CONSOLIDATED FINANCIAL STATEMENTS
•
CONSOLIDATED ANNUAL REPORT

TELELINK BUSINESS SERVICES GROUP AD

FOR THE YEAR ENDED
DECEMBER 31 2020

CONTENTS

Supervisory Board (SB)

Hans van Houwelingen – Chair of SB;
Ivo Evgeniev Evgeniev – member of SB;
Bernard Jean Luc Moscheni – member of SB.

Management Board (MB)

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

Head office and registered Office
Vitosha region, v.a. Malinova dolina, 6 Panorama Sofia Str.,
Business Center Richhill, Block B, 2nd floor
1766 Sofia

Servicing banks
Unicredit Bulbank AD

Legal consultants
Consult 2002 EOOD
42, Alabin St. fl. 2
Sofia

Auditors
Ernst & Young Audit OOD
Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., fl. 4
1124 Sofia

Building a better working world

Ernst & Young Audit OOD
Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., floor 4
1124 Sofia, Bulgaria

Tel: +359 2 81 77 100
Fax: +359 2 81 77 111
ey.com

Independent auditor's report

To the shareholders of
Telelink Business Services Group AD

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Telelink Business Services Group AD and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from contracts with customers The Group's disclosures about revenue from contracts with customers are included in Notes 5 Significant accounting judgements, estimates and assumptions and Note 8 Revenue from contracts with customers to the consolidated financial statements.	
In the consolidated financial statements for the year ended 31 December 2020 the Group reports revenue from contracts with customers at the amount of BGN 135,495 thousand. The Group has a variety of contracts with customers with specific conditions, duration and nature of performance obligations. The Group has developed an accounting policy for recognizing revenue from contracts with customers in accordance with IFRS 15 Revenue from contracts with customers, as disclosed in Notes 4 and 5. The application of this policy requires the Group's management to make significant judgments in order to determine the separate performance obligations under contracts with customers, which	In this area our audit procedures, among other, included: - Obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the initial and execution phases of contracts with customers, including COVD-19 implications. - Evaluated the reasonableness of management's assessment of economic substance and commercial context based on a risk-based selection of a sample of contracts with customers. - For a sample contracts with customers, we analysed their general terms and conditions, termination rights, penalties for delay and breaches, as well as the

significantly affect the amount of revenue recognized in the reporting period. The key judgements include an analysis of the economic nature and commercial context of contracts with customers to identify separate performance obligations, as well as an assessment of their progress at the end of the reporting period, including estimates and assumptions about significant financing component, agent vs. principal assessment, the volume of services, activities and inventories that are required for satisfaction of the performance obligations; the expected total contract costs; the remaining costs of completing the contract; the total revenue from the contract, as well as the risks under the contracts, including technical, regulatory and legal risks. Due significance of revenue from contracts with customers and the significant judgements and assumptions made by management in their accounting, we consider this area to be a key audit matter.	related contract assets and liabilities reported in the statement of financial position. - Assessed whether the separate performance obligations under contracts with customers were determined by the Group's management in accordance with the requirements of IFRS 15. For a risk-based sample of contracts with customers, we focused on obtaining audit evidence from external sources for the progress of the separate performance obligations as of the reporting date through inspection of acceptance protocols, agreed general terms and conditions, and obtaining representations from the Group's lawyers regarding alleged breaches of contract and claims asserted. - Applied data analytics procedures to identify anomalies in profit margin development throughout the projects' execution. - Reviewed and assessed the completeness, appropriateness and adequacy of the Group's disclosures in the consolidated financial statements regarding the revenue from contracts with customers, including management's significant accounting judgements, estimates and assumptions.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the corporate governance statement, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report, including the corporate governance statement of the Group, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

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Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
c) The corporate governance statement of the Group referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

— Ernst & Young Audit OOD was appointed as a statutory auditor of the consolidated financial statements of "Telelink Business Services Group" AD for the year ended 31 December 2020 by the general meeting of shareholders held on 10 September 2020 for a period of one year.
— The audit of the consolidated financial statements of the Group for the year ended 31 December 2020 represents first total uninterrupted statutory audit engagement for that group carried out by us.

— We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the audit committee of "Telelink Business Services Group" AD, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
— We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
— We hereby confirm that in conducting the audit we have remained independent of the Group.

Audit Firm Ernst & Young Audit OOD with registered number 108:

Digitally signed by
Nikolay Georgiev Garnev
Date: 2021.04.28
19:49:23 +03'00'

Digitally signed by
NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:44:07
+03'00'

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

Sofia, Bulgaria
28 April 2021

CONSOLIDATE STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

		Group	
		2020	*2019*
	Notes	*BGN'000*	*BGN'000*
Revenue	8	135,495	110,328
Cost of sales	11	(108,764)	(90,469)
Gross profit		26,731	19,859
Other operating income	12	523	364
General and administrative expenses	9, 11	(5,521)	(4,589)
Selling and marketing expenses	10, 11	(6,938)	(5,498)
Other operating expenses	12	(115)	(179)
Net impairment losses on trade receivables and contract assets	22	-	(155)
Operating profit		14,680	9,802
Finance income	13	13	2
Finance costs	13	(563)	(640)
Net impairment losses on other financial assets	23	93	(21)
Profit before tax		14,223	9,143
Income tax expense	15	(1,623)	(991)
Profit for the year from continuing operations		12,600	8,152
Other comprehensive income/(loss) for the year, net of tax		(4)	9
Total comprehensive income for the year, net of tax		12,596	8 161
Attributable to:			
Owners of the company		12,596	8,161
Non-controlling interests		-	-
		12,596	8,161
Net profit on share		1,008	0,652

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 28 April 2021 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:44:43 +03'00'

Ivan Krasimirov Zhitiyanov
Executive Director

IVAN KRASIMIROV ZHITIYANOV Digitally signed by IVAN KRASIMIROV ZHITIYANOV Date: 2021.04.28 15:28:42 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

YORDANKA LYUBCHOVA KLENOVSKA Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA Date: 2021.04.28 13:48:57 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 23 April 2021.

The accompanying notes from 1 to 38 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December

	Notes	2020	2019
ASSETS		BGN'000	BGN'000
Non-current assets			
Property, plant and equipment	18	7,910	8,166
Investment properties	19	372	362
Intangible assets	20	631	574
Prepayments	17	3,711	3,617
Deferred tax asset	15	633	516
		13,257	13,235
Current assets			
Inventories	21	7,849	5,170
Trade and other receivables	22	25,135	24,871
Contract assets	8, 22	2,863	1,700
Loans granted	23	-	-
Prepayments	17	5,143	5,013
Cash and cash equivalents	24	11,762	2,199
Income taxes receivable		379	472
		53,131	39,425
Assets classified as held for sale	16	554	729
		53,685	40,154
TOTAL ASSETS		66,942	53,389

Continued to page 11

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 28 April 2021 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:45:13 +03'00'

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December

Continued from page 11

EQUITY AND LIABILITIES		*2020 BGN'000*	*2019 BGN'000*
Share capital	32	12,500	12,500
Legal reserves	32	341	317
Other reserves	32	(13,883)	(14,108)
Other components of equity	32	40	-
Retained earnings	32	3,414	1,479
Profit for the year	32	12,600	8 152
Equity	32	15,012	8,340
Foreign currency translation reserve	32	(560)	(556)
Total equity		14,452	7,784
Non-current liabilities			
Lease liabilities	27	2,771	4 168
Employee benefits	30	16	10
Government grants	25	-	72
Contract liabilities	8,29	3,088	2,988
		5,875	7,238
Current liabilities			
Interest-bearing loans and borrowings	26	2,003	4,124
Lease liabilities	27	1,819	1 841
Trade and other payables	28	33,259	26,796
Government grants	25	290	328
Contract liabilities	8,29	8,565	4,939
Income tax payable		679	339
		46,615	38,367
Total liabilities		52,490	45,605
TOTAL EQUITY AND LIABILITIES		66,942	53,389

