



**REASONED REPORT PURSUANT TO ART. 114A, PARA. 1 OF THE PUBLIC OFFERING OF  
SECURITIES ACT (POSA) AND ART. 46 OF ORDINANCE № 2 AS OF 17<sup>TH</sup> SEPTEMBER 2003 OF THE  
FINANCIAL SUPERVISION COMMISSION**

BY THE MANAGEMENT BOARD OF TELELINK BUSINESS SERVICES GROUP AD

RE: TERMS AND CONDITIONS AND EXPEDIENCY OF A TRANSACTION REPRESENTING CONCLUSION OF  
A LOAN AGREEMENT BETWEEN TELELINK BUSINESS SERVICES GROUP AD AND ITS SUBSIDIARY  
TELELINK BUSINESS SERVICES EAD

Sofia, 30<sup>th</sup> July 2021



This reasoned report has been prepared in compliance with the provisions of art. 114a, para. 1 of POSA and Art. 46 of Ordinance № 2 of 17<sup>th</sup> September 2003 of the Financial Supervision Commission on the prospectuses for public offering and admission to trading on a regulated market of securities and for disclosure of information (Ordinance № 2) and contains all relevant information on the terms and conditions expediency of the transaction, representing conclusion of a loan agreement between Telelink Business Services Group AD (Borrower) and Telelink Business Services EAD (Lender). As a result of conclusion of the agreement, the public company will incur obligations to an interested party, which will exceed the threshold under art. 114, para. 1 p. 2 of POSA, namely "obligations are incurred to interested parties".

The counterparty to the transaction - the lender Telelink Business Services EAD has the status of a subsidiary within the meaning of § 1, p. 10 of the Additional Provisions of POSA given the fact that Telelink Business Services Group AD directly owns 100% of its capital. Notwithstanding this circumstance, the transaction does not fall within the exceptions provided for in the provision of Art. 114, para. 10, p. 3, item two of POSA, as it does not constitute a transaction for provision a deposit by the subsidiary. The scheduled agreement essentially qualifies as a loan from the subsidiary to the public company, as the active party to it is the public company Telelink Business Services Group AD, which has the initiative to make changes in the amounts of the used loan by explicitly addressing to the other party request for disbursement or partial repayment of the loan. Unlike the deposit agreement, which provides cash for a fixed term (maturity) against interest, in the present case, under the agreement the subsidiary will provide Telelink Business Services Group AD a loan of up to BGN 4 000 000 (four million) at an interest rate of up to 4% per annum in case of a significant change in the one-month EURIBOR, which funds can be used at the initiative of the public company at any time until the end of 2023 for the purposes of its scope of business.

In view to the above in case the transaction exceeds the statutory threshold under art. 114, para. 1, p. 2 in connection with item 1, letter б of POSA, the lawful conclusion of the loan agreement requires the preliminary authorization decision of the general meeting of shareholders of Telelink Business Services Group AD.

The provision of art. 114, para. 1, p. 2 of POSA, namely "obligations are incurred to interested parties" stipulates that the persons who manage and represent the public company without being explicitly authorized to do so by the general meeting of the public company, may not carry out transactions as a result of which obligations to interested parties are incurred.

After assessment of the applicability of the thresholds provided in art. 114, para. 1, p. 2 of POSA, the Management Board of Telelink Business Services Group AD established that the threshold, applicable to the specific transaction for conclusion of the Loan Agreement between Telelink Business Services Group AD as a borrower and its subsidiary Telelink Business Services EAD as a lender is 2% of the lower value of the assets according to the last two balance sheets, namely according to the last audited annual financial report of the public company as of 31<sup>st</sup> December 2020, presented to the FSC and the public on 30<sup>th</sup> March 2021, and the individual balance sheet of the public company as of 30<sup>th</sup> June 2021, presented to the FSC and the public on 28<sup>th</sup> July 2021.

In accordance with the provision of Art. 46, para. 1 of Ordinance № 2 this motivated report outlines all relevant information on the proposed transaction for conclusion of the Loan Agreement.

**1. Description of the proposed transaction (Art. 46, para. 1, p. 1, item one of Ordinance № 2):**

The Management Board of Telelink Business Services Group AD proposes to the General Meeting of the shareholders to take decision, authorizing the managers and representatives of the company to enter into loan agreement/s with the subsidiary Telelink Business Services EAD for the period from 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2023 under the following terms and conditions:

- Maximum loan amount up to BGN 4,000,000 (four million Bulgarian leva);
- Maximum term of each agreement that will be concluded in the period from 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2023 up to 12 months;
- Opportunity for multiple utilization and repayment within the term of each agreement;
- Annual interest rate of 2.25%, with the possibility to be increased to 4% annually in case of a significant change in the one-month EURIBOR;
- The maximum total eligible indebtedness of Telelink Business Services Group AD on the basis of the loan agreements with Telelink Business Services EAD, which will be concluded in the period from 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2023 is up to BGN 4 160 000 (four million one hundred and sixty thousand Bulgarian leva), including the amount of principal and interest due;
- Deadline for repayment - 31<sup>st</sup> December 2023.

