

EXPLANATORY NOTES

BY “TELELINK BUSINESS SERVICES GROUP” AD

as of the end of the FOURTH QUARTER OF 2020 as per art. 100o¹, par. 2 of the POSA, with regard to art. 100o¹, par. 4, p. 2 and par. 5 of the POSA and art. 33a², par. 1, with regard to art. 33a¹, p. 2 of Ordinance 2 from September 17 2003 regarding the Prospectuses for public offering and admission to trading on a regulated securities market and the disclosure of information (Ordinance 2)

I GENERAL COMPANY INFORMATION

I.1 Establishment and Reorganization

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

As of the date of the Company’s 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.

1.2 Ownership structure and 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 Minchev as a direct majority shareholder. 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 held directly 771,875 shares with a nominal value of BGN 1 each or 6.175% of the Company's total share capital.

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.

In December 2020, a one-time share incentive program for personnel with an employment record of 2 or more years with the Group and predecessor companies was implemented, involving the transfer of 28,608 shares to 137 persons without limitations to further disposal. 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.

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.3 Corporate Governance

The Company has a two-tier board system.

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

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

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

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

I.4 Public Information

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

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

Telelink Business Services Group AD has fulfilled its obligation as per art. 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 notification, are being traded on the Standard Equities Segment of the BSE under the ticker of TBS.

II INVESTMENT PORTFOLIO

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 newly 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 maintained 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 |
|----------------------------------|---|---------------------------------|
| <i>(direct)</i> | | |
| Telelink Business Services EAD | Bulgaria | 100% |
| Comutel DOO | Serbia | 100% |
| Telelink DOO – Podgorica | Montenegro | 100% |
| Telelink DOO | Bosnia and Herzegovina | 100% |
| Telelink DOO | Slovenia | 100% |
| Telelink Business Services DOO | Croatia | 100% |
| Telelink Albania SH.P.K. | Albania | 100% |
| Telelink Business Services DOOEL | Macedonia | 100% |
| <i>(indirect)</i> | | |
| | | <i>(through TBS EAD)</i> |
| Telelink BS Staffing EOOD | Bulgaria | 100% |
| Green Border OOD | Bulgaria | 50% |

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

As of December 31 2020, 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 for and is not expected to have a material impact on the Group’s future results and financial position.

III CORPORATE EVENTS AS OF DECEMBER 30 2020

On January 28 an annex was signed to the Credit facility agreement between Comutel DOO (Serbia), a subsidiary of Telelink Business Services Group AD, and Raiffeisen Banka AD Beograd (Serbia), , subject to annual renewal, for the extension of the availability period of a revolving credit limit for the effective utilization of funds of up to USD 5 million until January 27 2021.

On January 31 2020 a resolution was adopted by the MB and SB of Telelink Business Services Group AD for the Company to sign an agreement with Picard Ivanov DOOEL for the purchase of 1 (one) share in the capital of Telelink Albania ShPK representing 10% of the company’s capital against the payment of a total consideration of EUR 1,000 (one thousand). The agreement was signed on February 25, and the price was paid in full on February 26 2020.

Subsidiary Telelink Business Services EAD is a participant in Consortium SysTel DZZD, which signed on February 19 2020 a contract with the State E-Government Agency for the “Design, implementation and operational launch of a State Hybrid Private Cloud (SHPC) and a protective node for public e-government services” with regard to the execution of a public procurement order in the amount of BGN 28,282,828 without VAT.

On February 21 2020 an Annex №1 was signed to the short-term financing agreement between Telelink Business Services EAD and Unicredit Bulbank AD, whereunder Telelink Business Services Group AD is a guarantor and pledgor, with regard to the conditional undertaking to establish pledges on the commercial enterprises of Telelink Business Services EAD and Telelink Business Services Group AD in case the procedure for listing the latter's shares on the Bulgarian Stock Exchange was not completed by February 14 2020, whereby the latter deadline was extended until April 30 2020.

On February 27 2020 the MB of Telelink Business Services Group AD adopted a resolution for subsidiary Telelink Business Services EAD to enter into an agreement with Consortium SysTel DZZD for the implementation of the public procurement order "Design, implementation and operational launch of a State Hybrid Private Cloud (SHPC) and a protective node for public e-government services". The amount of the contract signed on February 19 2020 between the State E-Government Agency and Consortium SysTel DZZD for the implementation of the public procurement order is BGN 28,283 thousand without VAT, whereas subsidiary Telelink Business Services EAD shall carry out the delivery of equipment and services in the amount of up to BGN 14,141 thousand without VAT.

