CONSOLIDATED ANNUAL REPORT

TELELINK BUSINESS SERVICES GROUP AD

FOR THE YEAR ENDED DECEMBER 31 2020

THIS ANNUAL REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ART. 44-47 OF THE ACCOUNTANCY ACT, ART. 100N, PAR. 5 OF THE PUBLIC OFFERING OF SECURITIES ACT ("POSA") AND APPENDIX NO 10 TO ART. 32, PAR. 1, ITEM 2 OF ORDINANCE NO 2 FROM SEPTEMBER 17 2003 REGARDING THE PROSPECTUSES FOR PUBLIC OFFERING AND ADMISSION TO TRADING ON A REGULATED SECURITIES MARKET AND THE DISCLOSURE OF INFORMATION, WITH REGARD TO ART. 32a, PAR. 2 OF THE SAME ORDINANCE

DEAR SHAREHOLDERS, CO-WORKERS AND PARTNERS,

We ended a year of challenge and progress. The challenge of COVID-19, for which the world will remember it. And the progress and growth TBS was able to achieve in the face of that challenge.

Proving our proficiency in information technologies, we applied our digital skills to our projects and customers, as well as to our own organization. Shifting swiftly to a flexible teleworking mode enabled us to execute our substantial order backlog and many further opportunities with preserved efficiency, while enabling our clients to achieve the same in the face of crisis.

But we not only preserved our efficiency. We also improved it. Remaining a trusted partner and employer in a changing market environment rich in new opportunities and threats, we garnered the support of our employees who worked harder, as well as of our technology partners who helped us deliver our solutions and services at the right time and price.

The results were there.

We grew in all regional operations. We revolved strong sales in networking and communications, while reaching new heights in data center and office productivity.

We grew our revenues to a new historical maximum. We achieved even faster growth in profits. We improved our financial position in all key regards, ending the year with more cash, less debt and more equity even after sharing a bigger-than-ever part of our cash flow and profits with our shareholders and employees.

In less than a year, we lived up to the challenge of listing on the Bulgarian Stock Exchange and functioning as a public company by implementing an open communication policy, delivering bigger than promised dividends and doing our best to substantiate the growing price of our shares.

We elevated the motivation of our personnel to a new level, implementing a mix of share-based incentives that celebrated our achievements to date and assured an even stronger focus of our management on future performance and loyalty.

While we got slowed down in some of our growth initiatives, they stay on the agenda and their potential remains unabashed, even strengthened by the lessons of COVID-19.

Leveraging on our client-centric approach and investments in progressive technologies, service models and teams, we remain firmly positioned to use our information security, application services, cloud, and managed services to expand on new cross-border markets, in and beyond SEE.

I believe that Investing in these areas, along with preserving our strengths and continuing growth in our established operations, will allow us to justify your trust and loyalty with even stronger results in the years to come.

And I thank you all for your trust and loyalty so far!

Stay healthy and safe!

Ivan Zhitiyanov

Ivan Zhitiyanov, Chief Executive Officer

April 28 2021

2020 in Figures

Revenue	Gross Profit	EBITDA	Net Profit
BGN 135.5 M	BGN 26.7 M	BGN 17.1 M	BGN 12.6 M
+23% Y/Y	+35% Y/Y	+47% Y/Y	+55% Y/Y

Revenue by Client Region

Bulgaria	Mid-Western Balkans	South-Western Balkans	Cross-border Markets
BGN 81.8 M	BGN 41.2 M	BGN 5.4 M	BGN 7.2 M
+28% Y/Y	+5% Y/Y	+69% Y/Y	+84% Y/Y

Revenue by Technology Group

Service Provider Solutions	Enterprise Connectivity	Hybrid Cloud	Modern Workplace	Information Security	Application Services	Other
BGN 42.5 M	BGN 35.0 M	BGN 29.5 M	BGN 22.2 M	BGN 5.1 M	BGN 0.3 M	BGN 0.9 M
+37% Y/Y	-1% Y/Y	+33% Y/Y	+55% Y/Y	+24% Y/Y	-86% Y/Y	-9% Y/Y

Balance Sheet

Total Assets	Equity	Financial Debt	Cash & CE	Net Debt
BGN 66.9 M	BGN 14.5 M	BGN 3.4 M	BGN 11.8 M	-BGN 8.4 M
+BGN 13.6 M	+BGN 6.7 M	-BGN 3.0 M	+BGN 9.6 M	- BGN 12.6 M

change from Dec 31 2019

Cash Flow

Operating	Investing	Financing	Net
BGN 21.7 M	-BGN 1.3 M	- BGN 10.8 M	BGN 9.6 M
BGN 20.5 M Free Cash Flow			

Share Price

Jun 08-11	Sep 21-23	Dec 31
BGN 7.60	BGN 11.10	BGN 12.10
Tranche 1	Tranche 2	+59% vs. Tranche 1
Public Offering		

Market Cap

Dec 31
BGN 151.2 M

Cash Returns

Dividend per Share	Dividend Payout*	Share Buyback
BGN 0.50	BGN 6.2 M	28,964
for 2019 and H1'2020		shares

DEAR SHAREHOLDERS,

We, the members of the Management Board of TELELINK BUSINESS SERVICES GROUP AD (“the Company”), guided by our commitment to manage the Company in the best interest of its shareholders and in accordance with the provisions of Article 45 of the Accountancy Act, Article 100n, Paragraph 5 of the POSA and Appendix No 10 to Article 32, Paragraph 1, Item 2 of Ordinance No. 2 from 17 September 2003 regarding the Prospectuses for public offering and admission to trading on a regulated securities market and the disclosure of information by public companies and other issuers of securities (Ordinance 2), with regard to the requirements of Article 32a, Paragraph 2 of Ordinance 2, prepared the present Consolidated Management Report (the Report). The Report presents commentary and analysis of key financial and non-financial performance indicators for the business activity of the Company and its subsidiaries (“the Group”), including information on environmental and employee-related matters. The Report features an objective review, providing a true and fair representation of the development and operating results of the Group, as well as of its condition, together with a description of the main risks thereto.

Appended to this Report id the Company’s Corporate management declaration prepared in compliance with the provisions of Article 100n, Paragraph 8 of the POSA and Article 40 of the Accountancy Act.

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Establishment and Reorganization of the Company

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

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

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

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

I.2 Formation and composition of the Group

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

With regard to the Group's strategic goal of expanding market presence in the Western Balkans region, on November 26 2020 the Company completed the process of registration of new subsidiary Telelink Business Services DOO (Croatia) ("TBS Croatia). As of December 31 2020, the company was yet to deploy substantial commercial activities.

As of December 31 2020, the Company maintains its direct shareholdings in the above eight subsidiaries and indirect interests in two more companies controlled by TBS EAD. All directly and indirectly owned subsidiaries are governed in their respective countries of incorporation. Together with the Company, the above entities constitute the economic group of TBS Group (The Group).

As of December 31 2020, the Company is the sole owner of all of its direct subsidiaries.

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

As of December 31 2020, all direct subsidiaries except TBS Croatia conduct active commercial operations.

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

I.3 Shareholding structure, public offering and share incentives

I.3.1 Ownership structure prior to the Public Offering

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

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

I.3.2 Public Offering and current shareholding structure

Based on a Prospectus for the admission of the Company's shares to trading on a regulated securities market (the Prospectus) approved by resolution of the Financial Supervision Commission (the FSC) from November 28 2019 and Supplements thereto approved with FSC resolutions from December 23 2019 and March 26 2020, and in accordance with the Agreement for the Restriction of the Disposal of Shares signed among the Company and its shareholders on December 17 2019, the intentions of starting the offering in June 2020 as disclosed in April 2020 and the Updated Procedure for the Sale of Company Shares from June 1 2020, a first tranche of the Company's planned offering on the BSE was carried out between June 08 and 11 2020, whereby selling shareholders Lubomir Minchev, Spas Shopov and Ivo Evgeniev realized a total of 982,487 shares or 7.86% of the existing 12,500,000 shares in the Company's total capital at a price of BGN 7.60 per share.

In accordance with the Updated Procedure for the Sale of Company Shares from September 16 2020 and the Annex to the Agreement for the Restriction of the Disposal of Shares signed on the same date, a second tranche of public offering on the BSE was carried out between September 21 and 23 2020, whereby Lubomir Minchev, Spas Shopov and Ivo Evgeniev realized further sales of a total of 767,513 shares or 6.14% of the Company's existing shares at a price of BGN 11.10 per share.

The conducted offerings were limited strictly to existing shares and did not involve any capital increase, nor any proceeds to the Company and the Group.

I.3.3 Share incentives

In December 2020, the Company implemented a one-time share incentive program for personnel with an employment record of 2 or more years with the Group and predecessor companies, involving the transfer of 28,608 shares to 137 persons without limitations to further disposal. In accordance with the respective decisions of the General Meeting of Shareholders ("GMS") from September 10 2020 and the MB from November 27 2020, the program was implemented entirely on the basis of own shares bought back by the Company.

In total, 28,964 own shares were bought back in 2020 for the purposes of employee incentive plans. After the implementation of the above-mentioned one-time share incentive program, as of December 31 2020, the Company held 356 shares in treasury stock.

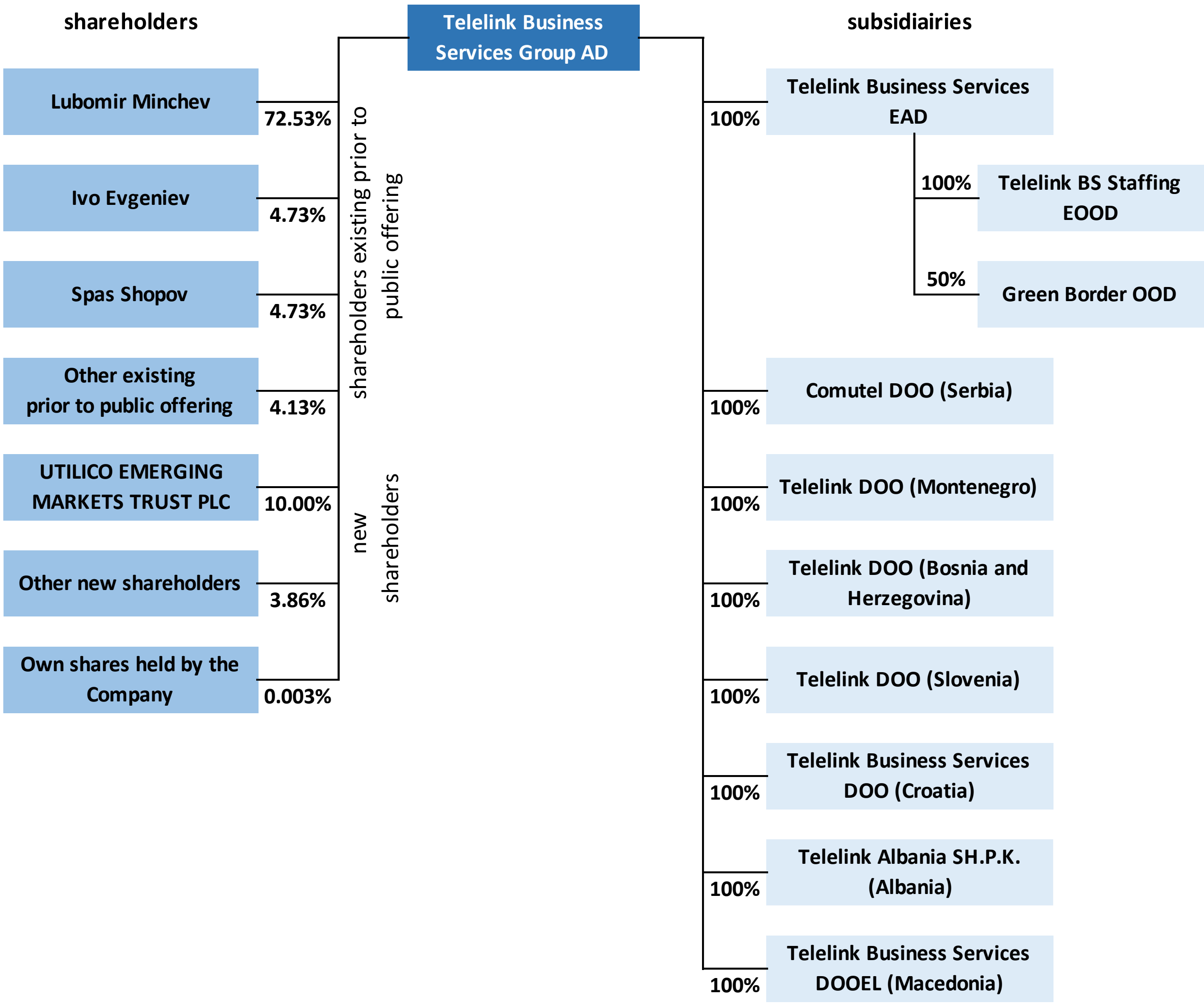
On September 10 2020, the GMS approved the award to the members of the MB of remuneration based on Company shares, depending on the Group's performance during a three-year period 2020-2022 regarding financial and other results from operations and their continuing employment of the same period. The final number of shares subject to transfer after the end of the above period is derived by comparing the actual values of the specified indicators with established corresponding performance ranges for the three-year tracking period. According to the adopted assumptions for continuing employment over that period and Group performance reflecting results attained as of the end of 2020, the expected number of bonus shares that the members of the Company's MB will be entitled to receive in 2023 amounts to 16,100 shares. No shares have been effectively transferred as a part of the approved remunerations as of December 31 2020.

