020.

9.1.1.4. FINANCIAL LEASING CONTRACTS

As of 2017, *TBS EAD* has financed in part or in full the purchases of Equipment provided as a service to clients through financial leasing contracts. The contracts concluded so far with such a subject have a term between 36 and 48 months.

Under the Affiliate Partner Program launched in 2018 by *Cisco Systems*, the products of which form the predominant part of the equipment provided as a service so far, *TBS EAD* has the right to lease from affiliate banks (*Sogelease*, *OTP Leasing* and *UniCredit Leasing*) without interest for a term of financing up to 36 months, which is why the contracts concluded for such equipment since then have an interest rate of 0% or minimum interest rates reflecting the distributed interest rate for the period beyond 36 months.

It is expected that future needs related to the expansion of the activity in the *Managed Services* line, including the provision of *Equipment as a Service*, will also be financed through leasing contracts under comparable conditions.

During the period under review, *TBS EAD* made a transition to the use of vehicles under operating leases. Therefore, the financial leasing obligations on such assets are relatively insignificant and are reduced to the residual liabilities from 2015 and 2016 contracts.

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9.1.2. COMUTEL

9.1.2.1. SHORT-TERM BANK LOAN CONTRACT

Since 2015, the company has been financing its working capital needs with a Credit Facility Agreement with *Raiffeisen Banka AD Beograd (Serbia)*.

The limit for the effective utilization working capital funds under the contract is a revolving credit facility of up to USD 5 million, subject to drawing on the basis of separate requests up to the amount of respectively pledged receivables from a certain main client of the company in the telecommunications sector.

The currently agreed loan availability and repayment term is 28.01.2020. The contract is subject to annual renewal with the approval of the bank.

It is expected that this limit will be sufficient to cover *Comutel*'s peak working capital financing needs in the current contractual horizon, and the company believes that any increase in these needs could be met by timely renegotiation of higher limits at the annual renewal of the contract.

The collateral provided under the contract include pledges on specific receivables from a particular major customer from the telecommunications sector, presented at each individual drawdown. As of the date of this Document, the respectively pledged amounts have a total value of BGN 6 429 thousand.

9.1.3. TBS GROUP'S STANDALONE LIABILITIES

9.1.3.1. SEPARATED OBLIGATIONS UNDER A CONTRACT FOR SHORT-TERM BANK FINANCING OF TELELINK BULGARIA EAD

As part of the *Business Services* activities, transferred with the reorganization of *Telelink Bulgaria EAD* on 14.08.2019, *TBS Group* also assumed a part of the obligations for utilized overdraft under the Contract for undertaking credit commitments under a line for overdraft loan №142/12.12.2017 between *UniCredit Bulbank AD* and *Telelink Bulgaria EAD*, corresponding to the *TBS Group*'s receivables from *TBS EAD* for loans granted under a financial support agreement between *Telelink Bulgaria EAD* and *TBS EAD* (mentioned in Item 9.1.1.2 above). In view of this obligation, *TBS Group* steps in as a joint and several co-debtor under the contract for short-term bank financing between *Telelink Bulgaria EAD* and *UniCredit Bulbank AD*.

The undertaken obligations were repaid on 23.10.2019 with their refinancing by *TBS EAD*, set as a pre-approved purpose of the first utilization of an overdraft and / or revolving limit under the new independent bank financing agreement between the latter and *UniCredit Bulbank AD*, described in Item 9.1.1.3. *TBS Group*'s commitment as a joint and several co-debtor has been terminated explicitly with an annex to the contract for undertaking credit commitments between *UniCredit Bulbank AD* and *Telelink Bulgaria EAD* dated 04.11.2019.

9.2. INFORMATION REGARDING ANY RESTRICTIONS ON THE USE OF CAPITAL RESOURCES THAT MATERIALLY HAVE AFFECTED, OR COULD AFFECT, DIRECTLY OR INDIRECTLY, THE ISSUER'S OPERATIONS

The use of capital resources, including the drawing of new ones or the use of available Group borrowing and equity funds, is potentially restricted by certain terms of the credit agreements signed as of the date of this Prospectus.

9.2.1. TBS EAD

9.2.1.1. SHORT-TERM BANK FINANCING CONTACT

The company would be potentially restricted in the additional borrowing of funds as well as in the extent of utilization of funds under the Contract itself:

- directly by the condition that it does not conclude new credit agreements without the consent of *UniCredit Bulbank AD*, except for the financial leasing of *Equipment as a Service* and others under a certain materiality threshold;

- indirectly, by the obligation to comply with the *Net Debt / EBITDA and Current Liquidity Ratio* financial covenants, insofar as it would impose limitations on total financial debt;
- indirectly, by the obligation to maintain a certain coverage ratio of the overdraft funds utilized with pledged individualized receivables.

The company would be potentially restricted in the use of its available resources:

- directly, for investment purposes, on the condition that it does not invest in fixed assets exceeding a certain percentage of the Group's revenue for the past financial year, except *for Equipment as a Service*,;
- indirectly, generally with a view to complying with the abovementioned financial ratios, insofar as they would require maintaining a certain level of available funds and current assets.

9.2.2. COMUTEL

9.2.2.1. SHORT-TERM BANK FINANCING CONTRACT

The Company is potentially restricted in attracting additional borrowings:

- directly, by the condition not to conclude new credit agreements without the consent of *Raiffeisen Banka AD Beograd (Serbia)*;
- indirectly, by the condition not to encumber assets outside its normal business without the consent of *Raiffeisen Banka AD Beograd (Serbia)*, insofar as such encumbrances may be necessary for the conclusion of potential new credit agreements.

9.2.3. POTENTIAL EFFECTS ON THE OTHER COMPANIES WITHIN THE GROUP

TBS Group would be potentially restricted by the short-term financing agreement between *TBS EAD* and *UniCredit Bulbank AD* in generating proceeds from:

- dividends from *TBS EAD*, indirectly by the condition for distribution only if the financial ratios are met as of the last reporting period and on a forward basis;
- the sale of shares in the capital of *TBS EAD*, directly, by the condition that it does not change its participation in he latter without the consent of *UniCredit Bulbank AD*.

To the extent that the financial ratios of the Short-Term Bank Financing Contract between *TBS EAD* and *UniCredit Bulbank AD* will be monitored at the consolidated Group level, the companies within the Group as a whole would be potentially limited indirectly in attracting additional borrowing and using their available funds by *TBS EAD*'s commitment to comply with these ratios.

9.3. INFORMATION REGARDING THE ANTICIPATED SOURCES OF FUNDS NEEDED TO FULFIL COMMITMENTS REFERRED TO IN ITEM 5.7.2.

TBS EAD intends to finance the contracts and / or orders received, identified as of the date of this Prospectus, on which it is to fulfill its commitments to purchase Equipment provided as a service, mainly or wholly with financial leasing contracts, similar to those concluded in 2017- 2018 and the current year.

In the case of the approval and execution of contracts for the implementation of projects under EU programs involving commitments for partial financing by *TBS EAD*, the company intends to finance the respective costs of acquiring or building its own fixed assets with its own funds.

10. REGULATORY ENVIRONMENT

10.1. A DESCRIPTION OF THE REGULATORY ENVIRONMENT THAT THE ISSUER OPERATES IN

By its nature, the Group's business activities are not subject to direct state or supranational regulation. In general, it does not fall under authorization or licensing regimes to operate. An exception is the obligations for certification relative to the access and storage of classified information and personal data arising in connection with the implementation of any relevant projects in the Bulgarian public sector, for which *TBS EAD* is duly certified by the State Agency for National Security.

Insofar as the Group makes significant sales to customers from regulated economic sectors, the demand for its products and services is indirectly dependent on the local and supranational regulation of the telecommunication and financial sector, electricity and water supply, healthcare and others.

Insofar as the Group makes significant sales to public-sector entities and organizations, the demand for its products and services is indirectly dependent on the laws and regulations governing the structure and competence of these bodies, their budgets and state and supranational policies in respect of their activities, including relevant EU structural funds and programs promoting or providing major or subordinate funding for activities, infrastructures, projects and services in the field of ICT as well as the general and specific requirements for conducting and commissioning of public contracts.

To the extent that the companies of the Group, and in particular *TBS EAD*, participate or have the opportunity to participate in projects financed in whole or in part by EU programs for enhancing competitiveness, research and development, etc. in the ICT field, such programs can have a direct or indirect impact on its results by participating in significant projects in their respective fields, including by assisting in the development and implementation of innovative products and services.

The implemented state and supranational ICT policies in Bulgaria and the EU as a whole are aimed at promoting digital development in various fields such as e-government and trade, broadband infrastructure, physical and information security, protection of personal data, etc. They have or may have had a predominantly or wholly positive impact on the Group's demand for products and services.

As of the date of this Prospectus, there are no known changes in the above factors that would restrict the Group's demand for products and services.

Insofar as the implementation of targeted projects in the public sector depends on the timely absorption of funds and public procurement in the field of ICT, the dynamics of revenue and overall financial results of the Group are partly dependent on the tendency of delaying or accelerating such procurement and contracting or acceptance processes for their implementation as a result of a variety of political and organizational factors that directly or indirectly affect different levels of the public sector, such as elections, changes in the administration of local and central government, etc.

As of the date of this Prospectus, there are no specific planned changes to the general government and supranational economic, tax and monetary policies that would significantly affect the Group's operations.

11. TREND INFORMATION

11.1. MOST SIGNIFICANT RECENT TRENDS IN PRODUCTION, SALES AND INVENTORY, AND COSTS AND SELLING PRICES SINCE THE END OF THE LAST FINANCIAL YEAR TO THE DATE OF THE REGISTRATION DOCUMENT

Apart from the trends reflected and described in the financial information and other data and comments included in *Sections 3, 4, 5, 7, 8* and *15* of this Document, there are no other significant trends which, on the Issuer`s opinion, have had a significant impact on its activity from the end of the last financial year to the date of this Document.

11.2. ANY SIGNIFICANT CHANGE IN THE FINANCIAL PERFORMANCE OF THE GROUP SINCE THE END OF THE LAST FINANCIAL PERIOD FOR WHICH FINANCIAL INFORMATION HAS BEEN PUBLISHED TO THE DATE OF THE REGISTRATION DOCUMENT

For the purpose of this Prospectus, the Group presents combined financial information as of December 31, 2018 and June 30, 2019. Except as mentioned in *Sub-section 7.4* of this Document, the normal interim fluctuations in the working capital as well as the utilization of funds from credit lines for working capital since the 30.06.2019, no significant change in the financial position of the Group has occurred.

11.3. ANY KNOWN TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS THAT ARE REASONABLY LIKELY TO HAVE A MATERIAL EFFECT ON THE ISSUER'S PROSPECTS FOR AT LEAST THE CURRENT FINANCIAL YEAR.