On April 21 2020, an Annex №2 to the short-term financing agreement between Telelink Business Services EAD and Unicredit Bulbank AD was signed, whereby the conditional undertaking to establish pledges over the commercial enterprises of Telelink Business Services EAD and Telelink Business Services Group AD in case the procedure for the listing of the latter's share on the Bulgarian Stock Exchange was not completed by April 30 2020 was extended until July 31 2020. Telelink Business Services Group is a guarantor and pledgor under the above agreement.

On May 29 2020, Annex №3 was signed for the extension of the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 between Telelink Business Services EAD, a subsidiary of Telelink Business Services Group AD, and Unicredit Bulbank AD, whereunder по който Telelink Business Services Group AD is a guarantor and pledgor. The total credit limit of EUR 11,000,000 was distributed by sublimits and terms as follows:

- Overdraft credit up to EUR 3,000,000 with an availability period up to June 30 2020 and a repayment deadline of August 31 2020;
- Revolving credit up to EUR 2,000,000 with an availability period up to June 30 2020 and a repayment deadline of June 30 2021;
- Contingent bank credit up to EUR 10,000,000 with a utilization term up to July 31 2027 and up to June 15 2021 or letter of credit.

On June 8 the shares of Telelink Business Services Group AD (TBS Group) started trading on the Bulgarian Stock Exchange (BSE). As per initially disclosed parameters, shares equivalent to 7% of the capital were offered for sale within Tranche 1 at a minimum price of BGN 7.60 per share. Considering the strong interest, Selling shareholders offered an additional lot of shares within Tranche 1 at a fixed price of BGN 7.60 per share, in accordance with the Update procedure for the sale of shares signed on June 01 2020. In total, 982,487 shares were sold within Tranche 1. The issuer's manager was Elana Trading AD.

On June 29 2020, an Annex №4 to the Agreement for the undertaking of credit commitments under an overdraft credit line from October 10 2019 among Telelink Business Services EAD as Borrower, Telelink Business Services Group AD as pledgor and Unicredit Bulbank AD as creditor, whereby the parties agreed on increasing the amount of the extended (allowed) credit limit by EUR 2,000,000 up to a total of EUR 13,000,000 and on the extension of the availability period until May 31 2021.

On June 30 2020, the Managing Board of Telelink Business Services Group AD approved the annual financial statements of the Group's subsidiaries for 2019 and resolved on the distribution of subsidiary retained earnings for 2019 as dividends. The total amount of dividends distributed towards Telelink Business Services Group AD was BGN 8,488,302.20.

On June 30 2020 an Extraordinary general meeting of the shareholders Telelink Business Services Group AD was held. Information about the adopted resolutions is available on the Company's web page, as well as on X3News, the information agency through which the Company has been disclosing regulated information, as follows:

[https://www.tbs.tech/bg/documents/general-meetings-bg/;](https://www.tbs.tech/bg/documents/general-meetings-bg/)

<http://www.x3news.com/?page=News&BULSTAT=205744019¤t=2.>

On July 01 2020 Telelink Business Services Group AD, in its capacity of single shareholder in Comutel DOO and Telelink Slovenia, issued a corporate guarantee (Parent Guarantee for Specific Liabilities) in favour of Citi Trade Finance Operations, Citigroup Centre, Canada Square Canary Wharf, London E14 5LB, United Kingdom (Citi Bank) and Cisco Systems International B.V. (Cisco), securing the possibility for Comutel DOO Beograd and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, in the amount of up to USD 5,100,000 thousand.

On August 11 2020, Telelink Business Services Group AD signed with Unicredit Bulbank AD an Annex №1 to the Agreement for the undertaking of suretyship from October 10 2019, as well as Share pledge agreement over shares in the capital of subsidiary Telelink Business Services EAD. The signing of the Annex and the Agreement ensued from the Annex №4 to the Agreement for the undertaking of credit commitments under an overdraft credit line signed on June 29 2020. Thereby, Telelink Business Services Group AD undertook an irrevocable and unconditional responsibility in solidarity with borrower Telelink Business Services EAD for the performance of the latter's obligations as per Annex №4 from June 29 2020 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019, as well as the establishment of a pledge over shares in the capital of subsidiary Telelink Business Services EAD.