On December 30 2020, the MB approved a Long-term plan for the motivation of management staff with an employment record of 1 or more years or identified as key employees by the MB with additional remuneration (bonus) in the form of Company shares, depending on the Group's performance during a three-year period 2020-2022 regarding financial and other results from operations and their continuing employment of the same period. The final number of shares subject to transfer after the end of the above period is derived by comparing the actual values of the specified indicators with established corresponding performance ranges for the three-year tracking period. According to the adopted assumptions for continuing employment over that period and Group performance reflecting results attained as of the end of 2020, the expected number of bonus shares that relevant Group employees will be entitled to receive in 2023 amounts to 40,280 shares. No shares have been effectively transferred under the Long-term share incentive plan as of December 31 2020.

I.3.4 Significant shareholders

As of December 31 2020, the persons holding over 5% of the Company's capital were Lubomir Minchev with a stake of 9,066,428 shares or 72.53% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,250,000 shares or 10.00%.

I.4 Combined ownership structure of the Company and the Group as of December 31 2020



I.5 Corporate Governance

The Company has a two-tier board system.

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

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

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

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

I.6 Public Information

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

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

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

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

II REVIEW OF THE GROUP'S ACTIVITIES AND FINANCIAL POSITION

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

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

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

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

As of December 31 2020, the products and services offered by the Group cover a broad range of technologies organized in 6 technology groups – Service Provider Solutions, Enterprise Connectivity, Hybrid Cloud, Application Services, Modern Workplace and Information Security. To assure comparability to the classification used in preparing the Prospectus for the admission to trading on a regulated market in 2020, the Group also continues to provide a parallel grouping of the above technological units in 4 main categories – Data Networks, Data Center, Office Productivity and Information Security.

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

As of December 31 2020, the Group carried out active commercial operations through all directly owned Company subsidiaries except for the newly established TBS Croatia and had a positive net worth of BGN 14,455 thousand.

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

II.1 Key financial indicators

Financials (BGN thousand)	2020	2019	change
Net sales revenue	**135,495**	**110,328**	**23%**
Cost of Sales	-108,764	-90,469	20%
Gross Profit	**26,731**	**19,859**	**35%**
Sales and Marketing Expenses	-6,938	-5,498	26%
General and Administrative Expenses	-5,521	-4,589	20%
Other Operating Income/(Expenses) (net)	408	30	12.6x
Operating Profit	**14,680**	**9,802**	**50%**
Financial Income/(Expenses) (net)	-457	-659	-31%
Income Tax Expense	-1,623	-991	64%
Net Profit	**12,600**	**8,152**	**55%**
Depreciation & Amortization Expenses	-2,631	-2,148	22%
Interest Income/(Expenses) (net)	-239	-362	-34%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**17,093**	**11,653**	**47%**
One-off and Extraordinary Income/(Expenses) (net)	-297	-176	-121
Normalized EBITDA	**17,390**	**11,829**	**47%**
Total Assets	**66,942**	**53,389**	**25%**
Non-current Assets	13,257	13,235	0%
Current Assets and Assets Held for Sale	53,685	40,154	34%
Equity	**14,452**	**7,784**	**86%**
incl. Retained Earnings and Profit for the Year	16,014	9,631	66%
Total Liabilities	**52,490**	**45,605**	**15%**
Non-current Liabilities	5,875	7,238	-19%
Current Liabilities	46,615	38,367	21%
Cash & Cash Equivalents	**11,762**	**2,199**	**435%**
Total Financial Debt*	**3,363**	**6,361**	**-47%**
Net Financial Debt**	**-8,399**	**4,162**	**-12,561**
Net Cash Flow from Operating Activities	**21,739**	**3,069**	**608%**
Net Cash Flow from Investment Activities	**-1,283**	**4,677**	**-5,960**
Net Cash Flow from Financing Activities	**-10,779**	**-8,818**	**22%**
incl. Dividends Paid	-5,924	-5,881	1%
incl. Withholding Tax on Distributed Dividends	-271	0	-271
Number of Employees as of Period End	**241**	**222**	**9%**

** Incl. loans and finance lease contracts*
*** Total Financial Debt - Cash & Cash Equivalents*
**** Net, after withholding taxes*

Ratios	2020	2019	change
Gross Margin	19.7%	18.0%	1.7%
Operating Margin	10.8%	8.9%	1.9%
Net Margin	9.3%	7.4%	1.9%
EBITDA margin	12.6%	10.6%	2.1%
Current Ratio*	1.15	1.05	0.11
Equity / Total Assets	22%	15%	7%
Financial Debt / Total Assets	5%	12%	-7%
Non-current Assets / Total Assets	20%	25%	-5%
Equity and Non-current Liabilities / Non-current Assets	1.5	1.1	0.4
Net Financial Debt / EBITDA	-0.5	0.4	-0.8
Average Return on Assets (ROA)	20.9%	-	-
Average Return on Equity (ROE)	113.3%	-	-

** Current Assets and Assets Held for Sale / Current Liabilities*

II.2 Business development and revenue trends

Favored by parallel growth in all main Group regions, consolidated net sales revenues for 2020 increased by 23% year-on-year to reach a historical maximum of BGN 135,495 thousand.

The main contributing factor was the 31%[1] growth achieved in Bulgaria, where TBS EAD recorded both growing sales both on the local market and from cross-border clients, including cumulative growth in recurring revenues from multinational companies. With a share of 66%, the Company continued to play a leading part in the formation of Group revenues.

Compensating in part the significant slowdown experienced in 2019, sales in Serbia, Montenegro, Bosnia i Herzegovina and Slovenia (region Mid-Western Balkans) recorded a moderate increase by 5%[1] as a result of accelerating deliveries to traditional telecom accounts. Altogether, the region maintained its significant role in the formation of consolidated revenues during the period with a share of 30%.

Comparing to sales launched in the fourth quarter of 2019, revenues in Macedonia and Albania (region South-Western Balkans) for 2020 exhibited strong relative growth of 75%[1]. The main contributor to this increase was the Macedonian market, where the Group expanded significantly its client base and realized a relatively broad mix of projects. While also featuring new clients, revenues in Albania remained focused mainly on one key telecom account. The region's overall contribution to Group revenues for the period remained relatively limited, reaching 4%.

II.3 Expenses and profitability

II.3.1 Gross profit

In parallel with revenue growth, the Group registered a significant increase in its consolidated gross margin from 18.0% in 2019 to 19.7% for 2020, as a result of which consolidated gross profit grew ahead of sales at a rate of 35%, reaching BGN 26,731 thousand.

The above trend reflected parallel gross profitability gains in both Bulgaria, where TBS EAD recorded a ratio of 23% as compared to 22% for 2019, and the Mid-Western Balkan region, wherein Comutel, Telelink Montenegro, Telelink Bosnia and Telelink Slovenia achieved a combined margin of 12% as compared to 10% for the first half of the previous year. With a combined margin of 15% for the reporting period, operations l in Macedonia and Albania maintained relative profitability on par with results for 2019.

II.3.2 Sales and marketing expenses

While exhibiting substantial growth of 26% over 2019, the consolidated sales and marketing expenses of BGN 6,938 thousand recorded in 2020 maintained a relatively stable ratio of 5.1% of consolidated revenues, as compared to 5.0% in 2019.

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

[1] Growth in revenues from clients other than Group companies.

II.3.3 General & administrative expenses

Similarly to sales and marketing expenses, the consolidated general and administrative expenses of BGN 5,521 thousand recorded in 2020 exhibited a substantial increase by 20% over 2019, however maintaining a relatively stable ratio of 4.1% of consolidated revenues, as compared to 4.2% in 2019.

The observed increase reflected both the deployment of the structure and activities of TBS GROUP AD and subsidiaries in the South-Western Balkans region on the background of an only partly active 2019 and the share-based incentive programs for the Group's management and employees implemented in the fourth quarter of 2020. Besides the attributable part of expenses recognized in 2020 for the long-term stimulation of the MB of TBS GROUP AD, management staff and key employees of the Group in the amount of BGN 115 thousand, the latter included the significant costs for the one-time stimulation of employees with a track record of two or more years in the Group and predecessor companies on the occasion of TBS GROUP AD's listing on the BSE, amounting at BGN 390 thousand.

II.3.4 Operating profit and earnings before interest, taxes, depreciation, and amortization (EBITDA)

In the context of faster growth in gross profit as compared to sales and marketing and general and administrative expenses and increasingly positive net other income/(expenses) owing to growing government grants on EU program projects, consolidated operating profit increased by 50% or BGN 4,878 thousand over 2019, reaching BGN 14,680 thousand along with a concurrent operating margin improvement from 8.9% to 10.8%.

Taking into account continuing, albeit slower growth in depreciation and amortization costs making part of the Group's operating expenses, the consolidated profit before interest, tax depreciation and amortization (EBITDA) of BGN 17,093 thousand reported for 2020 exhibited an even larger absolute increase by BGN 5,440 thousand and a similar growth rate of 47% over 2019, along with a corresponding margin improvement from 10.6% to 12.6%.

II.3.5 Financial income and expenses

Decreasing by 31% from 2019, the net finance costs of BGN 457 thousand recorded in 2020 had a diminishing impact on the formation of the Group's financial results with a ratio of just 0.3% of consolidated revenues, as compared to 0.6% in 2019.

The observed reduction was attributable to both decreasing interest expenses, reflecting the substantially lower average utilization of credit line funds during the period, and other bank charges and fees, and the positive effect of the foreign exchange revaluation of receivables from loans granted and impaired in previous periods.