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 28 April 2021 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:45:46 +03'00'

Ivan Krasimirov Zhitiyanov
Executive Director

IVAN KRASIMIROV ZHITIYANOV
Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 15:29:06 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

YORDANKA LYUBCHOVA KLENOVSKA
Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA
Date: 2021.04.28 13:49:26 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 23 April 2021.
The accompanying notes from 1 to 38 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 December

	Share Capital *BGN'000*	Legal reserves *BGN'000*	Other reserves *BGN'000*	Other components of equity	Retained earnings *BGN'000*	Equity attributable to the owners *BGN'000*	Foreign currency translation reserve *BGN'000*	Total equity *BGN'000*
Balance at 01 January 2019	1,574	100	-		7,360	9,034	(565)	8,469
Profit for the year	-	-	-	-	8,152	8,152	-	8,152
Other comprehensive income	-	-	-	-	-	-	9	9
Total comprehensive income	-	-	-	-	8,152	8,152	9	8,161
Increase in capital reserves (note 32)	10,926	217	-	-	-	11,143	-	11,143
Dividends distributed (note 33)	-	-	-	-	(5,881)	(5,881)	-	(5,881)
Transfers			15			15	-	,15
Restructuring	-		(14,123)	-		(14,123)	-	(14,123)
Balance at 31 December 2019	12,500	317	(14,108)	-	9,631	8,340	(556)	7,784
Balance at 01 January 2020	12,500	317	(14,108)	-	9,631	8,340	(556)	7,784
Profit for the year	-	-	-	-	12,600	12,600	-	12,600
Other comprehensive income	-	-	-	-	-	-	(4)	(4)
Total comprehensive income	-	-	-	-	12,600	12,600	(4)	12,596
Increase in capital reserves (note 32)	-	22	-	-	(22)	-	-	-
Dividends distributed (note 33)	-	-	-	-	(6,195)	(6,195)	-	(6,195)
Transfers	-	2	14	-	-	16	-	16
Buy-back of own shares	-	-	-	40	-	40	-	40
Employee share-based compensation	-	-	211	-	-	211	-	211
Balance at 31 December 2020	12,500	341	(13,883)	40	16,014	15,012	(560)	14,452

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 28 April 2021 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:46:13 +03'00'

Ivan Krasimirov Zhitiyanov
Executive Director

IVAN KRASIMIROV ZHITIYANOV
Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 15:29:26 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

YORDANKA LYUBCHOVA KLENOVSKA
Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA
Date: 2021.04.28 13:49:45 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 23 April 2021.
The accompanying notes from 1 to 38 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December

	Notes	2020 BGN'000	2019 BGN'000
Operating activities			
Profit before income tax from continuing operations		14,223	9,143
Adjustment to reconcile profit before tax to net cash flows			
Non-cash transfers:			
Net finance costs		436	596
Movements in retirement benefits obligations and government grants	25, 30	(487)	(234)
Impairment losses on trade receivables and contract assets		-	155
Share-based payments expense	37	601	-
(Gain) on disposal of property, plant and equipment	12	-	(8)
Loss on disposal of assets held for sale		36	78
Depreciation & amortisation	18, 20	2,631	2,148
Working capital adjustments			
(Increase) / decrease in inventories		(2,931)	(1 307)
Decrease /(Increase) in trade and other receivables, contract assets		(1,455)	2,316
Decrease in trade and other payables, contract liabilities		10,189	(8,134)
Bank charges paid		(197)	(234)
Income taxes paid		(1,307)	(1,450)
Net cash flows from from operating activities		21,739	3,069

Continued to page 14

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 28 April 2021 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:46:41 +03'00'

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December
Continued from page 14

		2 020 *BGN'000*	*2 019* *BGN'000*
Investing activities			
Purchase of property, plant and equipment	18	(1,360)	(2,072)
Purchase of intangible assets	20	(341)	(232)
Proceeds from sale of property, plant and equipment		22	88
Receipt of government grants	25	383	464
Proceeds from loans	23	-	6,426
Interest received		13	3
Net cash flows from / (used in) investing activities		(1,283)	4,677
Financing activities			
Proceeds from capital		-	50
Proceeds form borrowings	26	9,876	49,307
Repayment of borrowings	26	(11,997)	(50,494)
Payments on leases	27	(1,932)	(1,426)
Dividends paid	32	(5,924)	(5,881)
Tax withheld on dividend		(271)	-
Repurchase of shares	32	(302)	-
Interest paid		(109)	(259)
Interest paid on leases	27	(120)	(115)
Net cash flows used in financing activities		(10,779)	(8,818)
Net change in cash and cash equivalents		9,677	(1,072)
Net foreign exchange difference		(114)	(42)
Cash and cash equivalents at 1 January		2,199	3,313
Cash and cash equivalents at 31 December	24	11,762	2,199

Financial statements for which Ernst & Young Audit OOD with registered number 108 has issued auditors' report dated 28 April 2021 with Nikolay Garnev being the Registered Auditor in charge of the audit.

Digitally signed by NIKOLAY Georgiev Garnev
Date: 2021.04.28 19:47:12 +03'00'

Ivan Krasimirov Zhitiyanov
Executive Director

IVAN KRASIMIROV ZHITIYANOV
Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 15:29:47 +03'00'

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

YORDANKA LYUBCHOVA KLENOVSKA
Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA
Date: 2021.04.28 13:50:09 +03'00'

The financial statements were approved for issue by decision of the Management Board dated 23 April 2021.
The accompanying notes from 1 to 38 are an integral part of these financial statements.

1. Corporate information

Incorporation

Telelink Business Services Group EAD (the Company) was incorporated on 12 July 2019 as a sole-shareholder joint stock company with an owner Telelink Holdings BV (The Netherlands), registered with the Trade Register of the Registry Agency under UIC 205744019. The registered office of the Company is: Vitosha region, v.a. Malinova dolina, 6 Panorama Sofia Str., Business Center Richhill, Block B, 2nd floor, 1766 Sofia, Bulgaria.

Telelink Business Services Group EAD is a public company, registered with Financial Supervision Commission on 28 November 2019.

Company shares are traded on the Bulgarian Stock Exchange.

Shareholders

At 31 December 2019, the founder of the Group, Lyubomir Minchev, held directly 10,456,250 shares with nominal value of BGN 1 each, representing 83.65% of the Company's total capital. The other individuals holding more than 5% of the Company's capital are Ivo Evgeniev Evgeniev and Spas Toshev Shopov, each one of them holding directly 771,875 shares with nominal value of BGN 1 each, respectively 6.175% of the Company's total capital.