It is likely that the interim trend of transitional decline in revenues from end-user equipment used in the networks of the main telecommunications operators in Serbia, Bosnia and Herzegovina, Montenegro and Slovenia, noted in *Items 8.2.2-8.2.5*, to continue until the end of 2019, leading to a relative decline in revenue in this micro region on an annual basis. However, given the significantly lower value added of supplies in this category, the impact of such a decline on the Group's financial performance would be fairly limited.

Apart from the aforementioned and the trends reflected and described by the data and comments included in *Sections 3, 4, 5* and *15* of this Document, there are no other known trends, fluctuations, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.

12. PROFIT FORECASTS OR ESTIMATES *(AS PER THE SUPPLEMENT TO THIS DOCUMENT DATED 16.03.2020)*

12.1. FINANCIAL POSITION AND RESULTS OF THE GROUP FOR 2019

On 10.01.2020, the Company disclosed the following preliminary estimation of the Group's revenue and profit for 2019 and its financial position as of 31.12.2019 on a consolidated basis:

„Based on currently available preliminary information, Telelink Business Services Group AD ended 2019 with consolidated revenue of BGN 110 million. In spite of a 5% decrease in the latter from 2018, the Company recorded substantial growth in profit over the same period, of which consolidated earnings before interest, tax, depreciation and amortization (EBITDA) increased by 18% to BGN 11.6 million with a respective margin of 10.5%, and the bottom line (net profit) grew by 7% to BGN 8.2 million with a respective margin of 7.4%.

"We recorded another year of significant growth on the key Bulgarian market, reflecting both our strong local performance and growing international business with Western Europe and the US", said the Company's CEO and Chairman of the Managing Board of TBS Group AD Ivan Zhitiyanov. "The observed decrease in overall Group revenues was due to the slowdown in the sale of lower value added goods in the Western Balkans. We expect to recover previous year levels, as well as to grow our added value on these markets in 2020".

According to Mr. Zhitiyanov, the high relative profitability and significant growth in earnings in spite of decreasing sales stems from the growing volume and share of more profitable sales in and from Bulgaria, as well as from the overall growth in high value added solutions as a whole.

"Overall, we end a successful year, in which we advanced considerably in the definition and implementation of our strategy", commented Mr. Zhitiyanov on the Group's overall performance and business development. "We kept on growing in promising areas such as Data Center and Modern Workplace, as well as in Managed Services and projects in the Enterprise Networks domain. We also launched successfully our new operations in Macedonia and Albania, towards year end. We also took major steps in implementing a flexible organization, which will enable us to pursue efficiently our targets for future growth on the local and international markets in the years to come."

As of 31.12.2019, the Group's consolidated financial debt, including obligations from interest-bearing loans and finance lease contracts, amounted to BGN 6.4 million, and consolidated cash and cash equivalents – to BGN 2.1 million. Accordingly, the Group's consolidated net debt (the difference between financial debt and cash and cash equivalents) as of the same date amounted to BGN 4.3 million. "

Figures featured in the publication above are preliminary, unaudited and reflect the available financial information and management estimates as of 10.01.2020. They may therefore deviate from the same indicators, featured or derived in *TBS Group*'s standalone and consolidated financial statements which the Company shall publish in accordance with applicable regulations regarding the reporting and disclosure of information by public companies admitted for trading on the BSE.

As of the date of the Supplement to the Registration Document dated 16.03.2020, the management of the Company continues to consider the above preliminary estimations as substantially valid, considering the deviations from this estimations and the included unaudited consolidated financial information for 2019 as relatively immaterial.

12.1.1. ASSUMPTIONS AND FACTORS UPON WHICH THE ESTIMATION HAS BEEN BASED

Insofar as it reproduces preliminary information, including information about the Issuer's subsidiaries, the aforesaid estimation of the consolidated financial position and results of the Group for 2019 is based on the following assumptions:

- The available accounting information of the Group and its subsidiaries is fully complete and there are no missing relevant to the reported period accounting operations and primary accounting documents, including:
    - The Issuer and the companies within the Group have not failed to submit or request the submission of as well as to report all relevant primary accounting documents;
    - The counterparties of the Group and its subsidiaries have not failed to provide relevant primary accounting documents;
    - All accounting operations, which are not based on the primary accounting documents available as of 31.12.2019 and are related directly to the reporting period, (including but not limited to provisioning, assets and liabilities under contracts with suppliers and customers, revenues and expenses for the current period and future periods, etc.), have been comprehensively identified, comparable and accurate in size;
- The available accounting information about the Issuer and the companies within the Group presents the operations and transactions executed by each of them, accurately in size and in time, in accordance with their nature and the requirements of the applicable IFRS and International Accounting Standards (IAS);
- The upcoming IFRS and IAS complied audit of the Company, its subsidiaries and the Group as a whole will not identify any non-complete accounting information and / or discrepancy with the requirements of IFRS and IAS, which would result in a material change in the final audited results of the Group on a consolidated base compared to the preliminary data available.

The management of the Company identifies that the above assumptions related to information from third parties - counterparties of the Group and the independent financial audit of the Company and the Group as a whole refer to factors that are mainly or exclusively outside the influence of the Company and its administrative, management and supervisory bodies.

The management of the Company considers that the abovementioned assumptions related to the independent financial audit of the Company and the Group as a whole relate to factors that could materially change the estimations of the Group's revenues and profit for 2019 and its financial position as of 31.12.2019 on a consolidated basis.

12.2. EXPECTED DIVIDEND FOR 2020

Simultaneously, with the disclosure of the abovementioned information in Item 12.1, the Company disclosed its expectations for dividend distribution in 2020 as follows:

„As per its Articles of Association, the Company intends to distribute as dividend at least 50% of its distributable profit for the ended year or first half of the year. For 2020, the management of TBS Group AD expects to propose an interim dividend in the amount of BGN 4 million. "

Based on the above information, the number of shares issued by the Company and the minimum initial offering price of BGN 7.60 per share pursuant to the Supplement to the Securities Note dated 18.12.2019, which is an integral part of the Consolidated Prospectus, on the website of the Manager has been published an expected dividend per share BGN 0.32 or dividend yield of 4.2%.

In addition to the aforementioned estimation of the Group's preliminary profit for 2019, the disclosed estimate of the expected dividend is formed taking into account the following additional factors:

- According to preliminary data, as of 31.12.2019, the Company's reported retained earnings amount to BGN 224 thousand.
- According to the consolidated financial information presented on page 10 in the Securities Note as of 30.09.2019, the retained earnings from prior periods and reported financial results for the third quarter of 2019 of the companies within the Group amounted to a total of BGN 7 415 thousand.
- According to the Commercial Act, the Company must form statutory reserves in the amount of 10% of the net profit for each reporting period up to the total amount of BGN 1 250 thousand. The reserves formed during the transformation of the Company amount to BGN 217 thousand. The difference which the Company should complete at the expense of future net profit amounts to BGN 1 033 thousand if the current share capital is preserved.
- Pursuant to the effective AoA of the Company, the GMS of *TBS Group AD* has the right to approve a decision on the distribution of profit in the form of a 6-month dividend after approval of the financial statement for the respective 6 months, which would allow the lawful distribution of dividends within the third quarter of the year.

In view of the above information and given the disclosed unaudited consolidated financial information for 2019, as of the date of the Supplement to the Registration Document dated 16.03.2020, the management of the Company continues to consider the announced estimate for payment of an expected interim dividend in the amount of BGN 4 000 thousand in the third quarter of 2020 as realizable.

12.2.1. ASSUMPTIONS AND FACTORS UPON WHICH THE ESTIMATION HAS BEEN BASED

Insofar as it is conditional on future profit distribution decisions by the Company's subsidiaries and corresponding cash flows, the abovementioned estimate about the expected interim dividend for 2020 is based on the following assumptions:

- Decisions to distribute dividends from the Company's subsidiaries, registered and operating in Bulgaria and in other countries, would not be restricted by regulatory, political and economic factors, including legal changes, temporary restrictions and embargos for the payment to foreign persons and others possible measures restricting or fully preventing the distribution and/or payment of dividends to the Company in the respective national jurisdictions;
- In particular, there would be no changes in the tax laws of the related countries, imposing significantly higher taxes and deductions such as withholding taxes, etc. compared to those in force at the date of this Supplement;
- The distribution of dividends by *TBS EAD* will be made in compliance with the terms and conditions of the Short-term financing contract between *TBS EAD* and *UniCredit Bulbank AD*, observed financial covenants to be within

the acceptable limits according to the contract and the amount of the distributed dividends will not lead to breach of covenants immediately after the dividend`s payment;

- There will be no material adverse deviations from the preliminary estimates of the consolidated profit and the respective profits of the Group's subsidiaries for 2019 referred to in item 12.1 of the Supplement to the Registration Document dated 16.03.2020;
- Cash flows, including but not limited to those, related to investments, the changes of net working capital and access to financing for the Group`s subsidiaries will permit the assurance of sufficient cash for the payment of the voted dividends in the third quarter of 2020.

The management of the Company recognizes that the above assumptions related to tax laws and other parameters of the law and regulatory environment relate to factors that are exclusively outside the influence of the Company and its administrative, management and supervisory bodies. In relation to the assumption that there are no significant adverse deviations from the preliminary estimation referred to in Sub-section 12.1 of the Supplement to the Registration Document dated 16.03.2020, factors mentioned in Item 12.1.1., which are also outside the influence of the Company and its administrative, management and supervisory bodies, should also be noted.

The Company's management considers that the abovementioned assumptions related to tax laws and other parameters of the law and regulatory environment relate to factors that could materially change the preliminary estimations of the expected dividend distribution for 2020. In relation to the assumption of an absence of significant adverse deviations from the preliminary estimates referred to in *Sub-section 12.1* of the Supplement to the Registration Document dated 16.03.2020, factors mentioned in *Item 12.1.1.*, which may substantially change these estimates, should also be considered.

12.3. A STATEMENT ABOUT THE PRESENTED PROFIT FORECASTS OR ESTIMATES

The Issuer's management confirms that the estimates and forecasts presented above have been compiled and prepared on the basis of data comparable with the historical financial information and consistent with the accounting policies of the *TBS Group AD* and the Group as a whole.

13. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

13.1. GENERAL RULES AND PRACTICES OF THE MANAGEMENT BODIES

Telelink Business Services Group AD is a joint-stock company with a two-tier management system. The company is managed by a Supervisory Board (SB) and a Managing Board (MB). The description of the composition and powers of the governing bodies below is prepared based on the Commercial Act and the Preconditional Articles of Association (AoA) of the Company.

The members of the first SB are elected by the General Meeting of the Shareholders (GMS) for a term of 3 years and can be re-elected without restriction. The members of the next SB are elected for a term of 5 years. SB members may be removed by a decision of the GMS even before the expiration of the term for which they have been elected. The SB members' contracts do not foresee any compensation upon their termination.

The members of the MB are elected by the SB for a term of 3 years according to the AoA, and they can be re-elected without restriction. All members of the MB may be removed by a decision of the SB even before the expiration of the term for which they have been elected. In accordance with the provision of Art. 241, para. 6 of the Commercial Act, the relations between the Company and any member of the MB are governed by a management contract signed by the Chairman of the Supervisory Board. The contracts of the MB's members with the Company do not provide any compensation upon their termination.