II.3.6 Net profit

Summing up the positive impact of the above factors, in spite of a slight increase in the Group's effective tax rate from 10.8% to 11.4%, the consolidated net profit of BGN 12,600 thousand recorded for 2020 grew ahead of operating profit by a rate of 55% over 2019, along with a corresponding net margin improvement from 7.4% to 9.3%.

II.3.7 Normalized EBITDA

For the current year, the management has identified as "one-off and extraordinary income/(expenses)" the cost of the one-time employee stimulation with shares on the occasion of the Company's successful listing on the BSE, amounting to BGN 390 thousand, and the positive foreign exchange revaluation effect from loans granted impaired in previous periods, in the amount of BGN 93 thousand.

Based on the net amount of the above effects (BGN 297 thousand) and reported EBITDA for the period, normalized EBITDA for 2020 has been established in the amount of BGN 17,390 thousand.

II.4 Assets, liabilities and equity

II.4.1 Assets

Amounting at BGN 66,942 thousand, consolidated assets reported as of December 31 2020 exhibited an overall increase by BGN 13,553 thousand or 25% over the end of 2019.

The above upside was almost entirely attributable to current assets, which increased by BGN 13,706 thousand or 35% mainly as a result of the strongly positive cash flow (increase in cash and cash equivalents) of BGN 9,563 thousand realized owing to the significant net proceeds from operating activities in the context of strong profitability and faster growth in trade and other payables, advances received and other current liabilities as compared to inventories, trade and other receivables and contract assets. Amounting at a total of BGN 53,685 thousand, consolidated current assets and assets held for sale reported as of period end continued to account for a predominant part of 80% of total Group assets, close to the ratio of 75% observed at the end of 2019.

Amounting at BGN 13,257 thousand or 20% of total Group assets as of period end, the total value of consolidated non-current assets remained substantially unchanged from December 31 2019, as the net decrease in property, plant and equipment offset growth in intangible assets, long-term prepaid expenses and deferred tax assets. In spite of the noted decrease, tangible fixed assets remained the largest component of the Group's non-current assets and continued to include mostly other assets representing equipment provided by TBS EAD as a service to clients under long-term managed service contracts and rights of use under long-term rental and operating lease contracts on buildings and vehicles recognized as assets of the respective categories in accordance with the IFRS 16 in force since January 01 2019. Growing mostly as a result of ongoing developments in the field of the Internet of Things, consolidated intangible assets continued to stem mainly from research and development activities in Bulgaria. For their part, long-term prepaid expenses continued to reflect mostly equipment support commitments over 1 year.

II.4.2 Liabilities

Assuring 51% of growth in assets for the period, the consolidated liabilities of BGN 52,489 thousand reported as of December 30 2020 registered an increase by BGN 6,884 thousand or 15% from the end of 2019.

The above upside was entirely attributable to current liabilities, which increased by BGN 8,248 thousand or 21% mostly as a result of changes in payables to suppliers and advances received on newly assigned orders or projects in the process of implementation in Bulgaria.

At the same time, the Group registered a significant decrease in short-term financial debt along the lines of both credit lines utilized by subsidiaries, wherein the effect of the full repayment of effectively drawn funds in Bulgaria and their reduction in Serbia exceeded by far a moderate increase in Albania, and obligations under finance lease agreements. As of period end, interest-bearing loan obligations stemming from utilized overdraft, revolving working capital facilities and similar credit line limits amounted to BGN 2,003 thousand and the current part of such arising from finance lease agreement – to BGN 794 thousand, with the Group also continuing to report pursuant to the application of IFRS 16 substantial current liabilities from rental and operating lease contracts in the amount of BGN 1,025 thousand, which do not represent financial debt.

As of period end, reported consolidated current liabilities of BGN 46,615 thousand continued to account for a predominant share of 89% of total liabilities, equivalent to 70% of the Group's total assets.

Amounting to BGN 5,875 thousand or 11% of total liabilities and 9% the Group's total assets as of period end, consolidated non-current liabilities decreased by BGN 1,363 thousand or 19% from December 31 2019. The main factor behind the above reduction were long-term lease liabilities, decreasing both in relation to finance lease agreements for equipment provided as a service and along the lines of long-term rental and operating lease contracts. As of period end, the total balance sheet value of the non-current portion of finance lease contract obligations amounted to BGN 566 thousand, and that of rental and operating lease contract obligations – to BGN 2,205 thousand, the latter of which do not represent financial debt.

II.4.3 Financial debt

Summing the above-mentioned interest-bearing loan obligations in the amount of BGN 2,003 thousand and such arising from finance leases in the total amount of BGN 1,360 thousand, the consolidated financial debt of BGN 3,363 reported as of December 30 2020 decreased by 47% from previous year end, accounting for 5% of total assets and 6% of total liabilities against corresponding ratios of 12% and 14% as of December 31 2019.

Taking into account the above decrease and the concurrent increase in cash and cash equivalents up to BGN 11,762 thousand, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) was reduced by BGN 12,561 thousand from the end of 2019, ending the reporting period with a negative value (surplus of cash and cash equivalents over financial debt) of BGN -8,399 thousand.

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

II.4.4 Liquidity

As of period end, the Group recorded an increasingly substantial surplus of current assets and assets held for sale over current liabilities in the amount of BGN 7,070 thousand, as compared to BGN 1,787 thousand as of the end of 2019.

Reflecting the faster growth in current assets over current liabilities and the underlying significant increase in cash and cash equivalents, improvements were observed both on the general level of current liquidity, which increased from 1.05 as of the end of 2019 to 1.15 as of December 31 2020, and in the quick and cash liquidity ratios, showing respective improvements from 0.75 and 0.06 as of the end of 2019 to 0.85 and 0.25 as of December 31 2020.

II.4.5 Equity

Covering 49% of growth in total assets over the reporting period, the consolidated net assets (equity) of BGN 14,452 thousand reported as of December 31 2020 increased by BGN 6,668 thousand or 86% from the end of 2019.

The above increase reflected the substantial residual amount of consolidated net profit for the year after voted distributions of annual and 6-month dividends to the Company's shareholders, which were made on the basis of the Company's individual annual profit for 2019 and interim profit for the first half of 2020 in consideration of the need to cover the fulfillment of legal reserve obligations and future expenses. As of period end, accumulated earnings including the above surplus reached BGN 16,014 thousand.

As of period end, the Company maintained an unchanged registered share capital of BGN 12,500 thousand. The nominal value of shares repurchased and held by the Company as of December 31 2020 was BGN 356.

In accordance with the requirements of the Commercial Act, the Company's legal reserves were accrued by 10% of its profit for 2019 or BGN 22 thousand, as a result of which the Group's consolidated legal reserves reached BGN 341 thousand. Besides the latter amount, special currency translation reserves and the negative other reserves of BGN -14,127 thousand accounted according to the rules of reporting business combinations under common control upon the Reorganization from August 14 2019 as a difference between the value of investments in subsidiaries spun off to the Company and the sum of the parts of their registered share capital transferred thereto, total reserves reported by the Group as of December 30 2020 also included positive other reserves stemming from share incentive programs. The latter reflected mainly expenses accrued for the variable compensation of the Company's MB and Group management depending on their continuing employment and the Group's performance in 2020-2022 and, to a lesser degree, the difference between the cost of repurchase and transfer of shares under the one-time incentive program.

Accounting for the faster growth in equity relative to assets, the Group recorded an increased level of balance sheet capitalization (ratio of equity to total assets) of 22%, comparing to a corresponding ratio of 15% as of the end of 2019.

II.5 Cash flows

II.5.1 Cash flow from operating activities

Favoured by the significant size and growth in realized operating profit before depreciation and amortization, as well as by the substantial reduction in net non-cash working capital as a result of faster growth in trade and other payables and advances received as compared to inventories, trade and other receivables and contract assets, the Group ended the reporting period with a strongly positive net cash flow from operating activities in the amount of BGN 21,739 thousand, marking a more than sevenfold increase over 2019.

In relative terms, the above amount was equivalent to 125% of cash-adjusted operating profit, comparing to just 26% in 2019.

II.5.2 Cash flow from investing activities

During the reporting period, the Group continued to invest in tangible and intangible non-current assets mainly along the lines of equipment provided to clients under long-term managed service contracts and development activities. Derived from payments for the above investments and proceeds from the disposal of assets and project grants under EU programs, the consolidated net cash flow from investing activities for 2020 amounted to -1,283 thousand.

In comparison, the observed decrease from the positive amount of BGN 4,677 thousand recorded in 2019 reflected the significant proceeds realized during that period from the repayment of a loan granted by TBS EAD to Telelink Bulgaria EAD as of December 31 2018 under a financial cooperation agreement between the two companies in force at the time, which had no match during the current period.

II.5.3 Cash flow from financing activities

Besides the significant reduction in credit line utilization, the service of obligations under finance lease contracts and other payments on bank services and financial debt, the Group's financial activities for 2020 featured growing dividend payout and emerging expenditures on the buyback of shares for the purposes of incentive programs.

Summing the above factors, the net negative cash flow from financing activities for the period reached BGN -10,779 thousand, surpassing by 22% the amount recorded in 2019.

II.5.4 Net cash flow

Overall, the Group's high efficiency in terms of achieved profitability and working capital management favoured the generation of positive cash flow to the firm (net cash flow from operating and investing activities), allowing for the realization of significant dividend returns by the shareholders of TBS GROUP AD and a substantial reduction in financial debt, as well as a strongly positive net cash flow of BG 9,563 thousand, marking a significant improvement over the negative amount of BGN -1,114 thousand for 2019 and leading to the substantial improvements in liquidity and overall financial position, noted in section II.4 of the present Report.

III MAIN RISKS RELEVANT TO THE GROUP

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

Additionally, investors in the Company's financial instruments are also exposed to risks associated with investing in securities (underlying and derivative). These risks are described in detail in the Securities note – Part II of the Prospectus for admission to trading on a regulated stock market of the Company's shares and the amendments thereto, published by TBS Group.

III.1 Systemic risks

The common (systemic) risks are those that relate to all economic entities in the country and are the result of factors, which are external to the Group and cannot be influenced by the companies included in its composition. The main methods for limiting the impact of these risks are the reporting and analysis of current information and the forecasting of future developments by specific and common indicators and their impact on the activities and financial results of the Group.

III.1.1 Political risk

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

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

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

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

III.1.2 General macroeconomic risk

Various macroeconomic factors and trends, including, but not limited to recession, trade barriers, currency changes, inflation, deflation and other factors affecting consumer purchasing capacity, would have an impact on the activity of the company. A potential slowdown in the economy of the EU, Bulgaria and other markets in which Group companies operate, or any other uncertainty about the economic development can make buyers cautious and affect their willingness and ability to purchase the Group's products and services.