In order the shareholders to be informed it should be noted that on 2<sup>nd</sup> September 2019 Telelink Business Services Group AD - borrower and Telelink Business Services EAD - lender had signed a Loan Agreement, under which the lender may provide the borrower with a maximum loan amount of up to BGN 4 000 000 (four million Bulgarian leva). The term of the agreement had been extended until 31<sup>st</sup> December 2021 with an Annex, based on an explicit authorization decision of the General Meeting of Shareholders dated 10<sup>th</sup> September 2020. As of 30<sup>th</sup> June 2021, including the date of preparation of this reasoned report there are no outstanding principals and interests due from the borrower -Telelink Business Services Group AD.

As a result of the conclusion of Loan Agreements for the period from 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2023 the public company Telelink Business Services Group AD will incur obligations to the interested party - the subsidiary Telelink Business Services EAD, the value of which will exceed the threshold of 2 per cent of the lower value of the assets of the public company according to the audited balance sheet as of 31<sup>st</sup> December 2020, submitted to the FSC on 30<sup>th</sup> March 2021 and the last prepared balance sheet as of 30<sup>th</sup> June 2021, submitted to the FSC and the public.

**2. Subject of the transaction (Art. 46, para. 1, p. 1, item two of Ordinance № 2):**

The subject of the transaction is the conclusion of Loan Agreements for the period from 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2023 between Telelink Business Services Group AD - borrower and Telelink Business Services EAD - lender, which allow for multiple utilization and repayment within 12 months to maximum amount of up to BGN 4 000 000 (four million Bulgarian leva), with an annual interest rate of 2.25%, which may be subsequently amended up to 4% per annum in case of a significant change in the one-month EURIBOR.

### 3. Value of the transaction (Art. 46, para. 1, p. 1, item three of Ordinance № 2):

The value of the transaction under Art. 114, para. 1, p. 2 of POSA, in the in the proposal “where the said obligations are incurred to interested parties”, which also includes the amount of the maximum due interest, will amount to BGN 4 160 000 (four million one hundred and sixty thousand Bulgarian leva).

#### 3.1. Applicable thresholds under Art. 114, para. 1, p. 2 of POSA:

The thresholds under Art. 114, para. 1, p. 2 of POSA, in particular “obligations are incurred to an interested party” are determined on the basis of calculation of 2 percent of the lower value of the assets according to the last prepared balance sheet of the company, which is audited by registered auditor and publicly disclosed pursuant to Art. 100r of POSA on 30<sup>th</sup> June 2021 and the last prepared balance sheet, disclosed publicly under Art. 100r of POSA on 28<sup>th</sup> July 2021.

In the particular case for the purposes of calculating the thresholds under Art. 114, para. 1, p. 2 of POSA “obligations are incurred to an interested party” the audited balance sheet as of 31<sup>st</sup> December 2020, according to which the value of the assets of Telelink Business Services Group AD amount to BGN 16 314 thousand, is taken into account.

The calculations of the relevant threshold according to Art. 114, para. 1 p. 2 of POSA, in particular "obligations are incurred to an interested party" are reflected in the below table:

Table 1

1. Amount of the assets according to the annual financial statements as of 31 <sup>st</sup> December 2020	16 314 thousand BGN
2. Threshold of 2 percent of the value according to POSA	326 thousand BGN
3. Amount of the assets according to the last balance sheet as of 30 <sup>th</sup> June 2021, disclosed publicly pursuant to Art. 100r of POSA on 28 <sup>th</sup> July 2021	27 817 thousand BGN
4. Threshold of 2 percent of the value according to POSA	556 thousand BGN

In view of the above, the obligations that will arise as a result of the agreement concluded with the subsidiary Telelink Business Services EAD will exceed the threshold under art. 114, para. 1, p. 2 of POSA, namely "obligations are incurred to an interested party". Therefore, the transaction is subject to prior approval by the general meeting of shareholders of the public company.

### 4. In whose favour the transaction is executed: (Art. 46, para. 1, p. 1, item four of Ordinance № 2):



The described transaction for conclusion of a loan agreement by the virtue of which the subsidiary will ensure the use of financial resources for a period of up to 12 months in the amount of BGN 4 000 000 is in favour of both the public company and its subsidiary Telelink Business Services EAD.