The members of the management bodies are obliged: to perform their duties with due care, in accordance with the fair and loyal trading practices, and in the best interest of all Company's shareholders and must base their decisions on information which they reasonably consider to be credible and complete; to show loyalty to the Company and place its interests and the interests of its shareholders over their own; to avoid direct or indirect conflicts of interest between their own interest and the interest of the Company and promptly and fully disclose such conflicts (if any) to the other members of the respective management body in writing, and neither participate nor exercise influence on the other members in making decisions in such case; not to disseminate non-public information about the Company, including after the end of their mandate, until the Company's public disclosure of the relevant circumstances.

The manner of functioning and powers of the management bodies are described in Art. 27-37 of the Preconditional AoA of the Company.

Telelink Business Services Group AD will develop and implement a Remuneration Policy for the members of the SB and MB in connection with the fulfillment of their responsibilities and obligations in the management and operations of the Company. The Remuneration Policy will be approved by the GMS after the approval of this Prospectus.

In accordance with the requirements of Art. 116a, para. 2 of the POSA, at least one third of the members of the Supervisory Board of each public company, which *TBS Group AD* will be, must be an independent person. An independent board member may not be:

1. a person employee of the Company;
2. a shareholder holding, whether directly or through connected persons, at least 25 per cent of the votes in the GMS, or is a related party to the Company;
3. a person who is in a sustainable business relationship with the Company;
4. a member of a management body or supervisory body, a legal procurator or an employee to any commercial corporation or any other legal person referred to in paragraph 2 and 3;
5. a person related with another member of a management or supervisory body of the Company.

The Company is managed and represented by a Chief Executive Officer (CEO), elected among the members of the MB and authorized to manage and represent the Company. This authorization can be withdrawn by the MB at any time.

In the event of early termination to the CEO's authorization, the total amount of compensation as well as payments related to the notice period, may not exceed the amount of the CEO's annual fixed remuneration due for two years. No compensation shall be paid if the termination of the contract is due to unsatisfactory results and/ or faulty conduct of the CEO.

As of the date of the preparation of this Document, the Company's MB did not authorize any person as a legal procurator.

13.2. NAMES, BUSINESS ADDRESSES AND FUNCTIONS OF THE MEMBERS OF THE SB, MB AND SENIOR MANAGEMENT (IF ANY) AND AN INDICATION OF THE PRINCIPLE ACTIVITIES PERFORMED BY THEM OUTSIDE THE COMPANY

SUPERVISORY BOARD

The Supervisory Board of *Telelink Business Services Group AD* consists of the following members:

- Hans van Houwelingen - Chairman of the SB; Independent member;
- Ivo Evgeniev Evgeniev - Member of the SB;
- Bernard Jean Luc Moscheni - Member of the SB; Independent member.

The date of expiry of the term of the current SB is 12.07.2022.

The function of independent members of the Supervisory Board at *Telelink Business Services Group AD* is performed by Hans van Houwelingen and Bernard Jean-Luc Moscheni, who fulfill the conditions for independence. This function shall be exercised from **12.07.2019 with a 3-year term until 12.07.2022.**

The basic information for the members of the Board is presented below.

HANS VAN HOUWELINGEN – *CHAIRMAN OF THE SUPERVISORY BOARD*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2.*
EDUCATION:	He holds an EMBA from INSEAD and a master's degree in Industrial Engineering and Business Sciences from Eindhoven Technical University. He is also a Certified Financial Analyst (CFA).
EXPERIENCE:	Mr. Houwelingen's career began in 1999 in the field of financial services. Since 2005 he has held various international executive and non-executive positions in the field of asset management at *ING Group*, *NN Group* and *VIVAT*. Since 2016, he has been CEO of *ACTIAM*, Europe's leading asset management company with over EUR 60 billion assets under management.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	• **ACTIAM NV**, Netherlands – CEO • **ACTIAM (L) SICAV,** Netherlands – Chairman of the Board of Directors • **Telelink Holdings BV,** Netherlands – Member of the Board of Directors
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	• **Symbid Cooperatie UA,** Netherlands, Non-executive member of the Board of Directors • **NN Investment Partners,** Czech Republic, and Slovakia - Vice Chairman of the SB • **NN Investment Partners,** Poland – Vice Chairman of the SB • **ING Investment Management,** Hungary – Vice Chairman of the SB • **NN Poland Life Insurance Company,** Poland – member of the SB • **NN Poland Financial Services, Poland** – member of the SB • **ING Investment Management,** Greece – non-executive member of the Board of Directors
OWNED SHARES IN THE COMPANY:	None

***IVO EVGENIEV** – MEMBER OF THE SUPERVISORY BOARD*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2.*
EDUCATION:	He graduated from the Technical University of Sofia and the University of National and World Economy. He also holds an MBA from INSEAD, France.
EXPERIENCE:	Mr. Evgeniev has held leading positions as a member of the SB or the MB in several diversified companies such as *KAI Group*, venture capital fund *NEVEQ*, *Easy Asset Management* and others.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	• **Alexandrea Invest Group LTD**, UIC 130922584 – owner and manager; • **Alexandrea Invest EOOD,** UIC 203119652 – owner and manager; • **Eco Energy LTD**, UIC 175021269 – owner; • **Rosslyn Development AD**, UIC 204271951 – member of the Board of Directors; • **Metsanin Invest EOOD,** UIC 202831999 – owner and manager; • **Talar Foods EOOD,** UIC 130146503 - manager; • **K-Express EOOD,** UIC 131165677 – manager; • **Endeavor Bulgaria,** UIC 176958985 – member of the MB • **Armada Capital AD,** UIC 203994586 – Member of the Board of Directors. The company is in liquidation.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	• **Alexandrea Agro EOOD,** UIC 203115102 – manager;
OWNED SHARES IN THE COMPANY:	771 875 shares (6.175% of the registered capital).
***BERNARD MOSCHENI** – MEMBER OF THE SUPERVISORY BOARD*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2.*
EDUCATION:	He holds an MBA from IEP Lyon, France and a bachelor's degree in economics and finance from Lycée Lyautey de Casablanca, Morocco
EXPERIENCE:	Mr. Moscheni's career began at *Renault Group France*, where he held various executive positions from 1979 to 1987. Over the past 20 years, he moved into the telecommunications industry, holding executive positions in number of telecoms - CEO of *Orange Romania* and *Mobistar Belgium*. In 2008 he took over the management of *Bulgarian Telecommunications Company (Vivacom*), managing its restructuring from 2008 to 2013.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	None
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	None
OWNED SHARES IN THE COMPANY:	None

MANAGING BOARD

The MB of *Telelink Business Services Group AD* consists of the following members:

- Ivan Zhitiyanov - Chairman of the Board and CEO;
- 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 date of expiry of the term of the current Board is 12.07.2022.

Basic information for the members of the MB is presented below.

IVAN ZHITIYANOV – *CHAIRMAN OF THE MB AND CHIEF EXECUTIVE OFFICER*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2.*
EDUCATION:	He holds a bachelor's degree in Telecommunications from the Technical University of Sofia. In 2014 he also went through a special MBA program for Telelink management development at IE Business School, Madrid.
EXPERIENCE:	Ivan Zhitiyanov started his career at the age of 15 when he started working as a Java software developer. He joined the *Telelink* team in 2006 as a telecom expert, after which he consistently held the positions of Senior Expert and Head of Integration. In 2012, he took over the operational management of the *System Integration* division and since December 2017 is the CEO of *Telelink Business Services EAD*. With the establishment of *TBS Group*, he holds the position of Chairman of the Board and CEO.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	• **Telelink Business Services EAD**, UIC 130545438 – member of the Board of Directors and Executive Director • **Secnet AD,** UIC 131357407 – member of the Board of Directors.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	None
OWNED SHARES IN THE COMPANY:	125 000 shares (1% of the registered capital)
TEODOR DOBREV - *Member of the Managing Board*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2*
EDUCATION:	He holds a bachelor's degree in Communication technology and engineering from the Technical University of Sofia and a master's degree in Information Security from Sofia University "Kliment Ohridski"
EXPERIENCE:	Teodor Dobrev began his career in communication technology in 2003, and in 2005 joined the *Telelink* team as a system engineer. He has held several positions in the company, and since the beginning of 2018 has been the Director of Architecture and Solutions at *TBS EAD*. With the establishment of *TBS Group*, he holds the position of a member of the MB.

PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	None
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	None
OWNED SHARES IN THE COMPANY:	None
PAUN IVANOV *– Member of the Managing Board*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2*
EDUCATION:	He holds a bachelor's degree in Communication Technology and Engineering from the Technical University- Sofia. In 2015 he also completed a specialized MBA program at IE Business School, Madrid.
EXPERIENCE:	Paun Ivanov began his career as a network implementation expert. He joined the *Telelink* team in 2002 as head of a network integration team. Since 2007, he has held various management position in the *Telelink Group* in and outside Bulgaria. Since August 2018 he is the CEO of *Telelink Infra Services EAD*, specialized in the field of network infrastructure and industrial automation (under joint control by Mr. Lyubomir Minchev)
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	• **Telelink Infra Services EAD**, UIC 204856684 – Member of the Board of Directors and CEO • **Telelink MK D.O.O Skopje**, North Macedonia, UIC 6236812 – partner; • **DM Project LTD.**, UIC 204880183 – partner; • **Picard Ivanov DOOEL Skopje**, North Macedonia, UIC 7198388 – partner.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	None
OWNED SHARES IN THE COMPANY:	125 000 shares (1% of the registered capital)
NIKOLETA STANAILOVA *– Member of the Managing Board*	
BUSINESS ADDRESS:	*Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2*
EDUCATION:	She holds a master's degree in Finance and Banking from UNWE. In 2014 she completed a special MBA program for Telelink management development at IE Business School, Madrid.
EXPERIENCE:	Nikoleta Stanailova started her career as a chief accountant at Brocom Financial House. She joined *Telelink* in 2001, also as chief accountant. She has held various financial and accounting positions over the years. From 2011 to 2017 she was the CFO of *Telelink AD*, and after the reorganization of the group in 2017, holds the position of CFO of *Telelink Bulgaria EAD*. With the transformation of the latter in August 2019, she was transferred to *TBS Group EAD*, in which she also holds the position of a member of the MB since its establishment in July 2019.

PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	• **Telelink Infra Services EAD**, UIC 204856684 – member of the Board of Directors; • **Intelimiyl OOD**, UIC 203626770 – Director.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	None
OWNED SHARES IN THE COMPANY:	None
GOJKO MARTINOVIC *– Member of the Managing Board*	
BUSINESS ADDRESS:	*(TBS Group) Bulgaria, Sofia, Malinova Dolina District., 6 Panorama Sofia Str., Richhill Business Center, Block B, floor 2* *(Comutel) Serbia, Belgrade, PK 11070, 65V Omladinski Brigada Street.*
EDUCATION:	He holds a bachelor’s degree of Computer Science and Software Engineering from Belgrade University. In 2014 he also completed a special MBA program for Telelink management development at IE Business School, Madrid.
EXPERIENCE:	Gojko Martinovic began his career as a software developer in 1999. He joined *Telelink DOO (Serbia)* in 2006 as Administrative Director, and since 2012 has been CEO of *Comutel*.
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS AT THE MOMENT:	None
PARTICIPATION IN THE BOARDS OF OTHER ORGANIZATIONS IN THE LAST 5 YEARS:	None
OWNED SHARES IN THE COMPANY:	None

The members of the MB declare that the members of the Company’s Supervisory Board and Managing Board:

- have not been convicted in relation to fraudulent offences;
- have not been related to bankruptcies, receiverships, liquidations or companies put into insolvency administration, as a member of an administrative, management or supervisory body or senior managers, with the exception of Mr. Ivo Evgeniev, who is still a member of the Board of Directors of the company in the process of liquidation *ARMADA CAPITAL AD*, UIC 203994586;
- have not been into a public incrimination and/or sanctions involving such persons by statutory or regulatory authorities (including designated professional bodies)
- have not been disqualified by a court from acting as members of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the business activity of any issuer;
- have no family relationships with the other members of the MB, the SB or any other senior manager of the Company.

SENIOR MANAGEMENT

The members of the senior management with a key role in the Group's business activities include Ivan Zhitiyanov as Chief Executive Director of *TBS EAD* and Gojko Martinovic as Director of *Comutel*, who are also members of the MB of *TBS Group AD*.

FOUNDER OF THE COMPANY

TBS Group AD was established in 2019 as a subsidiary of *Telelink Holding BV (Netherlands).*

Lyubomir Minchev is the co-founder of *TBS EAD* (established as *Telelink OOD* in 2001) and *Telelink Holdings BV (Netherlands)*.

With the co-founding of *TBS EAD*, Lyubomir Minchev became part of the establishment of the future international IT group *Telelink*, and since 2011 he is its majority shareholder. Throughout the history of the Group, he remains actively engaged as its CEO with top-level business development, helping to expand its competencies from network infrastructure to system integration, security and automation, as well as international expansion in the Balkans and Western Europe. Since 2017, he has played a leading role in separating *Business Services* and *Infrastructure Services* as standalone activities and developing promising proprietary products in progressive areas such as smart city systems, cryptographic protection and the *Internet of Things* in standalone companies and brands such as *Telelink City Services* /*ModeShift & SecNet* / *Develiot*.

In parallel with Telelink, Lyubomir Minchev is an active investor in the field of technology and several other endeavors related to the development of original products and systems. To date, he has maintained investments in other technology companies, such as *Field-on-track*, *Tiger Technology*, *Softgroup* and *Synet*, developing diverse software-based systems in areas such as infrastructure management, pharmaceutical manufacturing, multimedia, SMEs solutions, data management and AI.

In addition to his investments, Lyubomir Minchev has played an active role in promoting entrepreneurship and innovation in Bulgaria as one of the founders of the *Endeavor Fund* (part of the *Endeavor Global Entrepreneurship Network*) and a mentor and member of the Supervisory Board of the *Bulgarian Startup Association*.

Lyubomir Minchev is also an active participant in the overall life of the local and international business community in Bulgaria, being a member of the Board of Directors of *AmCham Bulgaria*, as well as of the *Confederation of Employers and Industrialists in Bulgaria*.

Prior to founding *Telelink*, he worked at *Global Finance* in 1997-1998 and at *Global Security* 1998-2000, where he professionally developed from senior analyst to regional manager for Bulgaria.

He studied for 3 years at the American University in Bulgaria from 1992 to 1995. He graduated from Suffolk University in Boston with a master's and bachelor's degrees in business administration in 1997. In 2010, he completed INSEAD's Executive MBA program.

13.3. INFORMATION ABOUT THE AUDIT COMMITTEE AND/OR THE REMUNERATION COMMITTEE

As of the date of the Document, the Company has not elected an Audit Committee. No later than the regular annual GMS in 2020, the Company will adopt the Rules of Procedure of the Audit Committee and will elect its first members with a term of 3 years. According to the law, the prerogatives of the Committee are to guarantee protection of the rights of the Company's shareholders. The Audit Committee plays an important role in minimizing financial and operational risk as well as the risk of non-compliance while enhancing the quality of the financial reporting process. In particular, the Audit Committee shall: (a) monitor the Company's financial reporting process and submit recommendations and proposals to ensure its effectiveness; b) monitor the effectiveness of the internal control system, the risk management system and the internal audit activity with respect to the Company's financial reporting; c) is responsible for the selection procedure of the independent auditor of the Company and recommends its assignment; d) inform the governing bodies of the Company of the results of the statutory audit.

The members of the Audit Committee must be appropriately educated and qualified and most of them should meet the requirements of an Independent Member. At least one member of the committee must have minimum of 5 years of accounting or auditing experience.

No Remuneration Committee has been established within the Company and no plans for establishment of such exist. The Remuneration Policy will be reviewed by the Supervisory Board.

13.4. CONFLICTS OF INTEREST OF THE MANAGEMENT BODIES AND SENIOR MANAGEMENT

The following conflicts are absent for the governing bodies and the senior management of the Company:

- Potential conflicts of interest exist between their obligations as members of the MB and the SB towards the Company and their personal interest or other obligations;
- Agreements between the majority shareholders, customers, suppliers and others, according to which the members of the MB and the SB have been selected as a members of the governing bodies.

Pursuant to Regulation (EU) 596/2014, the members of the SB and the MB may dispose of their respectiveCompany`s shares only during the months in which the Company does not publish financial statements or only after the explicit permission of the respective governing body in the specified of the Regulation cases. The Current Shareholders of the Company, including MB members, who hold shares, commit, prior to the start of the public offering, respectively, to the admission of the securities of *TBS Group AD* for trading on a regulated market, to sign an agreement stipulating the conditions and the size of their shareholdings authorized for offering by the end of 2020, and disclose this agreement in accordance with the POSA. Further information about the restrictions to sale the offered shares is provided in *Section 8 "Selling Shareholders"* of the Securities Note.

13.5. A STATEMENT AS PER THE ISSUER'S COMPLIANCE WITH CORPORATE GOVERNANCE REGIMES

With regards to its future public status, *TBS Group* agrees to comply with the rules and practices introduced by the National Corporate Governance Code, which is in accordance with the internationally accepted and applied corporate governance principles of the Organization for Economic Cooperation and Development. The Code contains rules and procedures to protect shareholders' rights, to align corporate management actions with stakeholders' interests, to disclose information and actions of corporate executives, to take measures against possible abuse of control.

13.6. A STATEMENT ON FUTURE CHANGES IN THE GOVERNING BODIES AND COMMITTEES' COMPOSITION

No changes in the composition of the Company's governing bodies have been planned or approved as of the date of this Document.

With respect to the Company's subsidiaries, it is planned that Lyubomir Minchev will be replaced by Teodor Dobrev as a member of the Board of Directors of *TBS EAD*. This change has not been made as of the date of this Document. Its implementation is not expected to have any negative impact on the quality of corporate governance, the activities and the prospects of the Company and the Group as a whole.

14. REMUNERATION AND BENEFITS

14.1. THE AMOUNT OF REMUNERATION PAID (INCLUDING ANY CONTINGENT OR DEFERRED COMPENSATION), AND BENEFITS IN KIND GRANTED TO MEMBERS OF THE SB, MB AND SENIOR MANAGEMENT BY THE ISSUER AND ITS SUBSIDIARIES FOR SERVICES IN ALL CAPACITIES TO THE ISSUER AND ITS SUBSIDIARIES

Whereas *TBS Group* was established in July 2019, the remuneration accrued and paid to the members of the governing bodies and senior management of the Group during the last financial year (2018) include those accrued and paid during that period to such members from the Group`s subsidiaries *TBS EAD* and *Comutel*.

The amount of all remunerations paid for 2018 is presented in Table 36 below.

Table 36: Remunerations to the members of the governing bodies and senior management of the Group`s accrued and paid in 2018 ('000 BGN)

Person	Company	Position, in which the person has received remuneration	Remunerations for the period 01.01-31.12.2018			
			Total from employment contracts	Total under management and control contracts	Net benefits and deductions	Total
Paid (net*, '000 BGN)						
Ivan Zhitiyanov	TBS EAD	Executive Director, Member of the Board of Directors	71	165	11	247
Yordan Popov	TBS EAD	Member of the board of Directors	0	40	0	40
Lyubomir Minchev	TBS EAD	Chairman of the Board of Directors	0	432	0	432
Gojko Martinovic	Comutel DOO (Serbia)	Executive Director	132	0	0	132
Total			**203**	**636**	**11**	**851**
Accrued (net*, '000 BGN)						
Ivan Zhitiyanov	TBS EAD	Executive Director, Member of the Board of Directors	0	180	11	191
Yordan Popov	TBS EAD	Member of the Board of Directors	0	43	0	43
Lyubomir Minchev	TBS EAD	Chairman of the board of directors	0	432	0	432
Gojko Martinovic	Comutel DOO (Serbia)	Executive Director	132	0	0	132
Total			**132**	**655**	**11**	**799**

** After deduction of DOD and insurance at the expense of the person and the employer.*

Source: Telelink Business Services Group AD

The difference between accrued and paid during the period remuneration derives from the usual practice of payment during the month (for bonuses – the year), following the month (respectively the year) for which they were due. The other reason is the transition of Ivan Zhitiyanov in 2017 from an employment contract to a management contract with a respective change in his remuneration in 2018 as well as a one-time payment of his accumulated unused paid leave upon termination of his employment contract at the end of 2017.

As of the date of this Document, Yordan Popov and Lyubomir Minchev are not part of the managing or supervisory boards of *TBS Group*.

Of the remaining members of the governing bodies of *TBS Group* as of the date of this Document, only Teodor Dobrev received remuneration from the Group in 2018, but only as an employee of *TBS EAD*. He was not part of the Board of Directors of *TBS EAD* or its senior management during that period.

14.2. THE TOTAL AMOUNTS SET ASIDE BY THE ISSUER OR ITS SUBSIDIARIES TO PROVIDE FOR PENSIONS, RETIREMENT OR SIMILAR BENEFITS

During the last financial year and as of the date of this Document, *TBS Group AD* and its subsidiaries have no additional commitments under retirement compensation programs for members of the governing bodies and senior management of the Group outside the minimum required by applicable local law.

Therefore, and due to the relatively low age and the corresponding number of years until senior management retirement as of the end of 2018 and the date of this Document, the relevant provisions for retirement expenses are immaterial.