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

III.1.3 Currency risk

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

III.1.4 Interest rate risk

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

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

III.1.5 Credit risk

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

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

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

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

III.1.7 Risks related to imperfections of the legal system

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

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

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

III.2.1 Risks specific to the business strategy and growth

III.2.1.1 Inappropriate business strategy

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

III.2.1.2 Insufficient management capacity and increased growth management costs

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

III.2.1.3 Insufficient capacity and increased costs for the operational assurance of growth

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

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

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

III.2.1.4 Insufficient access and increased cost of external resources and subcontractors

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

III.2.2 Risks relative to human resources and managerial staff

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

III.2.2.1 Loss, deficit and increased costs of management staff and key personnel

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

III.2.2.2 Loss, deficit and increased costs of implementation staff

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

III.2.3 Risks relative to the market environment and competition

III.2.3.1 Slowdown or unfavourable trends in demand

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

III.2.3.2 Regulatory changes unfavourable to market demand

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

III.2.3.3 Intense competition

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

III.2.3.4 Unfair competition

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

III.2.4 Risks relative to public procurement

III.2.4.1 Delayed tendering and implementation

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

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

III.2.4.2 Competition for public procurement

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

III.2.5 Concentration risks

III.2.5.1 Adverse changes in key client relationships

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

III.2.5.2 Adverse changes in relationships with key technological partners

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

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

III.2.6.1 Time and cost of adpating to new technologies

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

III.2.6.2 Loss of clients due to their transition to alternative technologies

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

III.2.6.3 Delayed adoption of new technologies by the clients

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

III.2.6.4 Delayed or unsuccessful positioning of propriatary products and services

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

III.2.7 Risks relative to long-term contracts

III.2.7.1 Cost of commitments for regular service and support

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

III.2.7.2 Early termination

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

III.2.7.3 Specific risks relative to the provision of equipment as a service

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

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

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

III.2.8 Financial risks

III.2.8.1 Currency risk

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

III.2.8.2 Liquidity risk

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

III.2.8.3 Insufficient financial capacity for the implementation of big projects

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

III.2.8.4 Credit risk

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

III.2.8.5 Asset impairment risk

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

III.2.8.6 Interest rate risk

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

III.2.9 Operational risks

III.2.9.1 Deviations in processes and quality of service

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

III.2.9.2 Inaptitude or malfunction of specific IT equipment and systems

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

III.2.9.3 Assuring compliance with standards and norms

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

III.2.9.4 Leakage of personal and sensitive information of clients and employees

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

III.2.10 Other risks

III.2.10.1 Litigation risk

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

III.2.10.2 Risks relative transactions with related parties

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

III.2.10.3 Cyber attacks

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

III.2.10.4 Force majeure

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

III.3 COVID-19 coronavirus epidemic

In February 2020 the coronavirus COVID-19 emerging from China reached a stage of global spread, affecting a growing number of European countries.

Since March 03 2020, its spread in Bulgaria has also been confirmed. From March to May, a national state of emergency was in force, imposing advanced anti-epidemic measures and restricting the population's freedom of movement in the country and abroad, as well as foreign citizens arriving in the country and the regime of work in public and private organizations. The epidemic's new escalation in November 2020 and March 2021 led to the imposition of similar measures, a part of which remain in force as of the date of this Report.

The spread of the virus and the adoption measures for its mitigation encompasses, to one or another extent, all countries of registration of Group subsidiaries. Potentially relevant to their activities is also the impact of similar factors on their suppliers and clients in third countries.

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

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

As of the date of this Report, governments in the countries of relevance to the Group maintain active positions in the sense of supporting private businesses and assuring premises for the continuity of public procurement tendering and implementations.

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

Considering the above factors, as of the date of this Report, the Company's management has not formed a concrete and conclusive quantitative assessment of the epidemic's consequences establishing a risk of substantial deterioration of results, prospects and financial position. Prepared budgets for 2021 and medium term development plans take into account COVID-19 as a present and future factor of the economic environment and, in that sense, as of the date of this Report, they are not deemed to be exposed to significant risks arising from the epidemic's ongoing development. Nevertheless, the latter remains inherently unpredictable with absolute certainty, and the management of Group companies will continue to monitor the situation's development with a view to the timely identification of actual and potential adverse effects and the undertaking all possible measures towards the limitation of their impact in due course.

IV INFORMATION ON ENVIRONMENTAL ISSUES

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

Physical activities carried out in relation 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 on the deployment or reorganization of infrastructures, premises and complex facilities. By their nature and scope, the transport, installation and repairment activities performed do not entail significant environmental risks.

To the extent legal norms apply to the recycling and disposal of retired ICT equipment and materials, the respective liabilities and risks for the Group arise only to the extent such equipment is owned by Group companies or they have made contractual commitments for the performance of respective operations on behalf of and at the expense of the client.

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

In the case of providing Managed Services including the provision of Equipment as a Service, the equipment remains the property of the Group. To this extent, the Group companies providing such services undertake contractual and legal obligations for the safe operation, removal and disposal or recycling of respective ICT equipment and materials.

Insofar as the nature and scope of the use of ICT equipment does not entail significant environmental risks, the probability of occurrence of environmental problems that may affect the use of ICT equipment owned by the Group for the provision of services or for internal purposes is insignificant.

V INFORMATION ON EMPLOYEE-RELATED MATTERS

V.1 Trends in the number and evolution of personnel

As of December 31 2020, total staff hired under employment and management contracts in Group companies reached 241, growing by 19 or 9% over December 31 2019. Accounting for the later deployment of personnel in the preceding 2019 due to the operational launch of TBS Group, Telelink Albania and TBS Macedonia mostly in the fourth quarter, the average count of consolidated personnel exhibited a higher increase by 38 employees or 20% year on year.

The main factor behind the observed growth was the overall increase in personnel in Bulgaria, stemming from both operating capacity expansion at TBS EAD and the deployment of the Group management and support structure of TBS GROUP AD. Substantial factors behind the increase in average personnel also included Telelink Albania and TBS Macedonia, for which 2020 was the first full year of active operations after their launch in the fourth quarter of 2019.

Pursuant to the above changes, 86% of the Group's total staff as of period end (as compared to 82% as of the December 31 2019) continued to consist of personnel employed on the territory of Bulgaria, which retained a predominant share in realized services and continued to concentrate the main strategic functions relative to the Group's business development as a whole.

In functional perspective, observed growth was entirely attributable to employees involved directly in the performance of operating activities and sales and marketing functions. In total, these two main categories accounted for 80% of the Group's average personnel, as compared to 75% in 2019.

V.2 Organizational policy and human resources management

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

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

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

V.3 Financial motivation and share-based incentives

Following TBS GROUP AD's listing in 2020, the Group's policy of encouraging employee contribution and interest in achieved consolidated financial results is extended significantly, as, beside traditional annual cash bonuses determined with regard to the personal employee performance and the Group's financial position, the Group implemented the one-time share incentive program for long-term employees and the long-term share-based incentive plan for management staff and key employees for 2020 referred to in section I.3.3. of this Report.

Encompassing 137 employees with the one-time incentive program and, 4l managers with the long-term incentive plan and 4 MB members employed with the Group,19% of the Group's personnel as of December 31 2020 are directly motivated for continuing employment and contribution to its growth, whereas more than half of the total number of employees as a whole are interested to a more or less significant extent in the Company's share price growth potential, including its future performance and financial results.

VI SIGNIFICANT EVENTS AFTER THE DATE OF COMPILATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

On a meeting of the MB held on January 06 2021, a resolution was adopted for the estanlishment of new Company subsidiaries on the territory of the USA, with a registered share capital up to USD 10 thousand, and Germany, with a registered share capital up to EUR 30 thousand.

On a subsequent meeting of the MB held on January 07 2021, a resolution was adopted for the election of Ivan Krasimirov Zhitiyanov as executive director of the new subsidiary in the USA, and of Silviya Marinova Marinova – as director of the new subsidiary in Germany.

The above decisions were approved by the SB on a meeting held on January 7 2021.

On a meeting of the MB held on January 15 2021 a resolution was adopted:

- to investigate the possibilities for the admission of the Company's shares for trading on a segment of the regulated market of the Frankfurt Stock Exchange;
- to authorize the Company's executive director for the undertaking of all necessary legal and factual steps to the implementation of the above resolution under such conditions that he may find appropriate in consideration of the Company's interests, including but not limited to the engagement of a specialist for the trading of Company shares on the Frankfurt Stock Exchange, as well as to take any other legal and practical action necessary and/or appropriate to the implementation of share trading on the Frankfurt Stock Exchange (including the filing of applications, letters, notifications and other documents to any authorities and institutions, domestically and abroad.

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

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

On a meeting of the MB held on February 12 2021, approvals were granted for:

- the signing by Comutel of Annex No. 5 to Credit agreement No. 265-0000001624611-36 with Raiffaisen Banka AD, Serbia;
- the signing by TBS EAD of a suretyship agreement, warranting the due execution of commitments by Comutel under the latter's Credit agreement No. 265-0000001624611-36 with Raiffaisen Banka AD, Serbia;
- the signing of a Cash loan agreement between TBS EAD as lender and Telelink Albania as borrower;
- the signing of a Cash loan agreement between TBS EAD as lender and TBS Macedonia as borrower.

On February 15 2021, a Cash loan agreement was signed between TBS EAD (lender) and TBS Macedonia (borrower), with a limit of up to EUR 2,000 thousand, interest rate of 2.5% and a repayment term until December 31 2021.

On February 15 2021, a Cash loan agreement was signed between TBS EAD (lender) and Telelink Albania (borrower), with a limit of up to EUR 500 thousand, interest rate of 2.5% and a repayment term until December 31 2021.

On February 15 2021, a suretyship agreement was signed whereby TBS EAD guranteesd the the due performance of Comutel's obligations under the latter's Loan agreement No. 265-0000001624611-36 signed with Raiffeisen Banka AD, Serbia.

In accordance with an MB resolution from February 12 2021, an Annex was signed between Comutel and Raiffeisen Banka AD, Serbia to Loan agreement No. 265-0000001624611-36 signed with Raiffeisen Banka AD, Serbia, for the extension of the latter's term until January 28 2022.

On a meeting of the SB held on March 12 2021, a resolution was adopted for the determination of variable remuneration in the form shares for 2021 for the members of the MB, specifying the values of the ranges and the relative weights of the indicators of the Group's performance for the three-year period 2021-2023. The above and other parameters of the remuneration shall be submitted for approval to the GMS.

On March 16 2021, TBS EAD provided a counter guarantee securing a performance guarantee on behalf of TBS Macedonia with regard to a contract with the Ministry of economy and environment of the republic of Kosovo for Hardware and assistance of national research networks in the amount of EUR 69,246.29, valid through October 15 2024.

On March 23 2021, TBS EAD provided a counter guarantee securing an advanced payment guarantee on behalf of TBS Macedonia with regard to a contract with the Ministry of economy and environment of the republic of Kosovo for Hardware and assistance of national research networks in the amount of EUR 69,246.29, valid through October 15 2021.

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

VII RESEARCH AND DEVELOPMENT ACTIVITIES

During the year, TBS EAD reached a stage of completion of the development of a software system for the collection, monitoring, presentation and analysis of data from devices in the field of the Internet of Things (IoT) started in 2019. Overall, recorded expenditures on the formation of fixed assets from development activities in the amount of BGN 236 thousand increased over the similar expenditures of BGN 162 thousand for 2019, allocated to the same development.

Except for the above, there were no other Group companies carrying out research and development activities in the period in 2019-2020.

VIII POTENTIAL FUTURE DEVELOPMENT OF THE GROUP

VIII.1 Group Development Strategy

VIII.1.1 Geographical development

In line with identified market trends, competitive strengths and opportunities, the Group's strategy continues to target expansion in currently established local market presence in Bulgaria, Serbia, Bosnia and Herzegovina, Slovenia, Macedonia and Albania and on the global market of cross-border services for multinational companies and other foreign clients, as well as through the operational launch of the recently established TBS Croatia and the establishment of local market presence by new subsidiaries in Romania, Germany and the USA.

VIII.1.2 Products and services of high growth potential

VIII.1.2.1 Managed Services

As of the end of 2020, the global managed services market continues to hold high growth potential, as the growing need for digitalization, cloud adoption, cybercrime growth and general economic challenges faced by the enterprise sector have emphasized the deficit of in-house IT professionals, the need for overall IT cost optimization and increased control over outgoing IT expenditures and distributing the risk of new technology adoption and operation.