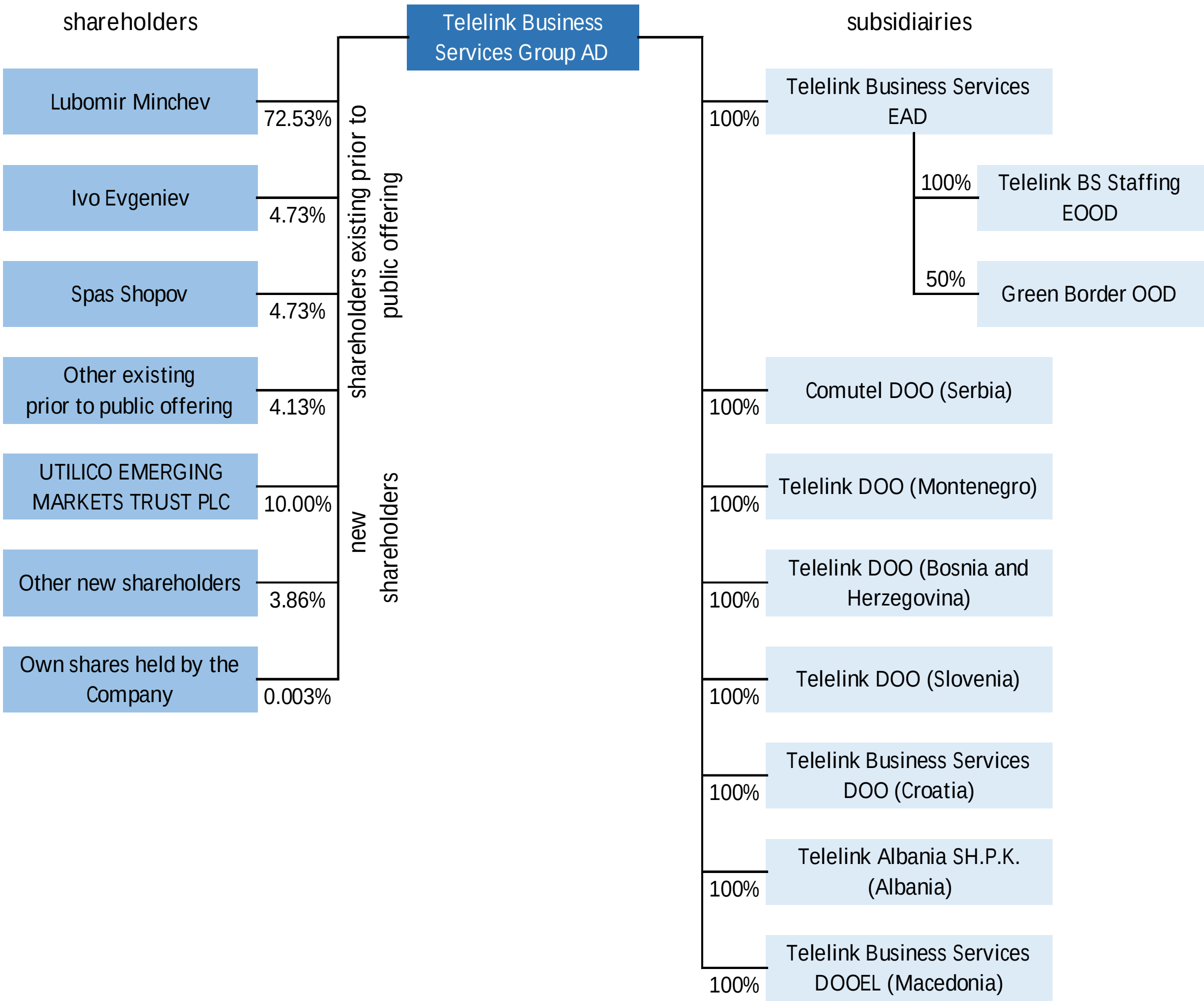
The first tranche of the Company's planned offering on the BSE was carried out between 08 and 11 June 2020, whereby selling shareholders Lubomir Minchev, Spas Shopov and Ivo Evgeniev realised a total of 982,487 shares or 7.86% of the existing 12,500,000 shares in the Company's total capital at a price of BGN 7.60 per share.

The second tranche of public offering on the BSE was carried out between 21 and 23 September 2020, whereby Lubomir Minchev, Spas Shopov and Ivo Evgeniev realised further sales of a total of 767,513 shares or 6.14% of the Company's existing shares at a price of BGN 11.10 per share.

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

Ownership structure and Group structure as at 31 December 2020 are presented below:

1. Corporate information (continued)



Business

Telelink Business Services Group specializes in providing services related to systems integration and maintenance of customers' information and communication systems in the three main market segments: mobile telecommunications service providers, fixed telecommunications service providers, and large and mid-sized public and private organizations within the area of the group's territorial presence and globally.

The consolidated financial statements present financial information of Telelink Business Services Group AD and its subsidiaries - Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (North Macedonia), Telelink Albania SH.P.K. (Albania), Telelink Business Services DOO (Croatia), all of them jointly the "Group".

2. Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for investment properties measured at fair value and defined benefit obligations measured at the present value of the obligations. The financial statements are presented in Bulgarian leva (BGN), which is the Group's functional currency. All values are rounded off to the nearest thousand (BGN' 000), except when otherwise stated.

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue by decision of the Management Board dated 23 April 2021.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). The reporting framework "IFRS, adopted by EU" in its essence is the national accounting basis IAS, adopted by EU, settled in the Accountancy Act and defined in p.8 in its Additional Provisions.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Telelink Business Services Group AD and its subsidiaries as at 31 December 2020.

Subsidiaries are all entities over which the Group has control. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its return. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Non-controlling interests (NCI) are measured at the proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets and liabilities of the subsidiary, and non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained in a former subsidiary is recognised at fair value at the time the control is lost.

All intra-group balances and transactions, unrealised income and expenses, resulting from intra-group transactions, are eliminated. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

Telelink Business Services Group AD is a newly incorporated entity established in 2019. After its registration, an activity is separated from an existing entity, comprising companies which were under common control, but did not form a legal group as of 31 December 2018.

3. Basis of consolidation (continued)

Business combinations between entities under common control are accounted for using predecessor value method. Under this method, the newly established company, Telelink Business Services Group AD, incorporates the assets and liabilities of the entities acquired in 2019 using the acquiree's values from the consolidated financial statements of the previous parent entity. The acquired entity's results are included in the consolidated financial statements retrospectively: the financial statements reflect full year's results of Telelink Business Services EAD, Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia) for 2018, even though the business combination occurred in 2019. In addition, the corresponding amounts for 2018 reflect the combined results of the new group structure, even though the transformation occurred in 2019. Intragroup balances and unrealized gains and losses on transactions within the Group are eliminated.

Telelink Business Services Group AD has prepared its first consolidated financial statements for the year ended 31 December 2019, which include comparative data from the financial statements of Telelink Bulgaria EAD for previous years.

The Group has not identified reporting segments and does not disclose segment information in accordance with IFRS 8 Operating Segments.

4. Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements have been prepared in Bulgarian leva, which is the Group's functional and reporting currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency at the rate of exchange ruling at the reporting date. Any differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the exchange rate as at the date of the initial transaction (acquisition).

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Business combinations under common control

Business combinations between entities under common control are accounted for as if the acquisition had taken place at the beginning of the earliest comparative period presented or, if later, on the date on which joint control existed, and for the purpose, the comparative information is restated. Assets and liabilities are recognised at the carrying amounts previously reported in the consolidated financial statements of the shareholder exercising control over the Group ('predecessor value method'). The acquirees' results are included in the consolidated financial statements retrospectively, i.e. the comparative date for previous years reflect summarised results of the new structure of the Group, even though the transformation occurred in the current year. Intragroup balances and unrealized gains and losses on transactions withing the Group are eliminated.

Joint Arrangements

A participation in joint arrangements is determined within contractual relations, which entitle the parties to joint control over the agreement. Joint arrangements are either joint operations or joint ventures. The Group analyses its participation in joint arrangements by considering its rights and obligations, as well as the structure and legal form of each arrangement, and the contractual terms agreed to in the arrangement. In respect of its participation in a joint venture, the Group recognises the assets, liabilities, revenue from the sale of the products of the joint arrangement, expenses, including those incurred jointly and accounted for in the assets, liabilities, income and expenses associated with their participation in the joint arrangement in compliance with IFRSs applicable to the specific assets, liabilities, income and expenses.