14.3. CONTRACTS OF THE MEMBERS OF THE GOVERNING BODIES WITH THE ISSUER PROVIDING BENEFITS UPON TERMINATION

In addition to being a member of the Managing Board of the Company, Ivan Zhitiyanov participates in the management and/or activity of the Company and/or its subsidiaries and in his capacity of CEO and member of the Board of Directors of *TBS EAD* by virtue of a management contract. As of the date of this Document, the contract does not provide for specific compensations upon termination and does not give rise to probable benefits arising from the Bulgarian Labor Code.

In addition to being a member of the Managing Board of the Company, Gojko Martinovic is involved in the management and/or activity of the Company and/or its subsidiaries and in his capacity of CEO and member of the Board of Directors of *Comutel* by virtue of an employment contract. As of the date of this Document, the contract does not provide for specific compensations upon termination.

In addition to being a member of the Managing Board of the Company, Teodor Dobrev participates in the management and/or activity of the Company and/or its subsidiaries as an employee of *TBS EAD* by virtue of a labour contract. As of the date of this Document, the contract does not provide for specific compensations upon termination.

In addition to being a member of the Managing Board of the Company, Nikoleta Stanailova participates in the management and/or activity of the Company and/or its subsidiaries as an employee by virtue of a labour contract. As of the date of this Document, the contract does not provide for specific compensations upon termination.

15. EMPLOYEES

15.1. AVERAGE NUMBER OF EMPLOYEES

Table 37: Number and breakdown of full-time employees of the Group as for the period from 01.01.2016 up to the date of the Prospectus

Average number of employees	(combined)					
TBS Group	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**01'2019 - PD**
Management	4	4	4	4	4	4
Operational	105	89	78	101	104	103
Sales	22	19	16	24	21	24
Administration	24	19	20	32	26	37
Total	**155**	**131**	**118**	**161**	**155**	**168**
(relative share)						
Management	3%	3%	3%	2%	3%	2%
Operational	68%	68%	66%	63%	67%	61%
Sales	14%	15%	14%	15%	14%	14%
Administration	15%	15%	17%	20%	17%	22%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

PD = the date of the Prospectus

Source: Telelink Business Services Group AD

During the period under review, the Group's number of employees recorded a steady upward trend with a 15% CAGR for 2016-2018 and an increase of 4% in the first half of 2019 compared to the same period of the previous year. The observed trend is manifested both in connection with the provision of the expanding activity and the planned business development in Bulgaria, Western Balkans and on the global markets, as well as a result of the formation of separated administration within *TBS EAD* after its transformation in the second half of 2017.

In structural terms, the Group retains a stable ratio of its operating staff to its total number of employees of 68% during the period 2016-2018, with a relatively equal relative weight of marketing and sales functions and general administration of respectively 14% and 16% on average over the same period. The observed increase in the administrative staff at the expense of the operational personnel during the first half of 2019 is the result of the internal re-categorization of some functions in *TBS EAD*, which does not substantially change the assurance of business.

Table 38: Number and breakdown of full-time employees in TBS EAD as for the period from 01.01.2016 up to the date of the Prospectus

Average number of employees	(standalone)					
Telelink Business Services EAD	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**01'2019 -PD**
Management	3	3	3	3	3	3
Operational	101	85	75	96	99	97
Sales	17	15	12	18	16	18
Administration	16	12	12	24	19	27
Total	**137**	**115**	**102**	**141**	**137**	**145**
(relative share)						
Management	2%	3%	3%	2%	2%	2%
Operational	74%	74%	74%	68%	72%	67%
Sales	12%	13%	12%	13%	12%	12%
Administration	12%	10%	12%	17%	14%	19%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

PD= the date of the prospectus

Source: Telelink Business Services Group AD

A major part of the Group's employees, totaling 88% on average during the period under review, remains concentrated in *TBS EAD*, the latter being the company with the most complex operations and highest share of provided services which concentrates both operational and strategic functions related to the business development of the Group as a whole.

The intensive sales expansion in 2017 and 2018 is connected with the significant increase of operational staff, especially, as well as of the marketing and sales function during the same period. Following the separation of non-core activities, as of 01.09.2017, the Company formed separate administrative functions with expanded staff compared to the respective part of these resources shared between all activities in 2016 and the first eight months of 2017. During the period under review, the structural personnel dynamics reflect to a certain extent the internal reorganization of the Company towards partial transfer of operational staff to sales and administration categories, including the aforementioned re-categorization in 2018-2019.

Table 39: Number and breakdown of full-time employees in Comutel for the period from 01.01.2016 up to the date of the Prospectus

Average number of employees	(standalone)					
Comutel DOO (Serbia)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**01'2019 -PD**
Management	1	1	1	1	1	1
Operational	4	4	3	5	5	6
Sales	4	3	3	5	4	5
Administration	5	4	5	5	4	5
Total	**14**	**12**	**12**	**16**	**14**	**17**
(relative share)						
Management	7%	8%	8%	6%	7%	6%
Operational	29%	33%	25%	31%	36%	34%
Sales	29%	25%	25%	31%	29%	29%
Administration	36%	33%	42%	31%	29%	31%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

PD= the date of the prospectus

Source: Telelink Business Services Group AD

With an average share of 10% in the total staff of the Group, *Comutel* stands out as the only other company in the reviewed combination with a significant number of employees against the relatively small number in Montenegro, Bosnia and Slovenia, as it concentrates both local operations as well as regional marketing and operations management functions in the Western Balkans.

The relatively low share of the operational staff reflects the narrow specialization and the lower intensity of the services provided by these companies. The observed increase in the number of marketing, sales and general administration staff in 2018 and the first half of 2019 is related to the planned expansion of the product range and positioning of the Group in the region.

Table 40: Number and breakdown of full-time employees in Telelink DOO (Montenegro) from 01.01.2016 up to the date of Prospectus

Average number of employees	(standalone)					
Telelink DOO (Montenegro)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**01'2019 -PD**
Administration	1	1	1	1	1	1
Total	**1**	**1**	**1**	**1**	**1**	**1**
(relative share)						
Administration	100%	100%	100%	100%	100%	100%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

PD= the date of the prospectus

Source: Telelink Business Services Group AD

Table 41: Number and breakdown of full-time employees in Telelink DOO (Bosnia and Herzegovina) from 01.01.2016 up to the Prospectus date

Average number of employees	(standalone)					
Telelink DOO (Bosnia and Herzegovina)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**01'2019 -PD**
Sales	1	1	1	1	1	1
Administration	1	1	1	1	1	1
Total	**2**	**2**	**2**	**2**	**2**	**2**
(relative share)						
Sales	50%	50%	50%	50%	50%	50%
Administration	50%	50%	50%	50%	50%	50%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

PD= the date of the Prospectus

Source: Telelink Business Services Group AD

Table 42: Number and breakdown of full-time employees in Telelink DOO (Slovenia) from 01.01.2016 up to the Prospectus date

Average number of employees	(standalone)					
Telelink DOO (Slovenia)	**2018**	**2017**	**2016**	**01-06' 2019**	**01-06' 2018**	**01'2019 - PD**
Administration	1	1	1	1	1	1
Total	**1**	**1**	**1**	**1**	**1**	**1**
(relative share)						
Administration	100%	100%	100%	100%	100%	100%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

PD= the date of the prospectus

Source: Telelink Business Services Group AD

The average number of employees of the Group for the period starting 2019 up to the date of this Document shows a continuing trend of increase given the ongoing effect of the factors described above for the period 01.01.2019 - 30.06.2019. As of the date of this Document, in the newly established companies in 2019 there are a total of 9 employees, including 1 in *TBS Group* (appointed in August), 2 in *Telelink (Albania)* (appointed in the August-October period) and 6 in *TBS (Macedonia)* (appointed in October). Due to their recent appointment, these positions still have a minimum participation with only 2 units in the average number of Group employees since the start of 2019.

During the period under review and as of the date of this Prospectus there is no significant number of temporary employees in the Group.

15.2. SHAREHOLDINGS AND STOCK OPTIONS

Information about the shareholdings of the members of the governing bodies of *TBS Group AD* is set out in *Section 13* of this Document.

As of the date of this Document, stock options for the Company`s shares have not been provided to any of the members of the governing bodies, the Audit Committee and other members of the senior management of *TBS Group AD*.

15.3. DESCRIPTION OF ANY ARRANGEMENTS FOR INVOLVING THE EMPLOYEES IN THE CAPITAL OF THE ISSUER

As of the date of this Document, there are no arrangements for involving the employees in the capital of *TBS Group AD*. The management and the majority shareholder's plans envision, once the Company becomes public, to prepare and adopt a Performance Shares Plan (PSP) for the allocation of shares and/or options to the Company's employees. Within the next five years the employees and management are expected to acquire between 10 and 20% of the Company's share capital under the above plan. The necessary shares for the PSP will be provided through the repurchase of existing shares from the market. No issuance of new shares and corresponding dilution of the capital are expected under the PSP.

16. MAJORITY SHAREHOLDERS

16.1. THE NAME OF ANY PERSON WHO, DIRECTLY OR INDIRECTLY, HAS AN INTEREST IN THE CAPITAL OF THE ISSUER, TOGETHER WITH THE AMOUNT OF HIS INTEREST

As of the date of this Document, the founder of the Group Lyubomir Minchev directly holds 10 456 250 shares with a nominal value of BGN 1 per share, representing 83.65% of the registered capital of the Company.

The other persons holding more than 5% of the Issuer's capital are Ivo Evgeniev and Spas Shopov, each holding 771 875 shares with a nominal value of BGN 1 per share, respectively each having 6.175% of the registered capital of the Company.

16.2. DIFFERENT VOTING RIGHTS

The Issuer's shareholders do not have different voting rights. All shares issued by *TBS Group AD* as of the date of the Prospectus are ordinary, registered, dematerialized and give equal rights to their holders.

16.3. A STATEMENT REGARDING WHETHER THE ISSUER IS DIRECTLY OR INDIRECTLY OWNED OR CONTROLLED AND BY WHOM AND A DESCRIPTION OF THE NATURE OF SUCH CONTROL AND A DESCRIPTION OF THE MEASURES IN PLACES, ENSURING THAT SUCH CONTROL IS NOT ABUSED

Pursuant to § 1, item 14 of the POSA, a person will exercise direct or indirect control over the Company when that person, directly or indirectly: (a) holds more than 50 percent of the number of votes in the GMS; or (b) may designate more than one-half of the members of its Board of Directors; or (c) may in any other way exert decisive influence on decision-making in connection with the business of the Company.

As of the date of this Document, Lyubomir Minchev, as a person holding directly 83.65% of the capital and of the votes in the GMS, exercises direct control over *TBS Group AD*.

The Issuer has not announced any special measures against abuse of direct or indirect control.

16.4. A DESCRIPTION OF ANY ARRANGEMENTS KNOWN TO THE ISSUER, THE OPERATION OF WHICH MAY AT A SUBSEQUENT DATE RESULT IN A CHANGE OF CONTROL OF THE ISSUER

As of the date of this Document, the Company is not aware of any agreements that may result in a change of control at a subsequent date.