Based on the above potential and the Group's already successful positioning and highly positive track record with key multinational clients serviced out of Bulgaria, managed services are envisaged as a key channel of targeted expansion in Germany, the USA and the global market as a whole.

VIII.1.2.2 Information Security

In a context of growing digitalization, cloud adoption, networked operations and internal and external electronic services in all economic sectors, preventive and corrective defense against cybercrime has become all the more important and is expected to be increasingly recognized as an IT priority by private and public organizations.

At the same time, the high level of required specific competence and the deficit of appropriately qualified personnel distinguish externally sourced professional services the single economically feasible alternative to the adoption of information security adoption by most of the enterprise sector.

Based on its highly distinctive competence in the area, including an already deployed and experienced team of cybersecurity analysts and adaptive offering supported by a broad number of technological partners, the Group remains favourably positioned to take advantage of the above potential and has envisaged information security as a key channel of targeted expansion across the Balkan enterprise sector.

VIII.1.2.3 Cloud Services

As of the end of 2020, demand for solutions assuring the flexible storage and access to information and applications in the cloud continues to grow ahead of investments in traditional infrastructure, with the prospect of further acceleration in the medium term in the context of digitalization, IT cost optimization and increasingly networked activities.

Building upon its successful specializations in the areas of hybrid cloud solutions and cloud-based systems and applications, the Group has planned to expand its cloud service offering towards a fully assured lifecycle from roadmapping to actual migration, transformation and management of applications in a hybrid or cloud environment.

VIII.1.2.4 Hyperautomation

Encompassing technologies from the prominent areas of intelligent data processing, virtualization and artificial intelligence, hyperautomation solutions address the digital evolution of various activities from separate task and process automation to fully digitalized operations.

Based on its common grounds with already developed specializations in the area of application services and experience with internal business process automation applications, the Group has planned to develop hyperautomation as a separate technology unit addressing the needs for digital management of processes and services in various types of potential clients, both in the public and private sector.

VIII.1.3 Key competitive differentiators

With regard to the above targets, the Group's management will continue to work towards the maintenance and/or development of the following competitive advantages and initiatives of key importance to the formulated strategy, distinguishing it on the ICT market landscape:

- Broad network of technological partnerships and team in Information Security;
- Managed services on the highest level, assuring a simplified, operationally and financially efficient implementation and support of technological infrastructures;
- Client-centric approach:
    - Solutions and services following the principles of simplicity, broad view, attention to detail, flexibility and readiness to go the extra mile in assuring the achievement of final goals;
    - Utility maximization through the monitoring and evaluation of ICT infrastructure utilization (Customer Experience) in all applicable domains;
    - Value-adding professional services aimed at the definition and implementation of the client's digital transformation strategy.

VIII.1.4 Organization and management of resources and operations

To secure the sustainability of the achieved operational scope, business scale and financial results at any time, as well as the ability to take advantage of targeted further growth opportunities, the Group's management has recognized the need to assure proper management capacity, adequate profiling of resources and clear segregation of duties, including the full separation of business development and sales-oriented functions from operations, and the implementation of a unified operational model across countries and subsidiaries.

On the operational level, the deployment of the matrix organizational structure referred to in section V.2 above is also planned to involve the expansion of the existing and formation of new resource hubs for engineering and technical staff across countries of presence, assuring appropriate service capacity for targeted growth in the most efficient manner, based on the dynamic allocation and ample utilization of resources across clients, projects and territories of implementation.

Not least, the Group remains dedicated to the continuous improvement of tools and processes as a premise for operational excellence and financial success, including continuing investments in its own digital transformation.

VIII.1.5 Expected trends in financial results upon successful strategy implementation

Taking into account the above objectives and initiatives, the main expected near and medium term trends in the Group's business and financial results include:

- Continuing sustainable growth and diversification of revenues as a result of expansion in both existing and new clients and markets, including:
    - Continuing growth in all main regions and technology groups except Enterprise Connectivity in 2021;
    - Continuing growth on the regional markets existing as of 2020 and significant expansion in revenues realized directly by new subsidiaries in Romania, Germany and the USA in the period 2022-2025, with the leading contribution of the Enterprise Connectivity, Hybrid Cloud, Information Security, Application Services and Hyperautomation technology groups and the growing share of local and international enterprise sector clients as a whole;

- Maintaining a stable average gross margin in the period 2021-2023 and gradual improvement of the latter in the period 2024-2025 owing to the growing share of revenues from developed markets, innovative solutions and high added value services and the improvement of operating efficiency as a result of the flexible allocation and combining of resources within the implemented matrix organizational structure;
- Sustainable growth in the amount of earnings before interest, tax, depreciation and amortization (EBITDA) and net profit in the period 2021-2025, along with:
    - A moderate decrease in respective profitability ratios reflecting the growing share of sales, market, general and administrative expenses incurred on business development and the planned market expansion in 2021-2023;
    - Resumed growth in respective profitability ratios as a result of increasing average gross margins, slowing down growth in sales, marketing, general and administrative expenses and expanding revenue scale in 2024-2025;
- Significant growth in the number of employees along the lines of technological resource hubs, project management, sales and marketing, business development and other, with regard to the assurance, management, control and administrative support of planned expansion;
- Resumed growth in investments, respectively non-current tangible assets and related depreciation and finance lease obligations as a result of the expected substantial share of Equipment as a Service in planned sales expansion in Germany, USA and on the global market services by TBS EAD.

VIII.1.6 Possible deviations and risks for the future development of the Group

The actual development of the Group may deviate in one or more aspects from the above expectations, goals, initiatives and effects of their implementation depending on various factors within or beyond the Group's control.

The risks related to the Group's strategy, the operations if its subsidiaries and the overall economic and political environment in which they operate are described in section III above.

VIII.2 Potential acquisitions

As of the date of this Report, the Company and Group subsidiaries have no immediate plans and specific expectations for the acquisition of shares in other companies. However, the management remains open to considering potential future capital investments and acquisitions bearing potential for positive synergies which could support or accelerate the implementation of the Group's local and international development and growth strategy.

IX INFORMATION ABOUT OWN SHARES REQUIRED UNDER ARTICLE 187e OF THE COMMERCE ACT

IX.1.1 Number and nominal value of own shares acquired and transferred during the reporting period, the part of capital they represent and price of acquisition or transfers made

In accordance with the resolutions of the GMS from June 30 2020 and December 12 2020 for the authorization of the MB for the buyback of shares for the purposes of employee incentives and other investment purposes and the corresponding executive decisions of the MB, between September 4 and December 15 2020, the Company repurchased 28,964 own shares with a nominal value of BGN 1.00 each, representing 0.232% of its registered capital.

The average price of the buyback carried out during the period amounted to BGN 10.43 per share. The total acquisition value of the own shares bought back during the period amounted to BGN 302 thousand.

In accordance with the resolution of the GMS from September 10 2020 authorizing the MB to adopt one-time and long-term incentive programs and the corresponding executive decision of the MB from November 27 2020 for the implementation of a one-time share-based incentive program for employees with a record of 2 or more years with the Group or predecessor companies, on December 21 2020, the Company transferred to the latter 28,608 shares with a nominal value of BGN 1.00 each, representing 0.229% of its registered capital. The price as of the date of transfer was BGN 12.00 per share. The total value of transferred shares amounted to BGN 343 thousand.

During the reporting period, no Group subsidiaries have acquired or transferred any own shares.

IX.1.2 Number of own shares held and the part of the capital they represent

As a result of the purchases and transfers referred to in section IX.1, as of December 31 2020, the Company held 356 own shares with a nominal value of BGN 1.00 each, representing 0.003% of its registered capital.

As of period end, no Group subsidiaries held any own shares.

X ESTABLISHED BRANCHES OF THE COMPANY AND GROUP COMPANIES

As of December 31 2020 and the date of this Report, the Company has no registered branches in the country or abroad.

As of 31 December 2020 and the date of this Report, TBS EAD has a registered branch in Romania which has not launched active commercial operations yet.

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

XI USE OF FINANCIAL INSTRUMENTS

XI.1 Financial risk management objectives and policies, including hedging

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

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

XI.1.1 Currency risk management

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

XI.1.2 Interest rate risk management

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

XI.2 Exposure to price, credit and liquidity risks and cash flow risks

XI.2.1 Risk of changes in the prices of signed contracts

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

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

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

XI.2.2 Risk of unfavourable changes in market prices

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

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

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

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

XI.2.3 Credit risk exposure and management

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

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

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

As designated in section XII.2.2 of this Report, during and towards the end of the reporting period, there were only two clients with shares of over 10% in the Group's total sales and/or trade receivables.

XI.2.4 Exposure and management of liquidity and cash flow risks

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

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

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

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

XII ADDITIONAL INFORMATION AS PER SECTION IV.A OF APPENDIX No. 10 TO ORDINANCE NO. 2 OF THE FSC

XII.1 Revenues by main categories of products and services

Technology Group		Net Sales Revenue (BGN thousand)				
		31.12.2020	31.12.2019	change	share 31.12.20	share 31.12.19
Service Provider Solutions	(1)	42,461	31,015	37%	31%	28%
Enterprise Connectivity	(2)	34,985	35,441	-1%	26%	32%
Hybrid Cloud	(3)	29,525	22,145	33%	22%	20%
Application Services	(4)	324	2,305	-86%	0.2%	2%
Modern Workplace	(5)	22,189	14,308	55%	16%	13%
Information Security	(6)	5,075	4,086	24%	4%	4%
Other	(7)	935	1,028	-9%	1%	1%
Data Networks	(1+2)	77,446	66,456	17%	57%	60%
Data Center	(3+4)	29,849	24,450	22%	22%	22%
Office Productivity	(5)	22,189	14,308	55%	16%	13%
Information Security	(6)	5,075	4,086	24%	4%	4%
Others	(7)	935	1,028	-9%	1%	1%
Total		**135,495**	**110,328**	**23%**	**100%**	**100%**

Increasing both in relation to the observed trend of recovering revenues from the telecom sector in the Mid-Western Balkan region and in Bulgaria, consolidated sales in the Service Provider Specific group registered significant growth by 37% over 2019, reaching BGN 42,461 thousand or 31% of consolidated Group revenues for 2020, as compared to 28% for the previous year.

Standing out as the Group's fastest growing technological group for 2020 in relative terms mainly as a result of client base expansion and big projects implemented in Bulgaria, sales of Modern Workplace solutions exhibited 55% of growth over 2019, reaching BGN 22,189 thousand or 16% of total Group sales as compared to 13% for the previous year.

With a similar contribution to the absolute increase in consolidated sales, revenues from Hybrid Cloud solutions also exhibited an accelerated growth rate of 33% as a result of their positive development in Bulgaria, reaching BGN 29,525 thousand and a share of 22% as compared to 20% in 2019.

Marking another positive trend, sales of Information Security solutions grew by 24% owing to both Bulgarian operations and their debut on the Macedonian market. The unit's consolidated contribution to Group sales for 2020 reached BGN 5,075 thousand, maintaining a share of 4% on par with 2019.

Notwithstanding the observed slight decrease by 1% from 2019, consolidated revenues from Enterprise Connectivity remained the second most important driver of Group sales with a contribution of BGN 34,985 thousand or 26%, as compared to 32% for the previous year, and continued to account for the largest part of TBS EAD's revenues from multinational clients.

On the background of a big one-time implementation project realized in Bulgaria in 2019, sales of Application Services showed a significant relative decrease by 86%, amounting to BGN 324 thousand or 0.2% of consolidated revenues as compared to 2% for the previous year.