In accordance with the resolutions of the Extraordinary general meeting of shareholders from June 30 2020, on September 01 2020, the Managing Board resolved upon September 02 as a starting date of the share buyback.

On September 04 2020, the Company published a notification on the buyback of 7,775 voting shares representing 0.062% of its capital up to the same date.

On September 10 an Ordinary general meeting of the shareholders of Telelink Business Services Group AD was held. Information about the adopted resolutions is available on the Company's web page at:

[https://www.tbs.tech/bg/documents/general-meetings-bg/.](https://www.tbs.tech/bg/documents/general-meetings-bg/)

According to the Update procedure for the sales of Company shares from September 16 2020, on September 21 2020, Tranche 2 of the offering of shares was launched with 6.14% of the Company's capital or a total of 767,513 shares offered by the three selling shareholders Lubomir Minchev, Ivo Evgeniev and Spas Shopov at a price of BGN 11.10 per share. All shares were purchased on the first day of the offering, which had been scheduled to end on September 25 2020.

On September 29 2020, pursuant to the resolution adopted by the General meeting of shareholders, the Company's Managing board resolved on the payout of the dividend for 2019 and the six months dividend for 2020 to the shareholders with a starting date of October 07 2020.

On October 7 2020, the Company started the payout of dividends for 2019 and the first 6 months of 2020 to the shareholders. As of December 2020, due dividend payables have been settled in full.

On October 15 2020, an Annex was signed to the Cash loan agreement between subsidiaries Telelink Business Services Group AD (lender) and Telelink Albania Sh.p.k. (borrower), whereby the maximum amount was reduced to EUR 185,000 and the contract term was extended until December 31 2021.

On November 27 2020, the Commercial court of Zagreb, Croatia confirmed the registration of subsidiary Telelink Business Services DOO as of November 26 2020. The company's capital in the amount of HRK 75,000 was fully paid in by sole owner Telelink Business Services Group AD. The managing director is Gojko Martinovic. The members of the company's Supervisory board are Orlin Rusev, Jordanka Klenovska and Ivo Rusev.

Pursuant to the resolution of the General meeting of shareholders from September 10 2020, on November 27 2020, the Managing board of Telelink Business Services Group AD approved a Plan for the one-time stimulation of long-term employees with additional remuneration (bonus) in the form shares.

On December 10 2020 and Extraordinary general meeting of the shareholders of Telelink Business Services Group AD was held. Information about the adopted resolutions is available on the Company's web page, as well as on X3News, the information agency through which the Company has been disclosing regulated information, as follows:

http://www.x3news.com/?page=Company&target=GeneralShareholdersMeeting&BULSTAT=205744019&MESSAGE_TYPE=3;

https://www.tbs.tech/wp-content/uploads/2020/12/protokol-egms_tbsg.pdf.

In accordance with the Plan for the one-time stimulation of employees adopted on November 27 2020, on December 21 2020, Telelink Business Services Group AD transferred to Group company employees 28,608 shares with a nominal value of BGN 1.00 each, representing 0.28% of the Company's share capital. The price as of the date of transfer was BGN 12.00 per share. Accordingly, the total value of transferred shares as of the same date amounted to BGN 343 thousand.

On December 29 2020, the Managing Board adopted a resolution on the issue of a corporate guarantee in favour of subsidiary Telelink Business Services DOOEL, North Macedonia. The guarantee has an amount of 730,000 and secures future obligations of Telelink Business Services DOOEL, North Macedonia towards TS Europe BVBA, Belgium.

On December 30 2020, the Managing board adopted a Plan for the long-term stimulation of management personnel and key employees with additional remuneration (bonus) in the form shares of Telelink Business Services Group AD, conditional upon their continuing employment and financial and other results from the Group's operations in the period 2020-2022.

IV RISKS FACED BY THE COMPANY

The risks associated with the Company and the Group's activities can be generally divided into systemic (common) and non-systemic (related specifically to their activities 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 per se (underlying and derivative).

IV.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 Company and the Group and cannot be influenced thereby. 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.

IV.1.1 Political risk

Political risk is the possibility of a sudden change in the country's policy pursuant to a change of the government, the occurrence of internal political instability and unfavourable changes in European and/or national legislation, as a result of which the 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, as well as to 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 the Balkans.