The benefit for Telelink Business Services Group AD is the ability of the public company in carrying out its operating activities to use the funds provided by its subsidiary both in connection with the management of its subsidiaries and the public company itself, and in connection with the opportunity to use the funds to study and enter new markets.

The benefit for the subsidiary Telelink Business Services EAD is that in connection with the funds provided by it, it will receive additional remuneration in the form of interest, which will promote additionally increase of its revenues that could be used for its development.

**5. Other essential elements in order the information to be complete and not misleading: (art. 46, para. 1, p. 1, item five of Ordinance № 2):**

The Borrower will undertake to repay to the Lender the loan, which has a limit of up to BGN 4 000 000, and a revolving character, enabling amounts to be utilized and repaid repeatedly within this limit, together with all accrued and unpaid interest within 12 months. The maximum eligible indebtedness of Telelink Business Services Group AD on the basis of the loan agreement with Telelink Business Services EAD is up to BGN 4 160 000 (four million one hundred and sixty thousand Bulgarian leva), including the amount of principal and interest due.

**6. In the cases under Art. 114, para. 6 of POSA - description of the transactions, indicating for each of the transactions the subject, the value and in whose favour the transaction is executed (Art. 46, para. 1, p. 2 of Ordinance № 2):**

The transaction proposed for approval by the shareholders independently exceeds the threshold under Art. 114, para. 1, p. 2 of POSA, namely "obligations are incurred to an interested party". Therefore, the information about the subject, the value and in whose favour the transaction, is executed is indicated above in p. 1 - 5 of this reasoned report.

**7. The name, respectively the name of the party to the transaction: for transactions with interested parties, respectively with the participation of an interested party - the names, respectively the names of the entities that are interested parties under art. 114, para. 7 of POSA, the reasons why they are interested parties and the nature of their interest in the transaction (Art. 46, para. 1, p. 3 of Ordinance № 2):**

7.1. As of the date of preparation of the reasoned report Lyubomir Minchev owns 66.97% of the capital of the public company Telelink Business Services Group AD, respectively through the sole control exercised by the public company over Telelink Business Services EAD Lyubomir Minchev has indirect control over the legal entity, which is a counterparty in the transaction. Therefore, there is an interest in the sense of art. 114, para. 7, namely "persons controlling the public company", item two of POSA, regarding the control the legal entity, which is a counterparty in the transaction.

According to the provision of art. 114, para. 7 of POSA, interested parties are the members of the management bodies and supervisory bodies of the public company, the representatives of legal

entities that are members of such bodies, members of such bodies, the managerial agent of the public company, persons holding, directly and/or indirectly, at least 25 per cent of the votes in the general meeting of the company or controlling the said company, and in the case of transactions of a subsidiary - the members of its management and supervisory bodies, the representatives of legal entities that are members of such bodies, the managerial agent of the subsidiary, as well as any persons holding, directly and/or indirectly, at least 25 per cent of the votes in the general meeting of the company other than those of the public company, as well as any parties related thereto when they:

1. are a party, a representative of a party or an intermediary to the transaction, or the transactions or acts are effected in favour of the said persons; or

2. hold, directly and/or indirectly, at least 25 per cent of the votes in the general meeting, or control any legal person which is a counter party, a representative of a party or an intermediary to the transaction, or the transactions or acts are effected in favour of any such legal person, or

3. are members of management bodies or supervisory bodies, representatives of legal entities, the members of such bodies, or managerial agents of any legal person referred to in p. 1 and 2.

In respect to the cited regulation, the interested party in the transaction for conclusion of the loan agreement between Telelink Business Services Group AD - borrower and Telelink Business Services EAD - lender, is Mr. Lyubomir Minchev, who, in addition to the direct control of the public company, also exercises control over the legal entity that is a counterparty in the transaction. Therefore, there is an interest in the sense of art. 114, para. 7, namely "persons controlling the public company", p. 2, hypothesis three of POSA.

The reason why Lyubomir Minchev is an interested person is described above. The nature of his interest in the transaction is expressed in his direct shareholding in the capital of the public company Telelink Business Services Group AD, which amounts to 66.97% (according to data from the Central Depository AD as of 28<sup>th</sup> July 2021).

**7.2.** An interested party in the transaction is the representative of Telelink Business Services Group AD - Mr. Ivan Zhitiyanov, who as of 28<sup>th</sup> July 2021 owns 133 258 shares and voting rights from the capital of the public company and at the same time is an executive director and member of the Board of the directors of the legal entity that is a counterparty to the transaction - Telelink Business Services EAD - interest pursuant to Art. 114, para. 7, item one, p. 3, in connection with Art. 114, para. 7, p. 1 of POSA. The nature of the interest in the transaction is expressed in the fact that Ivan Zhitiyanov is a member of the Management Board and a representative of the public company and at the same time representative of the Board of Directors of Telelink Business Services EAD.