Remaining of a typically marginal importance to the Group, sales outside named product categories continued to account for 1% of consolidated revenues, as they did in 2019.

XII.2 Revenues by geographic market and significant counterparties

XII.2.1 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	31.12.2020	31.12.2019	change	share 31.12.2020	share 31.12.2019
Bulgaria	81,806	64,084	28%	60%	58%
Serbia	22,689	26,142	-13%	17%	24%
Slovenia	10,389	8,472	23%	8%	8%
Bosnia and Herzegovina	7,785	4,387	77%	6%	4%
North Macedonia	3,549	1,498	137%	3%	1%
Albania	1,811	1,667	9%	1%	2%
Montenegro	97	189	-49%	0%	0%
Other	7,369	3,890	89%	5%	4%
Bulgaria	81,806	64,084	28%	60%	58%
Mid-Western Balkans	41,152	39,189	5%	30%	35%
South-Western Balkans	5,360	3,165	69%	4%	3%
Central & Eastern Europe	5,808	3,565	63%	4%	3%
Other Markets	1,369	325	321%	1%	0%
Total	**135,495**	**110,328**	**23%**	**100%**	**100%**

** By registration of the client.*

As a main factor behind the observed positive revenue trends in TBS EAD, sales to clients registered in Bulgaria for 2020 increased by 28% over the same period of the previous year, reaching BGN 81,806 thousand and maintaining a leading share of 60% in the Group's consolidated revenues, close to their 58% contribution for 2019.

In turn, the observed positive trend in combined revenues from Comutel, Telelink Montenegro, Telelink Bosnia and Telelink Slovenia related to moderate growth in sales to clients in the Mid-Western Balkan region. Totaling BGN 41,152 thousand, revenues from the latter increased by 5% over 2019, remaining of high importance to the generation of Group revenues with a declining but nonetheless substantial share of 30%, as compared to 35% in 2019.

On the backdrop of a single quarter of revenues from Albania and Macedonia in 2019, sales to clients in the South-Western Balkan region for 2020 grew by 69%, reaching BGN 5,360 thousand or 4% of consolidated sales, as compared to 3% for the previous year.

Pursuant to the continuing expansion in international sales to multinational clients from both managed service agreements and implementation projects, the Group also continued to register a growing contribution of markets outside the countries of registration of its subsidiaries. In total, revenues from these other European and world markets grew by 84%, reaching BGN 7,177 thousand or 5% of consolidated sales as compared to 4% in 2019.

XII.2.2 Significant clients

The Group identifies as significant clients accounting for more than 10% of consolidated annual revenues for 2020 telecom operators Serbia Broadband - Srpske kablovske mreže doo ("SBB"), with a share of 14.2%, and Bulgarian Telecommunications Company AD ("BTC"), with a share of 10.5%. As of December 31 2020, BTC is also the single client with a share of over 10% (33.6%) in the Group's consolidated trade receivables.

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

XII.2.3 Significant suppliers

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

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

- Cisco International Limited

  The company is a leading global manufacturer and technology partner of the Group in the field of Data Networks, Managed Services, including Equipment as a service, etc. The ratio of respective purchases to consolidated cost of sales for 2020 amounts to 21.3%. As of December 31 2020, the company also accounts for a significant share of 23.9% in the Group's consolidated trade payables.

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

  The company is a distributor for Bulgaria and direct supplier to TBS EAD of equipment manufactured by Cisco Systems, DellEMC, etc. The ratio of respective purchases to consolidated cost of sales for 2020 is 13.4%.

- Microsoft Ireland Operations Ltd

  The company is a leading global manufacturer and technological partner of TBS EAD in the field of Office Productivity, integrated security systems and cloud services. The ratio of respective purchases to consolidated cost of sales for 2020 is 11.2%.

In addition to the above, the Group also identifies the following other counterparties as significant suppliers with a share of more than 10% in its consolidated trade payables as of December 31 2020:

- Polycomp EOOD

The company is a distributor for Bulgaria of a broad range of technology vendors and direct supplier to TBS EAD of equipment manufactured by Cisco Systems, etc. As of December 31 2020, it had a share of 10.7% in the Group's consolidated trade payables.

XII.3 Large transactions and transactions of significance for the issuer's operations

The Company defines as significant transactions that lead or may be reasonably assumed to lead to a favourable or unfavourable change of 5% or more in consolidated revenues or consolidated net profit. No such transactions were made in 2020.

XII.4 Transactions made between the Issuer and related parties during the reporting period, proposals for the signing of such transactions and dealings outside its ordinary course of business or deviating substantially from market terms, whereto the Issuer or a subsidiary thereof is party

XII.4.1 Transactions made between the Issuer and related parties during the reporting period

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

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

- Agreement from August 15 2019 between the Company and TBS EAD and the annexes thereto, with provided services for the reporting period amounting to BGN 2,159 thousand;
- Agreement from August 15 2019 between the Company and Comutel and the annexes thereto, with provided services for the reporting period amounting to BGN 207 thousand;
- Agreement from August 15 2019 between the Company and Telelink Montenegro and the annexes thereto, with provided services for the reporting period amounting to BGN 7 thousand;
- Agreement from August 15 2019 between the Company and Telelink Bosnia and the annexes thereto, with provided services for the reporting period amounting to BGN 51 thousand;
- Agreement from August 15 2019 between the Company and Telelink Slovenia and the annexes thereto, with provided services for the reporting period amounting to BGN 74 thousand;
- Agreement from August 15 2019 between the Company and Telelink Albania and the annexes thereto, with provided services for the reporting period amounting to BGN 36 thousand;
- Agreement from August 15 2019 between the Company and TBS Macedonia and the annexes thereto, with provided services for the reporting period amounting to BGN 57 thousand.

During the reporting period, a contract for the lease of equipped workplaces signed between the Company and TBS EAD on November 1 2019 remained in force, with the Company's workplace rental expenses for the period amounting to BGN 196 thousand.

The Company has received IT services from with TBS EAD under a contract signed on October 09 2019, with the value of services received during the reporting period amounting to BGN 79 thousand.

During the reporting period, the Cash loan agreement signed on September 02 2019 between the Company (borrower) and TBS EAD (lender) with a limit of up to BGBN 4,000 thousand and an interest rate of of 2.25% p.a. over utilized funds remained in force, with the Company's corresponding interest expenses amounting to BGN 53 thousand. On December 31 2020, an Annex was signed, whereby the agreement's term was extended until December 31 2021.

In accordance with a GMS resolution from September 10 2020, on November 27 2020, the MB of TBS Group AD approved a Plan for the one-time stimulation of long-standing employee with additional remuneration (bonus) in the form of shares. Implementing the Plan, on December 21 2020, the Company transferred to

Group company employees 28,608 shares with a nominal value of BGN 1.00 each and a price as of the date of transfer of BGN 12.00 per share. The total value of transferred shares amounted to BGN 343 thousand.

Companies, employees of which receved shares according to the Plan for one-time stimulation in 2020	Number of shares	Price at the date of transfer (BGN)	Total value (BGN thousand)
TBSG AD	5,794	12.00	70
TBS EAD	19,654	12.00	236
Comutel	2,404	12.00	29
TBS Macedonia	756	12.00	9
Total	**28,608**	**12.00**	**343**
% of capital	**0.23%**		

XII.4.2 Proposals for entering into transactions with between the Issuer and related parties during the reporting period

On an extraordinary GMS of TBS Group AD held on September 10 2020, the follow resolutions were adopted:

- Authorization of the Company's MB to sign annexes to the agreements for the provision of services from August 15 2019 concerning services relative to the corporate and business development of respective subsidiaries, including but not limited to product positioning, business planning, financial reporting and audit consultancy, legal consultancy and consultancy and services relative to the PR and marketing activities and business popularization, for the period January 01 – December 31 2021, and respective transaction amounts, as follows:
    - With TBS EAD, up to BGN 3,000 thousand;
    - With Comutel, up to BGN 450thousand;
    - With Telelink Slovenia, up to BGN 60 thousand;
    - With Telelink Montenegro, up to BGN 60 thousand;
    - With Telelink Bosnia, up to BGN 80 thousand;
    - With Telelink Albania, up to BGN 140 thousand;
    - With TBS Macedonia, up to BGN 120 thousand;
- Authorization of the Company's MB to sign with TBS EAD an annex to the contract from November 01 2019 for the lease of equipped workplaces, including equipment installed equipment, consumables and utility charges, and to a contract for the provision of IT services from September 10 2019 between the Company and TBS EAD, for a period until December 31 2023, up to a maximum transaction amount of BGN 900 thousand;
- Authorization of the Company's MB to sign with TBS EAD an annex to the contract for the provision of IT services from September 10 2019 for the latter's extension until September 10 2022, up to a maximum transaction amount of BGN 360 thousand;
- Authorization of the Company's MB to sign with TBS EAD an annex to the cash loan agreement signed on September 02 2019 for the latter's extension until December 31 2021 between the Company and TBS EAD, up to a maximum loan amount of BGN 4,000 thousand and including the possibility for interest rate increase from 2.25% up to 4.00%.

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

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

XII.5 Events and unusual indicators for the issuer with a significant impact on their operations

Except for the on-time share incentive and the foreign exchange revaluation of a previously impaired loan, designated in section II.3.7. of this Report and section 23 of the Explanatory notes to the consolidated financial statements, as of 31 December 2020 and during the reporting period as a whole, there were no events or indicators of extraordinary nature to the Issuer and the Group affecting substantially results from operations.

XII.6 Off-balance sheet items

Contingent commitments undertaken by the Company and Group subsidiaries as of December 31 2020 are disclosed in sections XII.9.2 and XII.9.4 of this Report, as well as in section 35 of the notes to the consolidated annual financial statements.

XII.7 Equity interests and main investments in the country and abroad

XII.7.1 Shares in subsidiaries

As of December 31 2020, the Company reported total investments in directly owned subsidiaries in the amount of BGN 15,759 thousand, of which BGN 15,718 thousand transferred under the Reorganization from August 14 2019 as a part of the assets attributable to the separated activity of Business Services, and BGN 41 thousand stemming from the establishment of TBS Macedonia in September 2019, the increase of the participation in Telelink Albania in February 2020 and the establishment of TBS Croatia in November 2020.

Shares held in the capital of subsidiaries are shown in percentage by subsidiary in section I.2 of this Report. The amount of recorded investments by subsidiary as of December 31 2020 is shown in section 12 of the notes to the Company's individual annual financial statements.

As of December 31 2020, the Company did not hold any investments in the equity of companies outside the Group.

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

XII.7.2 Investments in intangible assets

As of December 31 2020 the Group reported consolidated intangible assets of BGN 631 thousand, reflecting investments by TBS Group and TBS EAD.

Intangible assets owned by the Company included an externally developed branding concept transferred to the Company by means of the Reorganization as a part of the assets attributable to the separated activity of Business Services, and the development of the Group's new website. The initial cost of these investments amounted to BGN 145 thousand, and their balance sheet value as of December 21 2020 – to BGN 93 thousand.

Intangible assets reported by TBS EAD are related mainly to the purchase and development of software. The initial value of the company's capital expenditures for the acquisition or formation of present intangible assets totalled BGN 3,550 thousand. The balance sheet value of BGN 535 thousand reported as of December 31 2020 derived mostly from the company's development activities in the fields of Information Security and the Internet of Things.

XII.7.3 Real estate investments

As of December 31 2020, the Group reported as a part of its consolidated non-current assets investment properties in the amount of BGN 372 thousand, corresponding to an independent external appraisal as of the same date of an office area owned by Comutel and leased out to third parties outside the Group.