Other factors relevant to this risk include potential legislative changes, and particularly those affecting the economic and investment climate in the region.

IV.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 and the Group. A potential slowdown in the economy of the EU, Bulgaria and other markets in which Group companies operate, or any other uncertainty about economic development can make buyers cautious and affect their willingness and ability to purchase the Group's products and services.

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

IV.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.

Telelink Business Services Group AD and its subsidiaries operate on different markets and in currencies different from the Company's functional currency and the local currencies of the respective subsidiaries, and are accordingly exposed to transaction and translation currency risks. The main source of transaction-driven currency risk is the purchasing by subsidiaries of equipment from global technological partners denominated in US dollars and financed with credit limits in the same currency.

IV.1.4 Interest rate risk

Interest rate risk relates to possible adverse changes in interest rates established by the financial institutions of the countries in which Group companies operate, and international institutions. The Group is exposed to the risk of increase in market interest rates relative to the use of funding in the form of overdraft limits, revolving credit lines and finance leases by subsidiaries in Bulgaria and Serbia, based the Bulgarian National Banks base interest rate (BIR), EURIBOR and USD LIBOR indices, and financial leases in Bulgaria and Macedonia, based on regularly updated average deposit index (ADI) of the lending bank and floating EURIBOR rates.

IV.1.5 Tax risk

A change in the tax legislation towards an increase of the tax burden may result in unforeseen expenses and affect negatively net profitability. The tax system in Bulgaria is still evolving, which may result in controversial tax practices. Similar risks also apply to the other countries, in which Group subsidiaries operate.

IV.2 Risks specific to the Group and sector in which it operates

IV.2.1 Risks relative to the business strategy and growth

IV.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.

IV.2.1.2 Insufficient management capacity and increased growth management costs

Notwithstanding the availability of managerial staff with significant experience and competence sufficient to manage the Group in its current business size and 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.

IV.2.1.3 Insufficient capacity and increased costs for the achievements of targets

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 centers 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.

IV.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.

IV.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.

IV.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.

IV.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.

IV.2.3 Risks relative to the market environment and competition

IV.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.

IV.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.

IV.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.

IV.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.

IV.2.4 Risks relative to public procurement

IV.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.

IV.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.

IV.2.5 Concentration risks

IV.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.

IV.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.

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

IV.2.6.1 Time and cost of adapting 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.

IV.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.

IV.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.

IV.2.6.4 Delayed or unsuccessful positioning of proprietary 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.

IV.2.7 Risks relative to long-term contracts

IV.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.

IV.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.

IV.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 stipulating preliminary notifications and compensations for expenses incurred up to that point, a potential termination could be a factor for a decrease in the Group's recurring revenues and overall sales.

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

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

IV.3 Coronavirus COVID 19 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 led to the imposition of similar measures, a part of which remain in force as of the date of this notification.

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 notification, 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 notification, 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 notification, 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, market researchers point out both risks of a general slowdown in economic growth and temporary limitations of the investment potential of certain industries and expectations for a significant acceleration of investments by client groups in technologies related to their digitalization, virtualization and collaboration capacity in a teleworking environment, including various products, services and complex solutions offered by the Group.

Considering the above factors, as of the date of this notification, the Company's management has not formed a conclusive quantitative assessment of the epidemic's consequences establishing a substantial net negative impact on its results and financial condition. Nevertheless, the management of Group companies will continue to monitor the situation's development with a view to the timely identification of actual and potential adverse effects and the undertaking all possible measures towards the limitation of their impact in due course.