17. RELATED PARTY TRANSACTIONS

This section summarizes, in accordance with the standards adopted in compliance with Regulation (EC) 1606/2002, related parties and the Group's transactions with them during the period covered by the historical information and up to the date of this Document.

RELATED PARTIES

Details about the related parties and the type of affiliation are presented in Table 43 below.

(Continues on the following page)

Table 43: List of the related parties during the period from 01.01.2016 up to the date of the Prospectus

Subsidiary	Country of establishment and management	Shareholding participation of TBS Group
(direct)		*(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 SHPK	Albania	90%
Telelink Business Services DOOEL	Macedonia	100%
(indirectly)		*(through TBS EAD)*
Telelink BS Staffing EOOD	Bulgaria	100%
Green Border OOD	Bulgaria	50%

Other related parties:

Name	Nature of the Relationship	Affected Group companies
Marifons Holdings Limited (Cyprus)*	Ultimate Parent Company	
V-Investment Holdings BV - (Netherlands)	Shareholder of	Telelink Holdings BV- 87.65%
Promiteria Enterprise Ltd (Cyprus)	Shareholder of	Telelink Holdings BV. - 12.35%
Telelink Holdings BV (Netherlands) *	Parent Company	Telelink Business Services Group EAD - 100%
Telelink Bulgaria EAD (Bulgaria)	Subsidiary of	Telelink Holdings B.V.- 100%***
Telelink Infra Services EAD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD. - 100%
Telelink City Services EAD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD. - 100%
Telelink Labs EOOD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD. - 100%
Telelink City EOOD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD - 100%
Secnet EAD (Bulgaria)	Under the control of	Telelink Bulgaria EAD. - 100%
Telelink Services Romania CPL (Romania)	Subsidiary of	Telelink Bulgaria EAD. - 100%
Telelink MK DOOEL (North Macedonia	Subsidiary of	Telelink Bulgaria EAD. - 90%
Telelink (UK) Limited (UK)	Subsidiary of	Telelink Bulgaria EAD. - 100%
Telelink GmbH (Germany)	Subsidiary of	Telelink Bulgaria EAD. - 100%
Telelink DOO (Serbia) **	Subsidiary of	Telelink Holdings B.V. - 100%
URT TOV (Ukraine) **	Subsidiary of	Telelink Holdings B.V. - 100%
Picard Ivanov DOOEL	Shareholder of	Telelink Albania SHPK (Albania)- 10 %
Richhill OOD (Bulgaria)	Under Joint Control	
V-Investment Bulgaria EOOD (Bulgaria)	Under Joint Control	
Field on Track Ltd.	A subsidiary of	V-Investment Bulgaria EOOD - 90%

* Until 14.08.2019 r.
** Sold in 2018 r.
*** Sold to L. Minchev, Marifons Holdings Limited, Alexandrea Invest Group Ltd. and Assets Management EAD on October 28, 2019.

Participation in joint operations:

Name	Nature of the relationship	Affected Group companies
Consortium E-Health (Bulgaria)	Shareholding	Telelink Business Services EAD - 80%
Green Border OOD (Bulgaria)	Shareholding	Telelink Business Services EAD - 50%
Consortium ATP Services (Bulgaria	Shareholding	Telelink Business Services EAD - 29%
Consortium Telesec (Bulgaria)	Shareholding	Telelink Business Services EAD - 50%
Consortium Telelink Info (Bulgaria)	Shareholding	Telelink Business Services EAD - 78%
Consortium Telelink Group (Bulgaria)	Shareholding	Telelink Business Services EAD - 50%
Consortium Green Border 3 (Bulgaria)	Shareholding	Telelink Business Services EAD - 75.91%
Consortium Technolink DZZD (Bulgaria)	Shareholding	Telelink Business Services EAD - 59.10%
Consortium Bulgarian River Basin DZZD (Bulgaria)	Shareholding	Telelink Business Services EAD - 15%
Consortium Telelink MK - TBS BG (Macedonia)	Shareholding	Telelink Business Services EAD *

** It is to be determined based on a final tender offer for a joint contract.*

Source: Telelink Business Services Group AD

RELATED PARTY TRANSACTIONS

For the period covered by the historical financial information and up to the date of the Document, the Group has entered into transactions with related parties, the details of which are set out in Table 44 below.

Table 44: Related Party Transactions from 01.01.2016 up to the date of the Prospectus

Trade	Sales to related parties						Purchases from related parties					
('000 BGN)	2018	2017	2016	01-06'19	01-06'18	07'19 -DP	2018	2017	2016	01-06'19	01-06'18	07'19 -PD
Entities with controlling interest in the Group	0	0	0	0	0	0	28	90	136	0	8	0
Other related parties (under joint control)	1 540	264	740	475	776	285	1 868	199	61	1 569	637	650
Total	**1 540**	**264**	**740**	**475**	**776**	**285**	**1 896**	**289**	**197**	**1 569**	**645**	**650**

Interest	Charged to related parties						Charged by related parties					
('000 BGN)	2018	2017	2016	01-06'19	01-06'18	07'19 -PD	2018	2017	2016	01-06'19	01-06'18	07'19 - PD
Entities with controlling interest in the Group	0	0	0	0	0	0	0	0	1	0	0	0
Other related parties (under joint control)	1	1	0	2	1	0	65	3	0	9	37	5
Total	**1**	**1**	**0**	**2**	**1**	**0**	**65**	**3**	**1**	**9**	**37**	**5**

Trade	Receivables from related parties						Payables to related parties					
('000 BGN)	2018	2017	2016	30.06.19	30.06.18	DP	2018	2017	2016	30.06.19	30.06.18	PD
Entities with controlling interest in the Group	0	0	0	0	0	0	29	31	0	1	31	0
Other related parties (under joint control)	588	294	363	1 079	92	948	410	3 718	60	991	1 308	328
Total	**588**	**294**	**363**	**1 079**	**92**	**948**	**439**	**3 749**	**60**	**992**	**1 339**	**328**

Loans granted	Receivables from related parties						Payables to related parties					
('000 BGN)	2018	2017	2016	30.06.19	30.06.18	DP	2018	2017	2016	30.06.19	30.06.18	PD
Other related parties (under joint control)	6 426	0	0	0	0	0	4	1 845	0	4 045	2 710	0
Total	**6 426**	**0**	**0**	**0**	**0**	**0**	**4**	**1 845**	**0**	**4 045**	**2 710**	**0**

Other	Receivables from related parties						Payables to related parties					
('000 BGN)	2018	2017	2016	30.06.19	30.06.18	DP	2018	2017	2016	30.06.19	30.06.18	PD
Other related parties (under joint control)	0	0	0	2	0	0	0	0	0	2 000	1 000	0
Total	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**2 000**	**1 000**	**0**

PD= the date of the Prospectus

Source: Telelink Business Services Group AD

Amounts due by related parties are included in *Trade and Other Receivables* and *Loans Granted*. Amounts due to related parties are included in *Trade and Other Payables* and *Interest-Bearing Loans and Borrowings* in the combined financial statements of the Group.

Receivables and payables from and to related parties cannot be set-off. Outstanding balances of trade receivables and trade payables at the year-end are unsecured, interest-free and settlement occurs in cash.

JOINT OPERATIONS

The interests of *TBS EAD* in joint operations are regulated by consortium agreements. *TBS EAD* and the other parties agree, based on mutual cooperation, to combine their efforts in the form of consortium to implement certain projects where no party holds control. The partners participate with assets, liabilities, income and expenses corresponding to their share in the consortium. The consortiums generate no profit or loss.

Set out in Table 45 below are the interests of *TBS EAD* during the period under review – income, expenses, assets and liabilities in the consortiums.

Table 45: TBS EAD transactions with consortiums, in which it participates for the period from 01.01.2016 up to the date of the Prospectus

Trade			**Sales**						**Purchases**			
('000 BGN)	**2018**	**2017**	**2016**	**01-06'19**	**01-06'18**	**07'19 - PD**	**2018**	**2017**	**2016**	**01-06'19**	**01-06'18**	**07'19 - PD**
Name												
Consortium E-Health (Bulgaria)	-	800	1 438	-	-	-	-	-	-	-	-	-
Consortium ATP Services	201	101	86	165	42	109	-	-	-	-	-	-
Consortium Telesec	1 470	2 136	-	-	1 470	2 635	-	-	-	-	-	-
Consortium Telelink Info	-	1 183	-	-	-	-	-	-	-	-	-	-
Consortium Green Border 3	-	-	-	3 711	-	-	-	-	-	-	-	-
Consortium Technolink	-	-	-	-	-	1 923	-	-	-	-	-	-
Consortium Bulgarian River Basin	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1 671**	**4 220**	**1 524**	**3 876**	**1 512**	**4 667**	**-**	**-**	**-**	**-**	**-**	**-**

Trade					**Receivables**					**Payables, incl. advances received**		
('000 BGN)	**2018**	**2017**	**2016**	**30.06.19**	**30.06.18**	**PD**	**2018**	**2017**	**2016**	**30.06.19**	**30.06.18**	**PD**
Name												
Consortium E-Health (Bulgaria)	-	-	264	-	-	-	-	-	-	-	-	-
Consortium ATP Services	387	77	-	12	-	319	-	-	-	-	-	-
Consortium Telesec	-	496	-	-	-	-	-	-	-	1 054	-	-
Consortium Technolink	-	-	-	-	-	2 309	-	-	-	-	-	-
Consortium Bulgarian River Basin	-	-	-	-	-	7	-	-	-	-	-	-
Total	**387**	**573**	**264**	**12**	**-**	**2 635**	**-**	**-**	**-**	**1 054**	**-**	**-**

PD= the date of the Prospectus

Source: Telelink Business Services Group AD

17A. SUPPLEMENTED RELATED PARTY TRANSACTIONS (AS PER THE SUPPLEMENT TO THE REGISTRATION DOCUMENT DATED 16.03.2020 Г.)

RELATED PARTIES

As of the date of the Supplement to this Document dated 16.03.2019 there are changes and additions in the related parties' details and type of affiliation, set out in Table 43.1 below.

Table 43.1: List of related parties during the period from 01.01.2016 up to the date of the Supplement to this Document dated 16.03.2020

Subsidiaries within the Group		
Name	**Nature of relationship***	**Affected Group companies**
Telelink Albania SHPK (Albania)**	Subsidiary of	Telelink Business Services Group EAD – 100%
** TBS Group's participation increased from 90% to 100% on 25.02.2020.		
Other related parties		
Name	**Nature of relationship***	**Affected Group companies**
Telelink Infra Services SHPK (Albania)*	Subsidiary of	Telelink Bulgaria EAD - 100%
Telelink Investments EOOD (Bulgaria)**	Under joint control	Lyubomir Minchev - 100%
Develiot (Bulgaria)***	Subsidiary of	Telelink Investments EOOD - 61.56%
Incorporated in: * December 2019; **January 2020; *** February 2020		
Participation in joint operations		
Name	**Nature of relationship***	**Affected Group companies**
Consortium TeleSystems (Bulgaria)	Equity holding	Telelink Business Services EAD - 63.50%
Consortium SysTel (Bulgaria)	Equity holding	Telelink Business Services EAD - 50%

Source: Telelink Business Services Group AD

RELATED PARTY TRANSACTIONS

For the period from 01.01.2019 up to date of the Supplement to this Document dated 16.03.2020, the Group has entered into transactions with related parties, the details of which are set out in Table 44.1 below.