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

XII.7.4 Investments in financial instruments and other companies

As of December 31 2020, Group companies held no investments in financial instruments, nor in equity securities of companies outside the Company's economic group.

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

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

As of December 31 2020 and over the reporting period as a whole, the Company continued to be a party (borrower) under the Cash loan agreement with TBS EAD (lender) from September 02 2019 with a limit of BGN 4,000 thousand, as described in section XII.9.3. An Annex was signed on December 31 2020, whereby the agreement's term was extended until December 31 2020. The loan does not have a specific purpose set in the agreement and can be used without limitations for the Company's needs. No security, including no suretyships or undertaking of liabilities by third parties, has been stipulated by or established under the agreement.

As of December 31 2020, outstanding principal under the loan amounted to BGN 1,100 thousand.

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

On August 11 2020, the Company signed an annex to the suretyship agreement from October 10 2019 pursuant to the Agreement for the undertaking of credit commitments under an overdraft credit line between Unicredit Bulbank and TBS EAD referred to in section XII.8.2.1.

On August 11 2020, the Company has established a pledge over share in the capital of TBS EAD, pursuant to the Agreement for the undertaking of credit commitments under an overdraft credit line between Unicredit Bulbank and TBS EAD referred to in section XII.8.2.1.

XII.8.2 Loan agreements, guarantees and undertakings of liabilities by subsidiaries

XII.8.2.1 Agreements signed by TBS EAD

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

On June 29 2020 the company also signed an Annex for the annual renewal of the same agreement with an availability period until May 31 2021.

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

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

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

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

Security provided under the agreement continues to include:

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

Considering the Annexes to the agreement signed on February 21 2020 and April 04 2020, whereby the conditional commitment to establish enterprise pledges over TBS EAD and TBS Group in case the procedure for the listing of the latter's shares on the BSE was not completed by February 14 2020 was amended with the extension of the above deadline until April 30 2020, respectively July 31 2020, and the Company's successful listing in June 2020, this commitment has definitively expired.

As of December 31 2020, TBS EAD did not have any utilized and outstanding overdraft and revolving credit funds.

XII.8.2.2 Agreements signed by Comutel

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

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

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

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

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

As of December 31 2020, funds utilized by Comutel under the agreement amounted to an equivalent of BGN 1,817 thousand.

XII.8.2.3 Agreements signed by Telelink Albania

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

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

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

As of December 31 2020, funds utilized by Telelink Albania under the agreement amounted to an equivalent of BGN 187 thousand.

As of December 31 2020 and during the reporting period as a whole, Telelink Albania also continued to be a party (borrower) to a Cash loan agreement with TBS EAD (lender) from September 02 2019, whereby an Annex was signed on October 15 2020 for the extension of the agreement's validity until December 31 2021 and changing the limit to EUR 185 thousand. Obligations under the agreement are unsecured. The principal terms and funds utilized under the agreement are specified in section XII.9.3 of this Report.

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

XII.8.2.4 Agreements signed by TBS Macedonia

As of December 31 2020 and during the reporting period as a whole, TBS Macedonia continued to be a party (borrower) to a Cash loan agreement with TBS EAD (lender) from November 06 2019. Obligations under the agreement are unsecured. The principal terms and funds utilized under the agreement are given in section XII.9.3 of this Report.

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

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

XII.9.1 Loans granted by the Company

As of December 31 2020 and during the reporting period as a whole, the Company did not have any loans granted to subsidiaries, related or other third parties.

XII.9.2 Provided guarantees and undertaking of liabilities by the Company

As of December 31 2020 and during the reporting period, the Issuer maintained its commitments as a guarantor, respectively pledgor under the following contracts signed in 2019 as security to TBS EAD's obligations under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, wherein, pursuant to the increase of the maximum credit amount referred to in section XII.8.2.1, the designated total credit limit available for utilization by TBS EAD as of the agreement's date was raised from EUR 11,000 thousand to EUR 13,000 thousand;

- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with the initial pledge agreement featuring a designated principal amount as of the agreement's date of EUR 11,000 thousand having been replaced with a new pledge agreement featuring a corresponding value of EUR 13,000 thousand pursuant to the increase of the maximum credit amount referred to in section XII.8.2.1.

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

On December 29 2020, the Company issued a corporate guarantee in favour of TBS Macedonia in the amount of USD 730,000 securing future liabilities towards TBS Europe BVBA, Belgium with regard to the supply of high-value equipment on deferred payment terms.

XII.9.3 Loans granted by subsidiaries

As of December 31 2020 and during the reporting period as a whole, the following agreements for loans granted by the Issuer's subsidiaries were in force:

- a Cash loan agreement from September 02 2019 between TBS EAD (lender) and TBS Group (borrower) with a revolving limit of up to BGN 4,000 thousand, granted under the terms of partial utilization and repayment, with an initial full repayment deadline until December 31 2020 extended until December 31 2021, interest rate of 2.25% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of December 31 2020 in the amount of BGN 1,103 thousand;
- a Cash loan agreement from September 02 2019 between TBS EAD (lender) and Telelink Albania (borrower) with a revolving limit of up to EUR 800 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2020, extended until December 31 2021 with a reduced limit of EUR 185 thousand, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of December 31 2020 in the amount of EUR 185 thousand;
- a Cash loan agreement from November 2019 between TBS EAD (lender) and TBS Macedonia (borrower) with a revolving limit of up to EUR 500 thousand, granted under the terms of partial utilization and repayment, with an initial full repayment deadline until December 31 2020 extended until December 31 2021, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for accrued interest as of December 31 2020 in the amount of EUR 1 thousand.

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

XII.9.4 Provided guarantees and undertaking of liabilities by subsidiaries

As of December 31 2020, TBS EAD has provided the following guarantees securing third-party obligations with regard to the implementation of projects and tax payables of Group subsidiaries:

Gurantee securing:	Guarantee type	Guarantee amount (BGN)	Validity
Consortium Secure Borders Telesec DZZD	performance	32,215.98	19.02.2021
Telelink Slovenia	tax payables	31,910.89	19.08.2021
TBS Macedonia	counter-guarantee	78,214.40	15.10.2021
Consortium ATP Services DZZD	performance	38,057.32	01.02.2022
Consortium Green Border DZZD	performance	135,000.00	08.09.2022
Consortium Technolink DZZD	performance	61,937.45	31.08.2023
TBS Macedonia	counter-guarantee	43,419.43	10.11.2023

XII.10 Utilization of funds from a new issuance of shares performed during the reporting period

During the reporting period, including the realized Public offering, the Company has not issued and received any proceeds from new shares, other securities and options thereon.

Except for the registered capital of HRK 75 thousand paid-in pursuant to its incorporation, Group subsidiaries have not issued and received any proceeds from new shares, other securities and options thereon. The capital of TBS Croatia was paid in by TBS Group and did not entail proceeds for the Group on a consolidated basis.

XII.11 Comparative analysis of the ratio between achieved financial results reflected in the financial statements for the year and previously published forecasts for these results

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

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

Based on the above information, the number of outstanding shares in the Company’s capital and the determined minimum initial price of BGN 7.60 per share for the first tranche of the Public offering, the offering manager Elana Trading AD announced on its web page an expected dividend yield of BGN 0.32 per share of 4.2%.

In the published interim financial report of the Company for the first six months of 2020, it was stated that the Company’s management continued to consider the disclosed forecast and the expected dividend yield estimate made on the basis thereof achievable as a minimum and confirmed its intention to propose to the GMS the distribution of an expected interim dividend in the amount of at least BGN 4,000 thousand in the third quarter of 2020.

The dividend distributions approved by the GMS by resolution from September 10 2020 exceeded significantly the above minimum expectations, taking into account that:

- Thea amount of the distributed interim dividend for the first six months of 2020 amounted to BGN 6,000 thousand or 50% more than the previously announced expected and confirmed minimum amount;
- The Company’s individual profit amounted to BGN 8,165 thousand for the first six months of 2020, and BGN 7,387 thousand for the full year;

- In accordance with the Commercial Act, the Company has the obligation to provide for the allocation towards reserves of up to 10% of its registered share capital, amounting to BGN 1,250 thousand, with the difference between the latter amount and allocations made until the date of dividend distribution amounting at a remainder of BGN 1,011 thousand;
- Accounting for realized profit, the Company's distributable profit for the first six months of 2020 and the year as a whole must be considered after deduction of the annual allocations towards the fulfillment of the mandatory reserves stipulated the Commercial Act in the amount of at least BGN 739 thousand, amounting respectively at BGN 7,426 thousand and BGN 6,648 thousand;
- Based on the above, the dividend distributed for 2020 amounts to 81% of distributable profit for the first half of 2020 and 90% of the distributable profit for the full year.

Calculated on the basis of the Company's registered share capital of 12,5000,000 shares, the initial Public offering price of BGN 7.60 per share and the total of distributed dividends for 2019 and the first half of 2020 in the amount of BGN 6,195 thousand, the dividend yield per share in 2020 amounted to BGN 0.50 or 6.5% of the initial price of the Public offering.

XII.12 Financial resource management policy, debt service capacity, potential threats and measures towards their neutralization

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

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

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

XII.13 Assessment of the opportunities for realization of investment intentions, available funds and possible changes in their funding structure

As of December 31 2020 and the date of this Report, the Group's investment plans relate mainly to continuing purchases of equipment by TBS EAD for provision to clients under extensions of current and new long-term contracts for managed services with multinational clients similar to those signed during the reporting and previous periods. In accordance with the established practice, TBS EAD intends to finance the above investments or refinance them in the aftermath of their completion with finance lease contracts similar to those signed during the reporting and previous periods, when such financing is necessary and/or appropriate.

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

Group companies have planned on moderate expenditures on the acquisition of other non-current assets, including computing hardware, machinery, equipment and software for the general assurance of employees, the internal IT infrastructure and other common business needs. Funds available as of December 31 2020 and future cash generation are expected to be sufficient to cover these capital expenditures without recourse to credit instruments for their funding.

With regard to potential new development activities, the Group's management has accounted for the possibility of moderate growth in respective expenditures during the next year, which will be financed from internal sources and/or EU program funds, where such financing is applicable and appropriate.

As of December 31 2020 and the date of this Report, Group companies have not planned and do not expect their needs to involve material investment costs other than those identified above.

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

XII.14 Information about changes in the fundamental principles of governance of the Issuer and its economic group

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

With regard to the assurance of an efficient and safe decision-making process, on September 10 2020, the GMS adopted amendments and supplements to the Company's Articles of Association, allowing for General meetings to be held via electronics means in the legally allowed forms, as well as for the exercise of voting rights prior to the date of the GMS by correspondence (including e-mail, courier or other technically applicable means). Voting by correspondence is valid, if the vote has been received by the Company no later than the day preceding the GMS date.

XII.15 Information on the main characteristics of the Issuer’s internal control and risk management systems with regard to the process of financial reporting

Respective information is provided in section 3 of the Declaration of corporate governance as per art. 100n, par. 8 of the POSA, which is a separate document published together with this Report.

XII.16 Information about changes in the Company’s governing bodies

During the reporting period, there were no changes in the composition, powers and obligations of the Company’s MB and SB.