Assets held for sale

The Group classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition and its sale is highly probable. For the sale to be highly probable, management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when events or circumstances beyond the Group's control may extend the period and if there is evidence that management is still committed to its plan to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of any accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the machinery and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the machinery and equipment as a replacement if the recognition criteria are satisfied. Any other repair and maintenance costs are recognised in the statement of profit or loss in the period in which they were incurred.

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Type of the asset	Useful life in years
Computers	2 years
Machinery and equipment	3.33 years
Motor vehicles	4 years
Managed services hardware	in accordance with the duration of the contract for the provision of such services - usually 4/7 years
Furniture and fixtures and fittings	6.67 years
Other assets	6.67 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if the expectations differ from the previous accounting estimates.

Investment property

Investment property is property held to earn rental income or for capital appreciation or both. Investment property is measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in profit or loss in the period in which they arise.

Investment property is derecognised on disposal of or when the investment property is permanently retired and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the statement of profit or loss and other comprehensive income in the period of retirement or disposal.

Transfers from or to investment properties are made only in case of change of their use. For a transfer from investment property carried at fair value to owner-occupied property or inventory, the deemed cost for subsequent accounting under IAS 16 or IAS 2 is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group applies IAS 16 up to the date of change in use.

Borrowings costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognised initially where there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Group. Subsequently, they are recognized in profits and losses on a systemic basis over the asset’s useful life.
Government grants that compensate the Group for expenses incurred are recognized in profits and losses on a systemic basis in the periods, in which the expenses were incurred.

Intangible assets

Non-current intangible assets acquired separately are measured initially at cost. The cost comprises the purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on bringing the asset to its intended use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Internally generated intangible assets, excluding development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into a research phase and a development phase.

If the Group cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the Group treats the expenditure on that project as if it were incurred in the research phase only. Development costs are recognised for assets if the Group has control and expects future economic benefits from it.

The useful life of the intangible assets is assessed to be finite.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Type of asset	Useful life in years
Software	2 years
Managed services software	in accordance with the duration of the contract years - usually 4/7 years
Other assets	Within the contract period

Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is classified by function in the statement of profit or loss and other comprehensive income, depending on the use of the intangible asset.

Any gain or loss arising on derecognition of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of profit or loss and other comprehensive income for the year in which the asset is derecognised.

Inventories

Inventories include materials, goods for trading, and work in progress. Inventories are measured at the lower of cost or net realisable value. The cost of inventories reflects their purchase price plus any other costs necessary to bring them to their present location and condition and is determined using the weighted average method. Net realisable value for goods for trading and finished products is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress includes cost of direct materials and labour but excluding borrowing costs.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses on continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

Impairment of non-financial assets (continued)

For all non-financial assets excluding goodwill, the Group assesses whether there are indications that the impairment loss on an asset other than goodwill recognized in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after recognition of the last impairment loss. If that is the case the carrying amount of the asset is increased to its recoverable amount. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount, after deduction of amortization, that would have been determined had no impairment loss been recognized for asset in previous periods. The reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income for the year.

Cash and cash equivalents

Cash and short term deposits comprise cash in bank accounts and on hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using effective interest rate method and are impaired. Gains and losses are recognized in profit or loss statement when the asset is derecognised, modified or impaired.

Financial assets at amortised cost of the Group include trade receivables and loans to third parties.

Financial assets at fair value through other comprehensive income (debt instruments)

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group may choose to classify irrevocably as equity instruments at fair value through other com comprehensive income when they meet the equity requirements under IAS 32 Financial Instruments: Presentation and when they are not held for trading. The classification is determined on the basis of an individual instrument.

Gains and losses on these financial assets are never "recycled" into profit or loss. Dividends are recognised as other income in the income statement when the right to payment is established, except when the Group benefits from such income as a refund of part of the cost of the financial asset, in which case the gains are recognized in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not tested for impairment

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated

Financial assets (continued)

liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 26„Interest-bearing loans and borrowings".

Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group. Short-term employee benefits are measured at the undiscounted amount of the expected cost of the benefit.

State social security plan

All employees of the Group are members of the Bulgarian Social Security Plan. In the normal course of business, the Group makes payments to the National Social Security Fund and National Health Insurance Fund based on employee's remuneration, at rates determined by the Bulgarian Social Security Code. The share of the Group in the social security contributions is treated as payments made under a defined contribution plan and is recognized as expense at the time when incurred. Under the State Social Security Plan, all related risks are assumed by the employees. The Group bears no other obligation.

Retirement benefits

The Group operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Company for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined by the Group using the actuarial projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Interest expense is calculated by applying the discount rate to the retirement benefit liability. The changes in the defined benefit obligation are recognised by the Group in profit or loss for the period and are presented as follows:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Emplyee benefit expense";
- Net interest expense or income within "Finance costs".

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 5.

Sale of goods/equipment

Revenue from sale of goods and equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranty obligations

The Group provides also an extended warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment.

Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment. Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable.

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Installation services (continued)

Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The Group recognises revenue from installation services over time by considering the stage of completion of installation services. Usually, these services are carried out shortly after the delivery of the equipment. The sales revenue of the equipment is recognized at a point in time, upon the delivery of the equipment.

Provision of services related to licensing and software, developed by third parties

The Group provides services related to the transfer of software licenses under contracts with customers, which is fulfilled by downloading and activating a license key. An integral part of the contracts is the provision of consultancy services to the customers regarding the choice of an optimal package of software products and offering them assistance with the implementation of the licensing system.

As for the customer contracts that involve a combination of consultancy services and licensing, developed by third party, revenue is recognized at the time of delivery of the software product.

Provision of managed services

These services include long-term customer contracts (typically between five and seven years) to support and manage the customer's IT infrastructure, which includes ongoing proactive surveillance, remote management, and on-site support. Under the majority of the contracts, the Group provides network and/or voice communications equipment for use as part of its contractual obligation. Revenue under managed service contracts is recognized over the term of the contract on a monthly basis.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Revenue from contracts with customers (continued)

Interest

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

A liability to make cash or non-cash distributions to the equity owners of the parent company is recognised when the distribution is authorised (ie authorised by the shareholders) and is no longer at the discretion of the Company. A corresponding amount is debited directly to equity.

Lease

The determination of whether an arrangement is, or contains, a lease is made at inception date. And namely, whether the arrangement conveys a right to use the asset for a certain period of time.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. leases with a lease contract term of less than 12 months) and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3.33 years
- Motor vehicles and other equipment 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses borrowing interest rate based on interest rate statistics because the interest rate implicit in the lease is not at any time readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income for the year.
Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Taxes (continued)

Value Added Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Share capital and reserves

Telelink Business Services Group is a shareholding company and is obliged to register with the Trade register certain level of share capital that will act as a collateral to the creditors. Shareholders meet obligations of the Company up to their own shareholding and can claim refund of their shareholding only during liquidation or insolvency proceedings. The share capital is presented as the nominal value of the issued and paid shares.
According to the Commercial act regulations the Group is obliged to set aside Legal reserves.

Shares bought back are presented in the statement of financial position at cost and are deducted from the Group equity. The net effect of the shares bought back and their transfer to employees within the share-based payments plans in the Group is presented directly in the Other components of equity.

Share-based payments

Employees and members of the Managing board of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Equity instruments transferred are measured by their fair value at grant date. The fair value of the share-based payment considerations under conditions, that have not vested, is measured to reflect the conditions and to exclude any differences between expected and actual results. The cost of equity-settled transactions is recognised, together with the corresponding increase in the equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). More details are provided in Note 37.

5. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of the contingent liabilities at the date of the statement of financial position, as well as on the income and expenses reported for the period. However, uncertainty about these assumptions and estimates could result in outcome that requires a material adjustment to the carrying amount of the asset or liability in subsequent reporting periods.