V PRESENTED INFORMATION ON THE GROUP'S ACTIVITIES WITH AN IMPACT ON FINANCIAL RESULTS AS OF DECEMBER 31 2020

| Financials (BGN thousand) | (period end) | | change |
|--|-------------------|-------------------|----------------|
| | 31.12.2020 | 31.12.2019 | |
| Net sales revenue | 135,526 | 110,456 | 23% |
| Operating Expenses | -121,326 | -100,890 | 20% |
| Other Operating Income/(Expenses) (net) | 477 | 236 | 241 |
| Operating Profit | 14,677 | 9,802 | 50% |
| Financial Income/(Expenses) (net) | -458 | -659 | -31% |
| Income Tax Expense | -1,624 | -991 | 64% |
| Net Profit | 12,595 | 8,152 | 55% |
| Depreciation & Amortization Expenses | -2,631 | -2,148 | 22% |
| Interest Income/(Expenses) (net) | -240 | -362 | -34% |
| Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) | 17,090 | 11,653 | 47% |
| One-off and Extraordinary Income/(Expenses) (net) | -298 | -155 | 92% |
| Normalized EBITDA | 17,388 | 11,808 | 47% |
| | 31.12.2020 | 31.12.2019 | |
| Total Assets | 66,950 | 53,389 | 25% |
| Non-current Assets | 13,253 | 13,235 | 0% |
| Current Assets | 53,697 | 40,154 | 34% |
| Equity | 14,440 | 7,784 | 86% |
| incl. Retained Earnings and Profit for the Year | 16,008 | 9,631 | 66% |
| Total Liabilities | 52,510 | 45,605 | 15% |
| Non-current Liabilities | 5,870 | 7,238 | -19% |
| Current Liabilities | 46,640 | 38,367 | 22% |
| Cash & Cash Equivalents | 11,761 | 2,199 | 435% |
| Total Financial Debt* | 3,364 | 6,361 | -47% |
| Net Financial Debt** | -8,397 | 4,162 | -12,559 |
| | 31.12.2020 | 31.12.2019 | |
| Net Cash Flow from Operating Activities | 21,348 | 3,048 | 600% |
| incl. Withholding Tax on Distributed Dividends | -271 | 0 | 0% |
| Net Cash Flow from Investment Activities | -1,236 | 4,656 | -5,892 |
| Net Cash Flow from Financing Activities | -10,550 | -8,818 | 20% |
| incl. Dividends Paid | -5,924 | 0 | 0% |
| * Incl. loans and finance lease contracts | | | |
| ** Total Financial Debt - Cash & Cash Equivalents | | | |
| *** Net, after withholding taxes | | | |
| | 31.12.2020 | 31.12.2019 | |
| Ratios | (period end) | | change |
| | 31.12.2020 | 31.12.2019 | |
| Operating Margin | 10.8% | 8.9% | 2.0% |
| Net Margin | 9.3% | 7.4% | 1.9% |
| EBITDA margin | 12.6% | 10.5% | 2.1% |
| | 31.12.2020 | 31.12.2019 | |
| Current Ratio | 1.15 | 1.05 | 0.10 |
| 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 |

Telelink Business Services Group AD was established in June 2019 and reorganized in August 2019. In accordance with IAS 8.12 and the rules of accounting business combinations of companies under common control, the Company adopted the presentation approach of applying the method of the predecessor. Accordingly, the results of integrated companies are included in the consolidated financial report retrospectively, i.e. the financial reports reflect the result of the relevant companies for the period January 1 – December 31 2019 even though the reorganization took place on August 14 2019, using values included in the consolidated financial statements of the former parent company. Moreover, corresponding amounts for periods prior to the reorganization reflect the scope and structure of the Group, even though it did not exist prior to the reorganization. The intercompany balances, turnovers as unrealized profits and losses from transactions within the Group have been eliminated.

V.1 Revenues, costs and profitability

V.1.1 Revenues

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 135,526 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 Hercegovina 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 76%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%.

¹ Growth in revenues from clients other than Group companies.

V.1.1.1 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 Specific | (1) | 42,461 | 31,015 | 37% | 31% | 28% |
| Enterprise Connectivity | (2) | 34,980 | 35,441 | -1% | 26% | 32% |
| Hybrid Cloud | (3) | 29,531 | 22,145 | 33% | 22% | 20% |
| Application Services | (4) | 324 | 2,305 | -86% | 0.2% | 2% |
| Modern Workplace | (5) | 22,187 | 14,308 | 55% | 16% | 13% |
| Information Security | (6) | 5,077 | 4,086 | 24% | 4% | 4% |
| Other | (7) | 966 | 1,156 | -16% | 1% | 1% |
| Data Networks | (1+2) | 77,441 | 66,456 | 17% | 57% | 60% |
| Data Center | (3+4) | 29,855 | 24,450 | 22% | 22% | 22% |
| Office Productivity | (5) | 22,187 | 14,308 | 55% | 16% | 13% |
| Information Security | (6) | 5,077 | 4,086 | 24% | 4% | 4% |
| Others | (7) | 966 | 1,156 | -16% | 1% | 1% |
| | | 135,526 | 110,456 | 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 22,187 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 29,531 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 5,077 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 34,980 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.