Table 44.1: Related party transactions during the period from 01.01.2016 up to the date of the Supplement to this Document dated 16.03.2020

Trade	**Sales to related parties**		**Purchases from related parties**	
('000 BGN)	**2019**	**01'20-SD**	**2019**	**01'20-SD**
Other related parties (under joint control)	3 030	197	2 974	96
Total	**3 030**	**197**	**2 974**	**96**
Interest	**Charged to related parties**		**Charged by related parties**	
('000 BGN)	**2019**	**01'20-SD**	**2019**	**01'20-SD**
Other related parties (under joint control)	2	0	38	0
Total	**2**	**0**	**38**	**0**
Trade	**Receivables from related parties**		**Payables to related parties**	
('000 BGN)	**2019**	**01'20-SD**	**2019**	**01'20- SD**
Other related parties (under joint control)	2 092	1 863	274	328
Total	**2 092**	**1 863**	**274**	**328**
Loans granted (Principal + Interest)	**Receivables from related parties**		**Payables to related parties**	
('000 BGN)	**2019**	**01'20- SD**	**2019**	**01'20- SD**
Total	**0**	**0**	**0**	**0**

SD = Date of Supplement of the Registration document dated 16.03.2020

Source: Telelink Business Services Group AD

JOINT OPERATIONS

The interests of *TBS EAD* in consortiums during the period from 01.01.2019 up to date of the Supplement to this Document dated 16.03.2020 – income, expenses, assets and liabilities in the consortiums, are shown in Table 45.1 below.

Table 45.1: TBS EAD's transactions with consortiums in which it participates during the period from 01.01.2019 up to date of the Supplement to this Document dated 16.03.2020

Trade	Sales		Purchases	
('000 BGN)	2019	01'20-SD	2019	01'20-SD
Name				
Consortium ATP Services	403	78		
Consortium Telesec	2 636	1		
Consortium Green Border 3	3 711		1	
Consortium Technolink	1 897			
Consortium TeleSystem		1 539		
Total	**8 647**	**1 618**	**1**	**-**

Trade		Receivables	Payables incl. advances received	
('000 BGN)	2019	01'20-SD	2019	01'20-SD
Name				
Consortium ATP Services	109	9		
Consortium Bulgarian River Basin			7	19
Total	**109**	**9**	**7**	**19**

SD= the date of Supplement to this Document dated 16.03.2020

Source: Telelink Business Services Group AD

18. LEGAL STATUS OF THE ISSUER. ARTICLES OF ASSOCIATION

18.1. LEGAL STATUS OF THE ISSUE

18.1.1. DATE OF ESTABLISHMENT OF THE ISSUER

The Company was established on 12.07.2019.

The purpose, circumstances and direct effects of its establishment and its transformation on 14.08.2019 for the Group are set out in *Item 3.2.1* of this Document.

18.1.2. AMOUNT OF THE ISSUED CAPITAL FOR EACH CLASS OF SHARE CAPITAL

The share capital of *Telelink Business Services Group AD* is BGN 12 500 000, distributed in the same number of ordinary registered shares with a par value of BGN 1 each. As of the date of this Document there is no change in the share capital.

The Issuer has no issued shares which do not represent capital.

The Issuer does not hold treasury shares on its behalf, nor any shares held by its subsidiaries.

The Issuer has no issued convertible securities, exchangeable securities and securities with warrants.

The Issuer has no information about the terms of any acquisition rights and/or obligations for the authorized but unissued capital or an undertaking to increase the capital.

As of the date of this Document, the Issuer is not part of an economic group. The Issuer has no information about any capital that is under an option or agreed to be conditionally or unconditionally put under an option.

18.1.3. HISTORY OF THE SHARE CAPITAL

The Company is incorporated and registered in the Commercial Register with an initial capital of BGN 50 000.

By a decision of the sole owner *Telelink Holdings BV*, the capital of the Company was increased with BGN 12 450 000 to a total of BGN 12 500 000 with the spin-off of the *Business Services* business line as a separate activity within the meaning of Art. 262c of the Commercial Act as part of the property of *Telelink Bulgaria EAD*, consisting of all assets, rights and obligations relating to the Separated Activity (including assets, liabilities, contracts and employees) and its transfer to *Telelink Business Services Group EAD*. The capital increase as a result of the transformation was entered in the Commercial Register on 14.08.2019.

18.2. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Preconditional Articles of Association (AoA) of *TBS Group AD* was approved by the GMS, held on 30.09.2019.

The Preconditional AoA is fully compliant with the requirements of the POSA and the related by-laws. In case some provisions of the articles contradict the POSA and the Commercial Act, the legal provisions shall prevail, and in case of discrepancy between the POSA and the Commercial Act, the special law (POSA) shall apply.

18.2.1. A DESCRIPTION OF THE SCOPE OF ACTIVITY AND PURPOSE OF THE ISSUER

The scope of activity according to Art. 5 of the AoA of the Company is: commercial activity in the country and abroad, commercial agency in the country and abroad, construction and maintenance of communications and telecommunications networks, acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, investments in company stakes and shares, consultancy, corporate governance, capital and asset management, commission activities, and any other activity not prohibited by law provided that if an authorization or license or registration is required for the carrying out of any activity, that activity shall be carried out after such authorization or license has been obtained, respectively, after such registration has been made.

The Company's AoA do not explicitly set out its main purposes, and it can be assumed that the main purposes coincide with the stated scope of activity.

18.2.2. A DESCRIPTION OF THE NECESSARY ACTIONS TO CHANGE SHAREHOLDERS' RIGHTS

The AoA of the Company does not contain any specific provisions regarding the necessary actions to change the rights of the shareholders other than those provided for in the applicable legislation.

18.2.3. A DESCRIPTION OF HOW THE GENERAL SHAREHOLDERS' MEETING CONVENES, INCLUDING THE ADMISSION CRITERIA

Art. 19 of the Preconditional AoA describes the steps to convene a GMS. The GMS shall be convened to a session by the Managing Board or the Supervisory Board or upon the request of shareholders holding at least 5 per cent of the registered capital of the Company.

The GMS is convened by a written invitation, announced in the Commercial Register. The Company is obliged to announce the invitation in the Commercial Register and disclose it under the conditions and in compliance with Art. 100t, para. 1

and 3 of the POSA at least 30 days before its opening. The invitation shall state the information in accordance with the requirements of the Commercial Act and the POSA.

The invitation together with the materials of the GMS under Art. 224 of the Commercial Act shall be published on the Company's website for the period from the announcement to the close of the GMS. The information published on the Company’s website should be identical to the information disclosed to the public

18.2.4. A BRIEF DESCRIPTION OF ANY PROVISION BY THE AOA, ANY OTHER OF THE ISSUER’S DOCUMENTS OR BYLAWS, THAT WOULD HAVE AN EFFECT OF DELAYING, DIFFERING OR PREVENTING A CHANGE IN CONTROL OF THE ISSUER

There are no such provisions in the AoA or other documents of the Company.

18.2.5. A DESCRIPTION OF ANY REGULATIONS IN THE CORPORATE DOCUMENTS, STIPULATING THE MAXIMUM SHARES A SHAREHOLDER CAN HOLD, BEFORE HAVING TO PUBLICLY DISCLOSE THEM

The corporate documents of the Company do not contain any applicable provisions specifying the threshold above which the shareholding must be publicly disclosed. For the disclosure of the shareholding the provisions of the POSA, and in particular Art. 145 et seq shall apply.

18.2.6. A DESCRIPTION OF THE PROVISIONS IN THE AOA, WHICH REGULATE THE MEANS OF CHANGES IN CAPITAL, WHEN THESE PROVISIONS ARE STRICTER THAN THE LEGAL REGULATIONS

According to Art. 23, para. 2 of the Preconditional AoA of the Company, the decisions concerning the amendment and supplement of the AoA of the Company, the increase or decrease the Company’s capital as well as about the termination the Company shall be taken by the GMS with a majority of 2/3 of all issued voting shares.

18.3. DIVIDEND POLICY

TBS Group AD intends to distribute at least 50% of its net profit for the past financial year as a dividend. The Company distributes dividends in the order and under the conditions stipulated in the Commercial Act, POSA and the AoA of the Company.

According to Art. 41, para. 3 of its Preconditional AoA, the Company distributes as a dividend not less than 50% (fifty percent) of the distributable profit for the respective year / half year. The GMS decides on the distribution of dividends after approval of the annual financial statements, respectively the six-month financial statements, and in accordance with the provisions of the Commercial Act and the POSA.

19. MATERIAL CONTRACTS

The Company and its subsidiaries have no material contracts other than those concluded in the ordinary course of business for the two years immediately preceding the date of this Document, nor any other contracts other than those concluded in the ordinary course of business containing any provision under which any member of the Group has any obligation or entitlement, which is material for the Group at the date of this Document.

20. ADDITIONAL INFORMATION

20.1. NAMES AND ADDRESSES OF THE ISSUER’S AUDITORS FOR THE PERIOD UNDER REVIEW

TBS Group AD was incorporated in 2019 and as of the date of this Document has not yet prepared annual financial statements, which are to be, or are in the process of being, audited.

This Prospectus contains combined financial information about *TBS Group AD*, and an independent auditor`s report from *Ernst and Young Audit Ltd.*, which states that the combined information has been properly prepared on the basis of provided data, and that the presented combined information is consistent with the accounting policies of the Company.

Ernst and Young Audit Ltd. has business address *1124 Sofia, 47A Tsarigradsko Shose Blvd., Polygraphia Office Center, Floor 4* and is a member of the *Institute of Chartered Accountants* in Bulgaria and has been registered in the registry independent auditors under number 108.

20.2. LEGAL AND ARBITRATION PROCEEDINGS

As of the date of this Document the following two legal proceedings are being initiated by *TBS EAD*, which may have a significant impact on the Company:

COMM. CASE № 825/2018. ACCORDING TO THE SOFIA CITY COURT INVENTORY, VI-8 COMPOSITION

- Plaintiff: *TBS EAD*
- Defendant: Ministry of Health
- Value of the claim: BGN 1 391 690.32

The proceeding was initiated at the request of the *TBS EAD* against the Ministry of Health (MoH) for payment of the amount above, representing the value of the costs (necessary and useful expenses) for the services provided by the *eHealth Consortium* (consortium, which consists of three companies, one of which is *TBS EAD*) to ensure communication connectivity and maintenance of the Emergency Medical Assistance systems in the country for the period 22.07.2017 - 13.03.2018, and in turn, the amount due as an unjust enrichment, as far as the Consortium incurred expenses for providing connectivity and maintenance of the media systems, and with this amount the Ministry enriched itself by saving the expenses that would otherwise have been incurred for this support. The amount above is demanded for the period after the expiration of the public procurement contract, signed by the MoH and the Consortium, until the selection of a new contractor. During this period, the Consortium, with the knowledge and without opposition of the MoH, continued to provide connectivity and maintenance of the systems (the same type and scope of activities that were the subject of the expired contract with the MoH) because of the high social importance of these systems and the possible adverse effects on the population by allowing the systems to operate without maintenance and connectivity.