Judgements

In the process of applying the adopted accounting policies, the Group's management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

COVID-19 coronavirus epidemic

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

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

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

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

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

The management, taking into account the above-mentioned facts, has concluded that there are no material uncertainties that may cast significant doubt in the Group`s entities ability to continue to operate as a going concern.

5. Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Joint Arrangements

The Group assesses its participation in each consortium, where joint control is present as joint arrangements. Management analysed the rights and obligations by considering the structure and legal form of each arrangement, the contractual terms agreed to by the parties to the arrangement and all other relevant facts and circumstances, in order to determine the type of Joint Arrangement it is involved in – Joint Operations or Joint Venture. The analysis performed by management has determined that the participation in all the consortiums meets the criteria of recognition as Joint Operations.

Revenue from contracts with customers

The reporting of revenue from contracts with customers requires significant judgments to be made by the Group's management to determine the individual performance obligations under contracts with customers, which significantly affect the amount of revenue recognized in the reporting period. Key judgements include an analysis of the economic nature and commercial context of contracts with customers to identify individual performance obligations, as well as an assessment of their progress at the end of the reporting period, including estimates and assumptions about the volume of services, activities and inventories that are required for satisfaction of the performance obligations; the expected total contract costs; the remaining costs of completing the contract; the total revenue from the contract, as well as the risks under the contracts, including technical, regulatory and legal risks.
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of equipment and installation services

The Group provides installation services that are bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group has determined that both the equipment and installation services are capable of being distinct. The Group has also determined that the promises to transfer the equipment and to provide installation services are distinct within the context of more contracts. The equipment and installation are not inputs to a consolidated item in the contract. The Group is not providing significant integration services because the presence of the equipment and installation services together in the contract does not result in any additional or consolidated functionality. In addition, the equipment and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the equipment even if the customer declined installation services and the customer itself, would be able to ensure installation services in relation to products offered by other distributors. Consequently, the Group allocates a portion of the transaction price to the equipment and the installation services based on relative stand-alone selling prices.

- Principal versus agent considerations

The Group enters into contracts with its customers for the sale of equipment/goods and licenses/software produced by produced by various suppliers. The Group has determined that it controls the goods before they are transferred to customers, and it has the ability to direct the use of the equipment or obtain benefits from the equipment. The following factors indicate that the Group controls the goods before they are being transferred to customers. Therefore, the Group has determined that it acts as a principal in these contracts.

5. Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

- The Group is primarily responsible for fulfilling the promise to provide the specified equipment.
- The Group bears the inventory risk before or after the specified equipment has been transferred to the customer as it purchases equipment and holds it in a warehouse.
- The Group has discretion in establishing the price for the specified equipment.

In addition, the Group has concluded that it transfers control over its services at a point in time, upon completed tests of functioning equipment and acceptance by the customer.

- Determining the timing of satisfaction of services

Judgment is required to determine the degree of satisfaction of the performance obligation.

The Group determined that the cost-plus-margin method of inputs is the best method in measuring progress of services provided.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment, and intangible assets

Financial reporting of plant and equipment, and intangible assets involves estimates as to their expected useful lives and residual values, based on management assessments. Further details about the useful lives of property, plant and equipment, and intangible assets are provided in Note 4 „Summary of significant accounting policies”.

Revaluation of investment property

The Group measures its investment property at fair value with any changes in the fair value being recognised in profit or loss. The Group engages an independent valuer to determine the fair value at the reporting period-end or at the date of change in use. The key assumptions used to determine the fair value of investment property and sensitivity analyses are provided in Note 19„Investment property“.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and contract assets (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Write down of inventories

In general, inventories are written down to net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

Income tax

Current income tax liabilities are for the current and prior periods and are measured at the amounts expected to be paid to the taxation authorities, using the tax rates that have been enacted by the balance sheet date. Provision for income taxes reported in the respective income tax returns includes an estimate of the potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years. Accordingly, the final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements.

Fair value measurement

The Group measures financial instruments, such as, derivatives and non-financial assets, such as, investment property at fair value at each reporting date. The fair values of financial instruments and investment properties are disclosed in note 34"Fair value measurement".

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.
At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the minimum requirements for a business and narrow the definition of a business. The amendments also remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive and introduce an optional fair value concentration test. These amendments had no impact on the financial statements of the Group.

6. Changes in accounting policies and disclosures (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. These amendments have no impact on the financial statements of the Group.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. These amendments have no impact on the financial statements of the Group.

Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements. These amendments had no impact on the financial statements of the Group.

Annual Improvements to IFRSs 2015-2017 Cycle
In the 2015-2017 annual improvements cycle, the IASB issued amendments to standards which are effective for annual periods beginning on or after 1 January 2019. Summary of amendments and related standards are provided below:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifying previously held interest in a joint operation;
- IAS 12 Income taxes – clarifying income tax consequences of payments on financial instruments classified as equity;

IAS 23 Borrowing costs - clarifying borrowing costs eligible for capitalization.

7. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt those standards when they become effective.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. Lessees apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. In the reporting period in which a lessee first applies the amendment, the lessee is not required to disclose the amount of the adjustment for each financial statement line affected and earnings per share required by paragraph 28(f) of IAS 8. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard has not yet been endorsed by the EU. The standard is not applicable for the Group.

IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The Amendments to IFRS 17 have not yet been endorsed by the EU. It is not expected that the amendments would impact the financial position or performance of the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IFRS 3 Business combinations

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

7. Standards issued but not yet effective and not early adopted (continued)

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

7. Standards issued but not yet effective and not early adopted (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. It is not expected that the amendments would impact the financial position or performance of the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. The standard is not applicable for the Group.

IAS 1 — Presentation of Financial Statements IFRS Practice Statement 2: Disclosure of Accounting Policies (Amendments):

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The guidance assists entities on making materiality judgements in disclosing accounting policies. In particular the changes to IAS 1: a) explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; b) clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; c) clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and d) clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The amendment has not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

7. Standards issued but not yet effective and not early adopted (continued)

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):

The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The changes to IAS 8 focus entirely on accounting estimates and clarify the following: a) the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”; b) entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; c) a change in accounting estimate that results from new information or new developments is not the correction of an error; and d) a change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendment has not yet been endorsed by the EU. The Group will analyse and assess the impact of the new amendments on its financial position or performance.

IFRS 16 — Leases (Amendments):

The amendments a) permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); b) require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and c) specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8. The amendment has not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

8. Revenue from contracts with customers

Set out below, is the disaggregation of the revenue from contracts with customers:

	2020 BGN'000	2019 BGN'000
Revenue from contracts with customers		
Geographical markets		
Bulgaria	81,807	64,083
Other European countries	50,517	44,242
Other non-European countries	3,171	2,003
	135,495	110,328
Timing of revenue recognition		
Transferred at a point in time	113,072	88,352
Transferred over time	22,423	21,976
	135,495	110,328

The geographical information on revenue from the sale of products and provision of services is based on the customer's location.

Contract balances

	2020 BGN'000	2019 BGN'000
Trade receivables (note 22)	24,106	24,120
Contract assets (note 22)	2,863	1,700
Contract liabilities (note 29)	11,653	7,927

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.
Contract assets are initially recognised for obligations fulfilled, which have not yet been invoiced to the customer, as well as payments withheld by the customer as warranties. When the payment becomes due, the amounts recognised as contract assets are reclassified to trade receivables.
Contract liabilities include advances from customers. They are recognized as revenue when the performance obligation is satisfied.

Performance obligations

Sale of equipment /goods
The performance obligation is satisfied upon delivery of the equipment / goods and payment is generally due within 30 to 90 days from delivery.

Extended maintenance
Contracts which provide for an extended warranty for new equipment or equipment owned by the customer. Maintenance is accounted for as a separate performance obligation and part of the transaction price is allocated to it. The performance obligation with regard to the extended warranty is satisfied over the maintenance period (one, three, five years) based on based on the expired period of time.