**7.3.** The member of the Management Board of TBSG AD - Mr. Teodor Dobrev who as of 28<sup>th</sup> July 2021 owns 4 996 shares and voting rights from the capital of the public company and at the same time is a member of the Board of Directors of the legal entity, which is counterparty to the transaction - Telelink Business Services EAD - interest pursuant to Art. 114, para. 7, item one, p. 3, in connection with Art. 114, para. 7, p. 1 of POSA. The nature of the interest in the transaction is expressed in the fact that Teodor Dobrev is member of the Management Board of the public company and at the same time member of the Board of Directors of the counterparty under the loan agreement Telelink Business Services EAD.

**7.4.** At the same time the subsidiary Telelink Business Services EAD also qualifies as an interested party within the meaning of Art. 114, para. 7, last item, p. 1, hypothesis one of POSA, insofar as by virtue of the control exercised over the public company by Mr. Lyubomir Minchev, Telelink Business Services EAD is a related party within the meaning of §1, p. 13, letter б of the additional decrees of POSA (as its activity is controlled by Lyubomir Minchev, who owns 66.97% of the capital of the public company) and at the same time is a counterparty to the transaction.

In connection with the above pursuant to Art. 114a, para. 5, sentence one of POSA, regarding the transaction for conclusion of loan agreements the shareholders Lyubomir Minchev, Ivan Zhitiyanov and Teodor Dobrev may not exercise their voting right regarding the conclusion of the transaction described in this reasoned report.

**8. Regarding transactions with interested parties - the market valuation of the transaction (Art. 46, para. 1, p. 4 of Ordinance № 2):**

The transaction offered to the attention of the shareholders qualifies as falling within the scope of Art. 114, para. 1, p. 2 of POSA, therefore by argument from the provision of art. 114a, para. 6 of POSA, for its conclusion it is not required the market price to be determined by the means of market valuation. According to Art. 114, para. 5, sentence four of POSA, in the value of the obligations under Art. 114, para. 1, p. 2 of POSA are included also the agreed interest rates in their maximum amount.

**9. Provision of information on compliance with the prohibition under Art. 114a, para. 2 of POSA.**

In relation to compliance with the prohibition of Art. 114a, para. 2 of POSA, namely the interested members of the management body not to participate in the preparation of the reasoned report, the Company notifies that Mr. Ivan Zhitiyanov and Mr. Teodor Dobrev had not participated in preparation of the reasoned report, describing the terms and conditions and expediency of the transaction for conclusion of the loan agreements.

Mr. Ivan Zhitiyanov is a member of the Management Board and representative of the public company Telelink Business Services Group AD and at the same time member of the Board of Directors and representative of the legal entity - counterparty. In view of this circumstance, Mr. Zhitiyanov had not participated in the preparation and adoption of this reasoned report, respectively he had not influenced the other disinterested members neither in the preparation, nor in the adoption of this reasoned report.

Mr. Teodor Dobrev is member of the Management Board of Telelink Business Services Group AD and at the same time member of the Board of Directors of the legal entity - counterparty to the transaction. In view of this circumstance Mr. Dobrev had not participated in the preparation of this reasoned report. In view of this circumstance Mr. Dobrev had not participated in the preparation and adoption of this reasoned report, respectively he had not influenced the other disinterested members neither in the preparation, nor in the adoption of this reasoned report.



**10. Description of the economic benefit of the public company from the offered transaction (Art. 46, para. 1, p. 6 of Ordinance № 2):**

The proposed transaction as a result of which until 31<sup>st</sup> December 2023, where necessary, Telelink Business Services Group AD will have the opportunity to conclude agreements on its own initiative, as well as to use financial resources from the subsidiary of Telelink Business Services Group AD that will support the management and development of the activity of both the public company itself and of its subsidiaries, including in connection with the opportunity of studying and entering new markets.

**11. Expediency of the proposed transaction**

Telelink Business Services Group AD and its subsidiary Telelink Business Services EAD operate as an economic group. In this sense conclusion of loan agreements with a Group company is a common practice, as through the transaction the public company will have the opportunity to dispose free with funds for the expansion of the Group's activities.

**Conclusion**

Based on the above, the Management Board of Telelink Business Services Group AD proposes to the shareholders to adopt a resolution for approval of the conclusion of the proposed transaction according to the terms and conditions and parameters set out in this reasoned report.

MANAGEMENT BOARD:

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Paun Ivanov

Member of the MB

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Nikloleta Stanailova

Member of the MB

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Goyko Martinovich

Member of the MB