Witnesses were questioned and 3 expert witnesses were admitted to the hearing.

At the last hearing held on 01.10.2019, the case was adjourned to 17.12.2019 for the hearing of additional forensic technical and forensic accounting expertise.

The significance of the case is determined by the amount of the claim, the satisfaction of which could have a positive effect equivalent to more than 18% of the Group's combined net profit for 2018.

TRADE CASE NO. 1765/2019 ACCORDING TO THE SUPREME COURT OF CASSATION OF BULGARIA, COMM. CASE № 1 (NUMBER OF PREVIOUS JUDGMENTS – COMM. CASE NO. 1135/2019 ACCORDING TO THE APPELLATE COURT, COMM. CASE NO. 2839/2017 ACCORDING TO THE SUPREME COURT OF CASSATION OF BULGARIA, COMM. CASE NO. 6002/2019 AS ACCORDING TO THE APPELLATE COURT; COMM. CASE NO. 8464/2013 ACCORDING TO THE SOFIA CITY COURT)

- Plaintiff: *Telelink EAD* (now named *TBS EAD*)
- Defendant: *Trace-Sofia AD*
- Value of the claim: BGN 464 502.83

The proceeding was initiated at the request of *Telelink EAD* against *Trace-Sofia AD* for payment of an amount of BGN 464 502.83 (BGN 420 703 - principal and BGN 43 799.83 - compensation for delay), representing payments due under the Contract for Transfer of Receivables, by virtue of which the Assignor *Montazh Stroitelni Konstruktsii AD* transferred to *Telelink EAD* its receivable from *Trace-Sofia AD*, arising from a Contract for performing construction and assembly works at the site on a separate position: Intersection on two levels Andrey Sakharov Blvd. - Andrey Lyapchev Blvd. Following the filing of the case, the defendant *Trace-Sofia AD* made a partial payment of its debt - part of the principal amounting to BGN 246 848 and the claim remains to be kept for the remainder of the principal and the interest.

By the decision of 12.08.2016, the court of first instance upheld the claims and ordered *Trace Sofia AD* to pay to *Telelink EAD* the amount of BGN 173 855 - principal together with the legal interest from the date of the claim - 18.12.2013 until the final payment, as well as the amount of BGN 46 524.59 - late payment. The decision of the Sofia City Court was appealed by *Trace Sofia AD*. By decision № 1914/07.08.2017 in case No. 6002/2016 according to the Sofia Court of Appeals, the Appellate Court upheld the first-instance decision in its appeal. The decision of the Appellate Court was appealed by Trace Sofia AD to the Supreme Court of Cassation and the proceeding was opened as Commercial Case No. 2839/2017. According to the Supreme Court of Cassation, by decision No. 330 of 11.02.2019 by Commercial Case No. 2839/2017, the court reverses the decision of the Appellate Court completely and remits the case for another hearing by another board of the Appellate Court of Sofia. By a decision on 25.04.2019, the Appellate Court of Sofia adjudicated the dispute, upholding the decision of the Sofia City Court in the contested part. The decision of the Appellate Court of Sofia was appealed by *Trace Sofia EAD* and on their appeal a case, No. 1765/2019, was initiated according to the Supreme Court of Cassation, i.e. the appointed date for adjudication by the court on the admissibility of the cassation appeal is 09.03.2020.

Despite the relatively lower material interest in relation to the consolidated profit of the Group, the case was mentioned insofar as the possible adherence to the cassation appeal described could have a negative effect on the Group equivalent to 6% of *TBS EAD*'s net profit for 2018.

OTHERS

During the period covering the last 12 months preceding the date of this Document, there were no other than the abovementioned governmental, legal or arbitration proceedings (including "pending") or a threat of such that the Issuer and its subsidiaries are aware of and which may have significant effects on them and/or the financial position or profitability of the Group.

20.3. DECLARATIONS OR REPORTS BY EXPERTS

In this Document no information derived from specially prepared expert opinions or statements and reports was used.

20.4. INFORMATION FROM THIRD PARTIES

In certain parts of the Prospectus, the Issuer has included information provided by third parties with the appropriate attributions, as follows:

1. *ICT Media* – Top 100 Technological Companies in Bulgaria
2. *International Data Corporation* – IDC's 2019 Predictions for Worldwide Digital Transformation*
3. *Gartner* – Future Outlook for IT Spending - Gartner Tech Growth & Innovation Conference 2019*
4. *Mordor Intelligence* – 5G Infrastructure Market - Growth, Trends and Forecast (2019 - 2024) *
5. *Deloitte Insights* – The future of connectivity*
6. *Markets and Markets* - Global Software defined networking market *
7. Global Markets Insights – Network Functions Virtualization Market (2018-2024)*
8. *Markets and Markets* – Managed Services Market (2018-2023)*
9. *Gartner* – Data Center Trends*
10. *The Economic Times* – Cloud Computing Trends*
11. *The Economic Times* – Capgemini cloud native applications adoption study*
12. *Reuters* - Global Cloud Micro-services Market*
13. *DEVOPS Digest* – DevOps Market Forecast*
14. *Research and Markets* – Global Hybrid Cloud Markets 2019-2024*
15. *Markets and Markets* – Enterprise Collaboration Market Forecast*

** Last Accessible in September 2019.*

The information provided in the Prospectus from these sources is accurately reproduced and to the extent that the responsible persons are aware of and can verify the information published by these third parties, no facts have been omitted that would make the reproduced information inaccurate or misleading.

The cited provisions of the Issuer's AoA are accurately, correctly and completely reproduced and no facts have been omitted that would make the reproduced information inaccurate or misleading.

20.5. INFORMATION BY REFERENCES

The following references to other documents and / or data are provided in this Document:

- Combined Annual Financial Statement of "Telelink Business Services Group" AD as of 31.12.2018 (www.tbs.tech/wp-content/uploads/2020/03/tbsg-combined-fs-2016-2018-en.pdf);
- Combined Interim Financial Statement of the Company as of 30.06.2019 (*available only in Bulgarian)* (www.tbs.tech/wp-content/uploads/2020/03/tbsgroup_combined_interim_fs_6m_2016-2019_bg_190912.pdf);
- The Resolution for Reorganization and Capital Raise of the Company as of 29.07.2019 *(available only in Bulgarian)* (www.telelink.business/pdf/TBSG_Resolution_Reorganization_190729.pdf);
- The Preconditional Statute of the Company (www.telelink.business/pdf/TBSG_AoA_Public_190930.pdf) (www.telelink.business/pdf/TBSG_AoA_Public_190930.pdf);
- Public Offering of Securities Act (www.fsc.bg/d.php?id=26230);
- Commerce Act (www.minfin.bg/upload/38079/Commerce_Act.pdf)
- Rules of the Central Securities Depositary AD (www.csd-bg.bg/EN_site/Dokumenti_EN/Pravilnik_ENGLISH_CONSOLIDATED.pdf);
- Markets in Financial Instruments Act (www.fsc.bg/d.php?id=14006);
- Implementation of Measures against the Market Abuse with Financial Instruments Act (www.fsc.bg/d.php?id=26234);
- Rules on the Bulgarian Stock Exchange (www.bse-sofia.bg/bg/rules);
- Special Pledges Act *(available only in Bulgarian)* (www.lex.bg/laws/ldoc/2133897734);
- Code of Civil Procedure*(available only in Bulgarian*) (www.lex.bg/laws/ldoc/2135558368);
- Ordinance No. 38 of the Financial Supervision Commission (www.fsc.bg/d.php?id=13996).

20.5.1. SOURCES OF ADDITIONAL INFORMATION

This Registration Document along with the Securities Note and the Summary (parts of Prospectus for the addition to trading on the regulated market of the share issue of), all documents shown above as references, as well as additional information about the Company and the Offered Shares will be made available on the website of the Company (www.telelink.business), on the website of the Manager (www.elana.net) as well as (after the listing) on the websites of the FSC (www.fsc.bg) and BSE (www.bse-sofia.bg).

TELELINK BUSINESS SERVICES GROUP AD, AS THE ISSUER OF THE OFFERED SHARES, AND THE INVESTMENT INTERMEDIARY *ELANA TRADING AD* (“THE MANAGER”), AS THE MANAGER OF THE OFFERING, ASSUME THE RESPONSIBILITY FOR THE COMPLETENESS AND ACCURACY OF THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. THE REPRESENTATIVES OF *TBS GROUP AD* AND *ELANA TRADING AD* DECLARE WITH THEIR SIGNATURES BELOW THAT, TO THE BEST OF THEIR KNOWLEDGE, THIS DOCUMENT CONTAINS ALL THE INFORMATION ABOUT THE ISSUER THAT IS MATERIAL IN THE CONTEXT OF THE OFFERING AND NOTHING HAS BEEN OMITTED THAT MAY AFFECT ITS ACCURACY OR COMPLETENESS. IN ADDITION, ACCORDING TO ART. 81, PARA. 2 OF THE POSA, THE REPRESENTATIVES OF *TELELINK BUSINESS SERVICES GROUP AD* AND *ELANA TRADING AD* DECLARE WITH THEIR SIGNATURES BELOW THAT THE DOCUMENT COMPLIES WITH THE REQUIREMENTS OF THE LAW.

THE MEMBERS OF THE MANAGING BOARD OF *TELELINK BUSINESS SERVICES GROUP AD* AND THE MEMBERS OF THE BOARD OF DIRECTORS OF *ELANA TRADING AD* WILL BE RESPONSIBLE, JOINTLY AND INDIVIDUALLY, FOR ALL AND ANY HARM, CAUSED BY FALSE, MISLEADING, OR INCOMPLETE INFORMATION IN THIS DOCUMENT.

FOR *TELELINK BUSINESS SERVICES GROUP AD*:

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IVAN ZHITIYANOV

CHAIRMAN OF THE MANAGING BOARD AND CHIEF EXECUTIVE OFFICER

____

THEODOR DOBREV

MEMBER OF THE MANAGING BOARD

____

PAUN IVANOV

MEMBER OF THE MANAGING BOARD

____

NIKOLETA STANAILOVA

MEMBER OF THE MANAGING BOARD

____

GOJKO MARTINOVIC

MEMBER OF THE MANAGING BOARD

FOR *ELANA TRADING AD*:

____

RADOSLAVA MASLARSKA

CHAIRPERSON OF THE BOARD OF DIRECTORS

____

KAMEN KOLCHEV

KAMEN KOLCHEV

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

VICE-CHAIRMA