8. Revenue from contracts with customers (continued)

Installation services
The performance obligation is satisfied over time and payment is generally due upon completion of installation and its acceptance by the customer.

Managed services
Long-term contracts for a period of three to five years for managing the customers' IT infrastructure where the performance obligation is satisfied over time.

Services related to licensing and software, developed by third parties
As for the customer contracts that involve a combination of consultancy services and licensing of third party software, revenue is recognized at a point in time of delivery of the software product.

Revenue recognised over the current year from amounts included in contract liabilities at 1 January 2020 amounts to BGN 4,863 thousand (at 1 January 2019: BGN 10,112 thousand).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2020 *BGN'000*	*2019* *BGN'000*
Within one year	8,408	4,829
More than one year	3,085	3,462
	11,493	8,291

9. General and administrative expenses

	2020 *BGN'000*	*2019* *BGN'000*
Employee benefit expenses	(3,912)	(2,580)
Depreciation & amortisation	(222)	(141)
Consulting services	(500)	(776)
Office rent and utilities	(222)	(452)
Representative expenses	(106)	(126)
Other	(559)	(514)
	(5,521)	(4,589)

Accrued during the year services rendered by registered auditors are as follows:
- Fee for obligatory audit on the separate and consolidated financial statements at the amount of BGN 104 thousand (2019: BGN 99 thousand)
- Fee for audit on combined financial statements at the amount of BGN 45 thousand for 2019

10. Sales and marketing expenses

	2020 BGN'000	2019 BGN'000
Employee benefit expenses	(4,855)	(3,169)
Depreciation & amortisation	(267)	(159)
Consulting and agency services	(352)	(242)
Marketing and advertisement	(958)	(1,093)
Other	(506)	(835)
	(6,938)	(5,498)

11. Expenses by nature

Expenses by nature, included in the cost of sales, administrative expenses and sales and marketing expenses are as follows:

	2020 BGN'000	2019 BGN'000
Changes in inventories of finished goods and work in progress	251	597
Capitalised development costs and contract costs	236	162
Raw materials and consumables	(309)	(1,346)
Hired services	(34,348)	(20,869)
Employee benefit expenses (note 14)	(13,769)	(9,821)
Depreciation and amortisation (note 18, 20)	(2,631)	(2,148)
Other, including Cost of goods sold	(70,653)	(67,131)
	(121,223)	(100,556)

12. Other operating income / (expenses)

Other operating income	2020 BGN'000	2019 BGN'000
Gain on disposal of property, plant and equipment	-	8
Gain on disposal of intangible assets	-	30
Government grants	493	236
Rental income	15	29
Other	15	61
	523	364

Other operating expenses	2020 EUR'000	2019 EUR'000
Loss on disposal of assets held for sale	(36)	(78)
Penalties	(15)	(1)
Other	(64)	(100)
	(115)	(179)

13. Finance income and finance costs

	2020	2019
Finance costs	*BGN'000*	*BGN'000*
Interest on financing	(252)	(364)
Net foreign exchange loss	(114)	(42)
Other financial costs	(197)	(234)
	(563)	(640)

	2020	2019
Finance income	*BGN'000*	*BGN'000*
Interest income - loans granted	13	2
	13	2

14. Employee benefit expenses

	2020	2019
	BGN'000	*BGN'000*
Salaries	(11,484)	(8,576)
Social security contributions	(1,667)	(1,234)
Expenses related to defined benefit plans	(17)	(11)
Share-based payments	(601)	-
	(13,769)	(9,821)

Additional information related to the share-based payments is presented in note 37.

The average full-time staff number and its breakdown by function are presented below:

	2020	2019
	Number	*Number*
Management	7	10
Operations	139	118
Sales	43	24
Administration	39	38
	228	190

15. Income tax

The major components of income tax expenses are as follows:

	2020 BGN'000	2019 BGN'000
Current income tax		
Current income tax charge	(1,740)	(870)
Relating to origination and reversal of temporary differences	117	(121)
Income tax reported in the statement of comprehensive income	(1,623)	(991)

The reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the Group for the years 2020 and 2019 is as follows:

	2020 BGN'000	2019 BGN'000
Accounting profit before income tax	14,223	9,143
Income tax rate	10%	10%
At parent's corporate income tax rate 10% (2019: 10%)	(1,422)	(914)
Tax effects of profits from subsidiaries taxed at different rate	(119)	(45)
Tax effect of non-deductible expenses	(92)	(51)
Tax effect in relation to appling double tax treaties	10	19
	(1,623)	(991)
At the effective income tax rate of:	11%	11%
Income tax reported in the statement of comprehensive income	(1,623)	(991)
	(1,623)	(991)

Deferred taxes of the Group as at 31 December 2020 and 2019 relate to the following items:

	Statement of financial position		Statement of comprehensive income	
Deferred income tax assets / (liabilities)	2020 BGN'000	2019 BGN'000	2020 BGN'000	2019 BGN'000
Accrued expenses	291	185	106	62
Employee benefits	166	120	46	53
Property, plant and equipment/Intangible assets	(186)	(137)	(49)	(79)
Impairment losses on fanancial and contract assets	323	330	(7)	(103)
Share-based payments	21	-	21	-
Impairment losses on investment	18	18	-	(54)
Deferred income tax asset / (liability)	633	516		
Movement in deferred taxes			117	(121)

15. Income tax (continued)

The reconciliation between the movement in deferred tax assets / liabilities for 2020 and 2019 is as follows:

	2020 *BGN'000*	*2019* *BGN'000*
Opening balance as of 1 January	516	637
Tax expense during the year recognised in profir or loss	117	(121)
Closing balance 31 December	633	516

The Group's tax liabilities are based on the tax returns submitted to the tax authorities and are determined finally after being verified by the national tax authorities or after the expiry of a five-year term following the year of submission, as the case may be.

16. Assets classified as held for sale

In previous period, Telelink Business Services EAD acquired apartments located in town of Aheloi against its trade receivables from a customer as a result of a public sale procedure.

In October 2018, Telelink Business Services EAD acquired apartments in Serbia as collateral on a loan. The apartments were sold to Comutel DOO in 2019 and in 2019 and 2020 partial sale of the assets was realised.

The apartments have been classified as held for sale as management is committed to a plan for their sale.

At the end of 2020 and 2019, an external valuer was engaged to assess the market value of the properties. The assessment showed no indications of impairment of these assets.

17. Prepayments

	2020 *BGN'000*	*2019* *BGN'000*
Balance on 1 January	8,630	6,877
Accrued during the year	9,841	10,993
Released to profit and loss	(9,617)	(9,240)
Balance on 31 December	8,854	8,630
Current	5,143	5,013
Non-current	3,711	3,617
	8,854	8,630

Prepayments comprise mainly prepaid extended maintenance in addition to the standard warranty provided by the suppliers of the equipment.