XII.17 Information about the amount of the remunerations, awards and benefits of each of the members of the governing bodies for the reporting year, paid by the Issuer and its subsidiaries

XII.17.1 Payments and expenses for monetary and non-monetary remunerations received by members of the boards from the Issuer and its subsidiaries

The amounts and non-monetary remunerations paid, respectively provided to members of the SB and MB of the Company and its subsidiaries during the reporting period are as follows:

Remunerations paid / provided to Members of the MB	Remunerations (Issuer) (BGN)	Remunerations (subsidiairies) (BGN)	Non-monetary Remunerations (Issuer) (BGN)	Non-monetary Remunerations (subsidiaries) (BGN)
Ivan Zhtiyanov	54,000	297,566	-	20,496
Teodor Dobrev	104,311	41,472	9,515	1,380
Paun Ivanov	21,600	-	-	-
Nikoleta Stanailova	102,070	-	9,024	-
Gojko Martinovic	19,315	175,021	-	12,408
Total	**301,295**	**514,059**	**18,539**	**34,284**

Remunerations paid / provиded Members of the SB	Remunerations (Issuer) (BGN)	Remunerations (subsidiairies) (BGN)	Non-monetary Remunerations (Issuer) (BGN)	Non-monetary Remunerations (subsidiaries) (BGN)
Hans van Houvelingen	23,279	-	-	-
Ivo Evgeniev	27,000	-	-	-
Bernard Moscheni	23,279	-	-	-
Total	**73,559**	**0**	**0**	**0**

The amounts of expenses for monetary and non-monetary remunerations of the members of the SB and the MB accounted by the Company and its subsidiaries for the period are as follows:

Expesnses for remunarations of members of the MB	Remunerations (Issuer) (BGN)	Remunerations (subsidiairies) (BGN)	Non-monetary Remunerations (Issuer) (BGN)	Non-monetary Remunerations (subsidiaries) (BGN)
Ivan Zhtiyanov	60,000	375,000	-	22,773
Teodor Dobrev	129,216	67,132	11,747	1,533
Paun Ivanov	24,000	-	-	-
Nikoleta Stanailova	128,268	-	10,027	-
Gojko Martinovic	24,000	231,660	-	12,408
Total	**365,484**	**673,792**	**21,773**	**36,715**

Expesnses for remunarations of members of the SB	Remunerations (Issuer) (BGN)	Remunerations (subsidiairies) (BGN)	Non-monetary Remunerations (Issuer) (BGN)	Non-monetary Remunerations (subsidiaries) (BGN)
Hans van Houvelingen	30,000	-	-	-
Ivo Evgeniev	30,000	-	-	-
Bernard Moscheni	30,000	-	-	-
Total	**90,000**	**0**	**0**	**0**

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

XII.17.2 Contingent and deferred remunerations awarded during the year

During the reporting period, the members of the Company's MB were awarded contingent and deferred remunerations pursuant to a GMS resolution from September 10 2020 for the award of remuneration in the form of up to 17,250 Company shares subject to transfer in 2023 depending on the satisfaction of criteria for the Group's performance during the three-year period 2020-2022 and their continuing employment over the same period.

The distribution of the above rights among the specific members of the MB is summarized as follows:

Rights of the members of the MB to obtain Company shares	Position within the Group	31.12.2020
Ivan Zhtiyanov	Chief Executive Officer	7,502
Teodor Dobrev	Director Enterprise Networks and Hybrid Cloud	3,002
Paun Ivanov	-	742
Nikoleta Stanailova	Chief Financial Officer	3,002
Gojko Martinovic	Director of Comutel, Telelink Slovenia and TBS Croatia	3,002
Общо		**17,250**
% от капитала		**0.14%**

The conditions for the remuneration's provision and the estimate of the number of shares subject to transfer in 2023 taking into account their interim performance as of December 31 2020 are summarized in section I.3.3 of this Report. Corresponding expenses reported for 2020 amounted at BGN 60 thousand.

As of December 31 2020, no shares have been effectively transferred pursuant to the above remuneration.

As of December 31 2020, the members of the SB did not hold any rights to obtain Company shares.

XII.17.3 Amounts paid by the Issuer and its subsidiaries for pensions, retirement benefits and similar compensations

During the reporting period, there were no due amounts expensed or paid by the Company or its subsidiaries to members of the Company's MB for pensions, retirement benefits and similar compensations.

XII.18 Shares of the Issuer held by members of the managing bodies, procurators and senior management

XII.18.1 Shares of the Issuer owned by members of its managing bodies

During the reporting period, the members of the MB acquired a total of 17,640 shares amounting to 0.1% of the Company capital, 13,150 of which purchased by respective members at their own expense, and the remaining 4,490 – obtained under the one-time share incentive program.

As of December 31 2020, the members of the MB own a total of 267,640 shares representing 2.14% of the the Company's registered capital.

The number of shares owned and acquired during the reporting period by specific members of the MB is summarized as follows:

Number of shares held by the members of the MB	Owned as of				Acquired during the reporting period			
	31.12.2020	%*	31.12.2019	%*	One-time incentive	At own expense	Total	%*
Ivan Zhtiyanov	133,258	1.07%	125,000	1.00%	1,708	6,550	8,258	0.07%
Teodor Dobrev	4,996	0.04%	0	0.00%	996	4,000	4,996	0.04%
Paun Ivanov	125,000	1.00%	125,000	1.00%	0	0	0	0.00%
Nikoleta Stanailova	3,352	0.03%	0	0.00%	752	2,600	3,352	0.03%
Gojko Martinovic	1,034	0.01%	0	0.00%	1,034	0	1,034	0.01%
Total	**267,640**	**2.14%**	**250,000**	**2.00%**	**4,490**	**13,150**	**17,640**	**0.14%**

** % of the registered share capital*

During the period, the members of the MB did not sell Company shares or transfer such in any other way.

The number of shares owned, acquired and sold during reporting period by the specific members of the SB is summarized as follows:

Number of shares held by the members of the SB	Owned as of				Acquired during the reporting period	Sold during the reporting period	Net	%*
	31.12.2020	%*	31.12.2019	%*				
Hans van Houvelingen	900	0.01%	0	0.00%	900	0	900	0.01%
Ivo Evgeniev	591,786	4.73%	771,875	6.18%	0	-180,089	-180,089	-1.44%
Bernard Moscheni	0	0.00%	0	0.00%	0	0	0	0.00%
Total	**592,686**	**4.74%**	**771,875**	**6.18%**	**900**	**-180,089**	**-179,189**	**-1.43%**

** % of the registered share capital*

The shares acquired by Hans van Houvelingen were purchased on the BSE. The shares sold by Ivo Evgeniev were realized within the two tranches of Public offering on the BSE and were within the limitation set by the Lock-up agreement from December 17 2019 and the annexes thereto.

As of December 31 2020, the members of the SB owned a total of 592,686 shares, representing 4.74% of the

Company's share capital.

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

XII.18.2 Shares of the Issuer held by members of the managing bodies of its subsidiaries

As of December 31 2020, the following members of the managing and controlling bodies of subsidiaries of the Issuer, other than members of the Company's MB and SB, held shares in its capital:

- Lyubomir Minchev, chairman of the SB of Comutel, holding 72.53%;
- Iordan Popov, member of the Board of Directors of TBS EAD and the SB of Comutel, holding 1.06%;
- Orlin Rusev, chairman of the SB of TBS Croatia, holding 0.002%;
- Orlin Rusev, member of the SB of TBS Croatia, holding 0.002%;
- Iordanka Klenovska, member of the SB of TBS Croatia, holding 0.01%;
- Bobi Cvetkovski, manager of TBS Macedonia, holding 0.003%.

As of the date of this Report, the Company has not issued and there are no members of the managing and controlling bodies and senior management of its subsidiaries hold any options on shares in its capital or other securities issued thereby.

XII.19 Agreements known to the Company that may result in future changes in the relative weights of shares held by current shareholders

On October 22 2019, the Company became a party to a Consultancy service agreement among Lyubomir Minchev, Spas Shopov, Ivo Evgeniev and Investment Intermediary Elana Trading AD for the provision of services relative to obtaining a public company status, the admission to trading on a regulated market and the sale of up to 30% of the shares in the Company's capital on the BSE valid until December 31 2020. On September 16 2020, the agreement's term was extended until June 30 2021.

With regard to the Public offering of the Company's shares and their admission to trading on a regulated market, Lyubomir Minchev, Spas Shopov and Ivo Evgeniev also signed individual Contracts for brokerage services with investment intermediary Elana Trading AD.

On December 17 2019 an Agreement on the Restriction of the Disposal of Shares (Lockup Agreement) was signed among the Company and Lyubomir Minchev, Spas Shopov, Ivo Evgeniev, Ivan Zhitiyanov, Paun Ivanov, Iordan Velchev and Iordan Popov in their capacity of shareholders. According to the Agreement and the Annex thereto signed on September 16 2020:

- Three of the shareholders participating in the Agreement intend to sell on the BSE up to 30% (3,750,000) of the Company's existing shares by the end of 2021, whereby Lyubomir Minchev is entitled to sell up to 23.825% (2,978,126 shares), and Spas Shopov and Ivo Evgeniev are entitled to sell up to 3.0875% (385,937 shares) each
- In addition, Lubomir Minchev is entitled to offer up to 6.175% (771,874 shares) more, so that the offering would reach up to 30% in total, in case and to the extent Spas Shopov and Ivo Evgeniev do not exercise or exercise only in part their rights to sell shares on the BSE, as described in the above paragraph;

- Lyubomir Minchev has committed to maintain a stake of at least 51% (6,375,000 shares) in the Company's capital by the end of 2022;
- Ivan Zhitiyanov has committed to maintain a stake of at least 1% (the stake of 125,000 shares held by him as of the date of initial signing of the Agreement) in the Company's capital by the end of 2021;
- All of the other three shareholders, including Iordan Popov, Iordan Velchev and Paun Ivanov, were committed to maintain a stake of at least 1% each (the stakes of 125,000 shares each held by them as of the date of initial signing of the Agreement) in the Company's capital by the end of 2020.

On September 09 2020 an Updated procedure for the sale of shares was signed by Lubomir Minchev, Spas Shopov, Ivo Evgeniev and Elana Trading AD, introducing the possibility for the Selling Shareholders to offer the remainder, after the second tranche of Public offering, of the maximum of 30% of the Company's capital designated for sale, in subsequent tranches depending on identified investor interest by the end of 2021.

Taking into account that shares sold during the realized first and second tranches of the Public offering reached a total of 14% and that the above agreements remain in force as of the date of this Report, they continue to present premises for an additional overall decrease in the shares held by Lubomir Minchev, Spas Shopov and Ivo Evgeniev by up to 16% by the end of 2021.

XII.20 Information on pending court cases, administrative and arbitration proceedings concerning receivables or payables equal or greater than 10% of the Issuer's equity

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

XII.21 Information about the Investor Relations Director

As of December 31 2020, the Company's Investor Relations Director is Ivan Daskalov, available at telephone number +359 2 9882413 and e-mail address IR-TBS@telelink.com.

XIII ADDITIONAL INFORMATION AT THE COMPANY'S DISCRETION

In the Company's estimation, there is no further information about the Group other than as included in this Report, the Declaration of corporate governance and the information as per Appendix 10 of Ordinance No. 2 of the Financial Supervision Commission, which has not been publicly disclosed and which would be of substantial importance to the making of reasonable investment decisions by the shareholders and potential investors in the Company.

XIV NON-FINANCIAL STATEMENT

As of 31 December 2020 and the date of this Report, neither the Company, nor the Group, exceeded on a consolidated basis the criteria as per Article 19a and Article 29a of Directive 2014/95/EU of the European Parliament and of the Council and Article 41 of the Accountancy Act regarding the average number of 500 employees during the financial year. Therefore, no obligation arises for the Company and the Group as a whole to include a non-financial statement in the consolidated activity report.

Date of preparation:

April 28 2021

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 18:26:48 +03'00'

Ivan Zhitiyanov,

TELELINK BUSINESS SERVICES GROUP AD