V.1.1.2 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 | 81,818 | 64,152 | 28% | 60% | 58% |
| Mid-Western Balkans | 41,167 | 39,248 | 5% | 30% | 36% |
| South-Western Balkans | 5,363 | 3,165 | 69% | 4% | 3% |
| Central & Eastern Europe | 5,808 | 3,565 | 63% | 4% | 3% |
| Other Markets | 1,370 | 326 | 320% | 1% | 0% |
| Total | 135,526 | 110,456 | 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 81,818 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. Totalling BGN 41,167 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 36% 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 5,363 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 7,178 thousand or 5% of consolidated sales as compared to 4% in 2019.

V.1.2 Expenses and profitability

In parallel with revenue growth, the consolidated operating expenses of BGN 121,326 thousand reported in the current period increased by 20% over 2019. For the most part, this increase related to the achieved growth in sales revenue, leading to logical growth in the cost of delivered equipment included under "balance sheet value of assets sold (excluding production)", as well as in the direct costs of provided services accounting for a substantial part of the cost of externally sourced services. Logical growth in the context of expanding activities was also observed in salary and social security expenses reflecting growing personnel in Bulgaria and the launch of operations in newly established operations in Albania and Macedonia in the fourth quarter of 2019.

Faster growth in revenues over operating expenses was reflected in an increase in the operating profit of BGN 14,677 thousand reported for 2020 by BGN 4,875 thousand or 50% over 2019, with operating margin also improving 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 17,090 thousand reported for 2020 exhibited an even larger absolute

increase by BGN 5,437 thousand at a slightly lower but nonetheless significant rate of 47% over 2019, along with a corresponding margin improvement from 10.5% to 12.6%.

In parallel, the Group recorded a 31% reduction in net financial expenses down to 0.3% of net sales revenue (as compared to 0.6% for 2019).

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 12,595 thousand recorded for 2020 grew by BGN 4,443 thousand or 55% over 2019, along with a corresponding net margin improvement from 7.4% to 9.3%.

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 391 thousand, and the positive foreign exchange revaluation effect from a granted loan impaired in previous periods, in the amount of BGN 93 thousand. Based on the net amount of the aforementioned effects (BGN 298 thousand) and reported EBITDA for the period, normalized EBITDA for 2020 has been established in the amount of BGN 17,388 thousand.

V.2 Assets, liabilities and equity

V.2.1 Assets

Amounting at BGN 66,950 thousand, consolidated assets reported as of December 30 2020 exhibited an overall increase by BGN 13,561 thousand or 25% over the end of 2019.

The above upside was entirely attributable to current assets, which increased by BGN 13,543 thousand or 34% mainly as a result of the strongly positive cash flow (increase in cash and cash equivalents) of BGN 9,562 thousand realized owing to the significant net proceeds from operating activities in the context of strong profitability and faster growth in payables to suppliers, advances received and other current liabilities comparing to inventories and receivables from clients. Amounting at BGN 53,697 thousand, consolidated current assets 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 13,253 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.

V.2.2 Liabilities

Assuring 51% of growth in assets for the period, the consolidated liabilities of BGN 52,510 thousand reported as of December 30 2020 registered a 15% increase from the end of 2019.

The above upside was entirely attributable to current liabilities, which increased by BGN 8,273 thousand or 22% 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 2,004 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 1,026 thousand, which do not represent financial debt.

As of period end, reported consolidated current liabilities of BGN 46,640 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 5,870 thousand or 11% of total liabilities and 9% the Group's total assets as of period end, consolidated non-current liabilities decreased by BGN 1,368 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.

V.2.2.1 Financial Debt

Summing the above-mentioned interest-bearing loan obligations in the amount of BGN 2,004 thousand and such arising from finance leases in the total amount of BGN 1,360 thousand, the consolidated financial debt of BGN 3,364 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 11,761 thousand, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) was reduced by BGN 12,559 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 -8,397 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.

V.2.3 Equity

Covering 49% of growth in total assets over the reporting period, the consolidated net assets (equity) of BGN 14,440 thousand reported as of December 30 2020 increased by BGN 6,656 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 Company expenses. As of period end, accumulated earnings including the above surplus reached BGN 16,008 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 339 thousand. Besides the latter amount, special currency translation reserves in the amount of BGN -551 thousand and 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 reflect mainly expenses accrued for the variable compensation of the Company's Managing Board 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.