18. Property, plant and equipment

Book value	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2020	7,468	1,292	1,418	26	702	1,313	12,219
Additions	501	409	267	-	77	607	1,861
Disposals	-	(122)	(223)	-	(79)	(1)	(425)
Transferred from inventory	-	26	12	-	-	215	253
Transferred to inventory	-	-	-	-	-	(1)	(1)
Balance as of 31 December 2020	7,969	1,605	1,474	26	700	2,133	13,907
Accumulated depreciation:							
Balance as of 1 January 2020	(1,476)	(917)	(1,111)	(10)	(440)	(99)	(4,053)
Depreciation for the year	(1,463)	(178)	(300)	(7)	(66)	(333)	(2,347)
Disposals	-	122	201	-	79	1	403
Balance as of 31 December 2020	(2,939)	(973)	(1,210)	(17)	(427)	(431)	(5,997)
Net book value as of 1 January 2020	5,992	375	307	16	262	1,214	8,166
Net book value as of 31 December 2020	5,030	632	264	9	273	1,702	7,910

at 31 December 2019	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Book value	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2019	-	1,019	1,223	143	513	1,855	4,753
Adjustment on transition to IFRS 16	5,217	-	-	(63)	-	(1,691)	3,463
Additions	2,251	347	262	7	216	1 150	4,233
Disposals	-	(86)	(74)	(61)	(27)	(1)	(249)
Transferred in reorganization	-	12	8	-	-	-	20
Transferred from inventory	-	-	4	-	-	-	4
Transferred to inventory	-	-	(5)	-	-	-	(5)
Balance as of 31 December 2019	7,468	1,292	1,418	26	702	1,313	12,219
Accumulated depreciation:							
Balance as of 1 January 2019	-	(892)	(905)	(120)	(425)	(279)	(2,621)
Adjustment on transition to IFRS 16	(310)	-	-	53	-	257	-
Depreciation for the year	(1,166)	(95)	(280)	(4)	(42)	(78)	(1,665)
Disposals	-	70	73	61	27	1	232
Transferred in reorganization	-	(1)	(4)	-	-	-	(5)
Transferred to inventory	-	-	4	-	-	-	4
Exchange adjustment	-	1	1	-	-	-	2
Balance as of 31 December 2019	(1,476)	(917)	(1,111)	(10)	(440)	(99)	(4,053)
Net book value as of 1 January 2019	-	127	318	23	88	1,576	2,132
Net book value as of 31 December 2019	5,992	375	307	16	262	1,214	8,166

19. Investment property

	2020 BGN'000	2019 BGN'000
Opening balance at 1 January	362	342
Net result from a fair value remeasurement	10	20
Closing balance at 31 December	372	362

	2020 BGN'000	2019 BGN'000
Rental income derived from investment properties	15	29
Net profit arising from investment properties carried at fair value	15	29

Description of valuation techniques and key assumptions used in determining the fair value of the investment property

	Valuation technique (DCF method)
Significant unobservable inputs	Range
-Estimated rental value per sqm per month	EUR 8,50 – 7,10
-Rent growth p.a.	1%
-Discount rate	9%

20. Intangible assets

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2020	2,921	264	185	3,370
Additions	3	236	102	341
Disposals	(10)	-	(3)	(13)
Transfers	468	(468)	-	-
Balance as of 31 December 2020	3,382	32	284	3,698
Accumulated amortization:				
Balance as of 1 January 2020	(2,747)	-	(49)	(2,796)
Amortisation for the year	(236)	-	(48)	(284)
Disposals	10	-	3	13
Balance as of 31 December 2020	(2,973)	-	(94)	(3,067)
Net book value as of 1 January 2020	174	264	136	574
Net book value as of 31 December 2020	409	32	190	631

20. Intangible assets (continued)

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2019	2,417	700	10	3,127
Additions	-	162	70	232
Disposals	(31)	(63)	-	(94)
Transfers	535	(535)	105	105
Balance as of 31 December 2019	2,921	264	185	3,370
Accumulated amortization:				
Balance as of 1 January 2019	(2,316)	-	(9)	(2,325)
Amortisation for the year	(462)	-	(21)	(483)
Amortisation for the year	-	-	(19)	(19)
Disposals	31	-	-	31
Balance as of 31 December 2019	(2,747)	-	(49)	(2,796)
Net book value as of 1 January 2019	101	700	1	802
Net book value as of 31 December 2019	174	264	136	574

The Group invests considerable resources in the development of new products - software solutions in areas, such as, next generation communications, information and cyber security, integrated security, Internet of Things.

The Group carried out an annual impairment testing as at the end of 2020. There were no indicators that the carrying amount of the intangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognized in the financial statements.

21. Inventories

	2020	*2019*
	BGN'000	*BGN'000*
Materials	147	72
Goods	5,427	3,182
Dispatched goods	798	690
Work in progress	1,477	1 226
	7,849	5,170

Write-down allowance for inventories

	2020	*2019*
	BGN'000	*BGN'000*
At 1 January	62	62
At 31 December	62	62

22. Trade and other receivables and contract assets

Trade and other receivables

	2020	*2019*
	BGN'000	*BGN'000*
Trade receivables from related parties, gross (note 31)	1,916	2,143
Trade receivables from third parties, gross	22,661	22,448
Loss allowance	(471)	(471)
Trade receivables	24,106	24,120
Dividend and other receivables from related parties	60	2
Other receivables	969	749
Trade and other receivables	25,135	24,871

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

The Group has established registered pledge over current and future trade receivables under individual contracts of Telelink Business Services EAD in order to secure the funds utilised under an overdraft facility and additional pledges of current and future receivables of Telelink Business Services EAD under the projects financed by the revolving credit facility. The funds utilized by Telelink Business Services EAD under the contract amounted to zero as at 31 December 2020 (as at 31 December 2019: BGN 1,623 thousand).

Under the conditions of the loan agreement signed between Comutel DOO and Raiffeisen AD Beograd, the respective loan funds are utilized against a pledge of at least equal amounts of the receivables from a key account. As at 31 December 2020, the funds utilized amounted to BGN 1,817 thousand 2020 (as at 31 December 2019: BGN 2,501 thousand).

Contract assets

As at 31 December 2020, the Group had contract assets amounted BGN 2,863 thousand (31 December 2019: BGN 1,700 thousand). The Group does not expect credit losses on contract assets.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020	*2019*
	BGN'000	*BGN'000*
Loss allowance at 01 January	471	317
Amounts written off	-	72
Net impairment losses	-	82
Loss allowance at 31 December	471	471

22. Trade and other receivables and contract assets (continued)

The ageing analysis of trade receivables and contract assets as at 31 December 2020 and 31 December 2019 is presented in the following table:

31 December 2020	Current	Days past due					Total
		< 30 days	31-60 days	61 - 90 days	91 - 180 days	> 181 days	
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Receivables from related parties, gross	1,213	628	22	32	17	4	1,916
Receivables from third-party customers, gross	21,284	307	160	45	344	521	22,661
Contract assets, gross	999	-	427	-	1,437	-	2,863
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(471)	(471)
Total trade receivables and contract assets	23,496	935	609	77	1,798	54	26,969

31 December 2019	Current	Days past due					Total
		< 30 days	31-60 days	61 - 90 days	91 - 180 days	> 181 days	
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Receivables from related parties, gross	1,998	16	32	8	88	1	2,143
Receivables from third-party customers, gross	20,530	930	117	190	121	560	22,448
Contract assets, gross	1,700	-	-	-	-	-	1,700
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(471)	(471)
Total trade receivables and contract assets	24,228	946	149	198	209	90	25,820

23. Loans granted

		2020	*2019*
Current	Maturity	*BGN'000*	*BGN'000*
Third parties	2017	1,055	1,148
Loss allowance		(1,055)	(1,148)
		-	-

As at 31 December 2020, the Group have not granted loans, besides the USD loans that are fully impaired as at 31 December 2017. The revaluation of the impaired loans for 2020 amounts to BGN 93 thousand.

24. Cash and cash equivalents

	2020 BGN'000	2019 BGN'000
Cash and cash equivalents in hand	11	6
Cash and cash equivalents in current accounts	11,627	2,095
Short-term deposits	124	98
	11,762	2,199

Cash in bank accounts bear floating interest rates based on the daily interest rates on bank deposits. Short-term deposits are made for various periods between one week and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits at 31 December 2020 and 31 December 2019 equals their carrying amount.