VI IMPORTANT EVENTS DURING THE REPORTING PERIOD

Information about the important events which occurred during the reporting period is presented in Appendix 9 as per Ordinance 2 to this notification.

VII INFORMATION ABOUT LARGE TRANSACTIONS MADE BETWEEN RELATED PARTIES DURING THE REPORTING PERIOD

Upon the presentation of consolidated results, transactions between related parties within the Group are eliminated. The transactions between TBS Group AD and related parties, including such within the Group, were presented in the notification on an individual basis.

Towards the end of 2020, the Group has made the following transactions with related parties:

| Operating Activities (BGN thousand) | Sales to related parties | Purchases from related parties |
|--|--------------------------|--------------------------------|
| Other related parties (under common control) | 4,879 | 2,429 |
| Total | 4,879 | 2,429 |

| Operating Activities (BGN thousand) | Receivables from related parties | Payables to related parties |
|--|----------------------------------|-----------------------------|
| Other related parties (under common control) | 1,025 | 2,668 |
| Total | 1,025 | 2,668 |

| Interest (BGN thousand) | Charged to related parties | Charged by related parties |
|--|----------------------------|----------------------------|
| Other related parties (under common control) | 14 | 0 |
| Total | 14 | 0 |

Joint operations

The interest of Group companies in joint operations is determined by the consortium agreements whereby such companies and other parties agree to unite their efforts on the basis of mutual cooperation in the form of a consortium for the purposes of implementing specific projects, with none of the parties exercising control.

The interest of Group companies in consortia in terms of revenues, costs, assets and liabilities over the period under review are presented below.

| Operating Activities (BGN thousand) | Sales | Purchases |
|---|--------|-----------|
| Participation in joint operations (consortia) | 11,056 | 1 |

| Operating Activities (BGN thousand) | Receivables | Payables, incl. advances received |
|---|-------------|-----------------------------------|
| Participation in joint operations (consortia) | 842 | 0 |

VIII INFORMATION ABOUT NEW SUBSTANTIAL RECEIVABLES AND PAYABLES DURING THE REPORTING PERIOD

On July 01 2020 Telelink Business Services Group AD, in its capacity of single shareholder in Comutel DOO and Telelink Slovenia, issued a corporate guarantee (Parent Guarantee for Specific Liabilities) in favour of Citi Trade Finance Operations, Citigroup Centre, Canada Square Canary Wharf, London E14 5LB, United Kingdom (Citi Bank) and Cisco Systems International B.V. (Cisco), securing the possibility for Comutel DOO Beograd and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, in the amount of up to USD 5,100,000 thousand.

On August 11 2020, Telelink Business Services Group AD signed with Unicredit Bulbank AD an Annex №1 to the Agreement for the undertaking of suretyship from October 10 2019, as well as a Share pledge agreement over shares in the capital of subsidiary Telelink Business Services EAD. The signing of the Annex and the Agreement ensued from the Annex №4 signed on June 29 2020 to the Agreement for the undertaking of credit commitments under an overdraft credit line with a total limit of EUR 13,000,000 and availability period until May 31 2021. Thereby, Telelink Business Services Group AD undertook an irrevocable and unconditional responsibility in solidarity with borrower Telelink Business Services EAD for the performance of the latter's obligations as per Annex №4 from June 29 2020 to the Agreement for the

undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019, as well as the establishment of a pledge over shares in the capital of subsidiary Telelink Business Services EAD.

The above contracts have the nature of contingent undertakings and do not participate in the the formation of consolidated assets and liabilities.

On September 10 2020, the General meeting of shareholders resolved on the distribution of a dividend of BGN 195,559.94 from the net profit of Telelink Business Services Group AD for 2019, as well as of a six months dividend of BGN 6,000,000 from the net profit recorded by the Company as per the prepared half-year financial statements for the first 6 months of 2020 and based on the Report on the compliance with the requirements of art. 115в of the POSA. As of December 31 2020, the ensuing dividend payables of Telelink Business Services Group AD to its shareholders in the amount of BGN 6,195,559.94 have been fully paid.

On December 29 2020, the Managing board adopted a resolution on issuing a corporate guarantee in favour of subsidiary Telelink Business Services DOOEL - North Macedonia. The guarantee is in the amount of USD 730,000 and secures future obligations of subsidiary Telelink Business Services DOOEL - North Macedonia to TS Europe BVBA, Belgium.

March 01 2021

Sofia