25. Government grants

In 2017, Telelink Business Services EAD entered into a contract with the Ministry of Economic to receive a grant under the project "Implementation of Innovative Services" as part of the Operational Program "Innovation and Competitiveness" 2014-2020, that ends in 2020.

Under the contract, the grants were utilised for the purchase of certain items of property, plant and equipment and intangible assets, as well as for the provision of hired services under the 2017 contract. There are no unfulfilled conditions concerning the contracts. In 2018, the Company received the financing under the contract from 2017 of BGN 373 thousand.

In 2019, Telelink Business Services EAD, being part of a Consortium, in which more than 30 partners from various European countries participate, received the first tranche from financing under the Operational Program ECHO European network of Cybersecurity centres and competence Hub for innovation and Operations. The funds of BGN 464 thousand under the Program was provided and utilized to cover personnel costs. In 2020 the Group received second tranche of funds under the Program at the amount of BGN 383 thousand.

The amount of government grants recognized in the financial statements corresponds to the useful life of the acquired items of property, plant and equipment, and intangible assets, and the hired services used:

	2020 BGN'000	2019 BGN'000
At the beginning of the reporting period	400	172
Received during the year	383	464
Released to profit and loss (note 12)	(493)	(236)
At the end of the reporting period	290	400
Current	290	328
Non-current	-	72
	290	400

26. Interest-bearing loans and borrowings

		2020	2019
Current	Interest rate %	BGN'000	BGN'000
Revolving credit facilities	1M LIBOR + 1.6%	1,817	2,501
Bank loans	1M EURIBOR+1.5%	-	1,623
	0%	186	
		2,003	4,124

In May 2020, TBS EAD signed an Annex for the extension of the availability period under the Agreement for undertaking credit commitments under an overdraft credit line with Unicredit Bulbank AD from May 31 2020 to June 30 2020.
On June 29 2020 the company also signed an Annex for the annual renewal of the same agreement with an availability period until May 31 2021.
The provisions of the latter Annex regarding the limits for the effective drawing of cash funds and the undertaking of contingent commitments under the agreement included:

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

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

As of December 31 2020, TBS EAD did not have any utilized and outstanding overdraft and revolving credit funds.(as at 31 December 2019 the utilized amounts are as follows: BGN 392 thousand and BGN 1,231 thousand).

On January 28 2020, Comutel signed an Annex for the annual renewal of its Credit facility agreement with Raiffeisen Banka AD Beograd (Serbia) from 2015 with limit up to USD 5,000 thousand. The interest rate applied under the agreement remained unchanged at 1m. LIBOR + 1.6%. The loan is fully secured by a pledge of receivables from a key account. As of December 31 2020, funds utilized amounted to an equivalent of BGN 1,817 thousand (31 December 2019: BGN 2,501 thousand).

On February 20 2020, Telelink Albania signed a Short-term financing agreement with First Investment Bank – Albania with a limit of EUR 500 thousand for the financing of receivables as per invoices issued to a specified telecom account of the company. As of December 31 2020, funds utilized by Telelink Albania under the agreement amounted to an equivalent of BGN 186 thousand.

26. Interest-bearing loans and borrowings (continued)

Reconciliation of the movement of liabilities to cash flows from financing activity:

	2020	*2019*
	BGN'000	*BGN'000*
Interest-bearing loans and borrowings at 01 January	4,124	5,312
Proceeds from borrowings	9,876	49,307
Repayments of borrowings	(11,997)	(50,494)
Interest expense	109	258
Interest paid	(109)	(259)
Interest-bearing loans and borrowings at 31 December	2,003	4,124

27. Leases

The Group has leases for offices, vehicles, and managed services assets used in the business. Leases for managed services assets have lease terms between 3 and 4 years, vehicles - 4 years, and rented offices 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.
There are no lease contracts that include extension and termination options and variable lease payments.
The Group also has certain leases of premises or equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.
Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January 2020	3,385	419	2,188	5,992
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*1*	*2,188*	*2,189*
Additions	34	467	-	501
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*93*	-	*93*
Depreciation	(813)	(188)	(462)	(1,463)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(12)*	*(462)*	*(474)*
Exchange differences	-	-	-	-
Balance at 31 Dec 2020	2,606	698	1,726	5,030

27. Leases (continued)

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January 2019	3,045	427	1,434	4,906
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*11*	*1,434*	*1,445*
Additions	966	121	1,164	2 251
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	*1,164*	*1 164*
Depreciation	(626)	(127)	(410)	(1,163)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(10)*	*(410)*	*(420)*
Exchange differences	-	(2)	-	(2)
Balance at 31 Dec 2019	3,385	419	2,188	5,992

Expenses for short-term lease (included in cost of sales) are BGN 28 thousand in 2020 (2019: BGN 97 thousand).

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020	*2019*
	BGN '000	*BGN '000*
Balance at 01 Jan	6,009	1,428
Adjustment on transition to IFRS 16	-	3,372
Adjusted balance at 1 January 2019 (restated)	-	4,800
Additions	499	2,629
Accretion of interest	134	114
Payments	(2 052)	(1 536)
Exchange differences	-	2
Balance at 31 December	4,590	6,009
Current	1,819	1,841
Non-current	2,771	4,168

The Company had total cash outflows for leases of BGN 2,080 thousand in 2020, including BGN 28 thousand related to short-term leases (2019: BGN 1,633 thousand, including BGN 97 thousand related to short-term leases).

27. Leases (continued)

Set out below are the lease related amounts recognised in profit and loss:

	2020 *BGN '000*	*2019* *BGN '000*
Depreciation expense of rights-of-use assets	(1,463)	(1,165)
incl. under Lease contracts with transfer of ownership by the end of the lease term	*(474)*	*(420)*
Interest expenses on lease liabilities	(134)	(114)
incl. under Lease contracts with transfer of ownership by the end of the lease term	*(30)*	*(18)*
Expenses relating to short-term leases	(28)	(97)
Total amount recognised in profit or loss	(1,625)	(1,376)

28. Trade and other payables

	2020 *BGN'000*	*2019* *BGN'000*
Trade payables to related parties (note 31)	2 659	274
Trade payables to third parties	21,569	20,100
Accrued expenses	3,079	1,943
Trade payables	27,307	22,317
Tax and other statutory liabilities	3,718	2,785
Other payables	2,234	1 694
Trade and other payables	33,259	26,796

Trade payables are non-interest bearing and are normally settled on 30-60-day terms.
Tax liabilities are non-interest bearing and are settled within the statutory deadlines.
Other payables are non-interest bearing and have an average term of 30 days. Other liabilities are mainly formed by short-term payables to personnel and accrued unused paid leave.

29. Contract liabilities

	2020 *BGN'000*	*2019* *BGN'000*
Contract liabilities to related parties	-	23
Advances received	3 643	341
Deferred income	8,010	7,563
Total contract liabilities	11,653	7,927
Current	8,565	4,939
Non-current	3,088	2,988
	11,653	7,927

Following the initial application of IFRS 15, Advances received from clients and Deferred income represent customer billed amounts in advance of performance are classified within Contract liabilities.

30. Retirement benefit liability

	2020 *BGN'000*	*2019* *BGN'000*
Balance on 1 January	10	8
Accrued for the year	6	2
Balance on 31 December	16	10

Major assumptions used for accounting purposes:

Major assumptions	*2020*	*2019*
Discount Rate	0,40%	2,36%
Future Salary Increases	5,00%	5,00%
Personnel Retention Rate (depending on the age)	80,14%	80,14%

There have been no reasonably possible changes in key assumptions that could have a significant impact on the retirement benefit liability as of year-end.

The average duration of the retirement benefit obligation is 27.79 years.

31. Related party disclosure

Group related parties

Name	Nature of relationship	Affected Group companies
Telelink Business Services EAD (Bulgaria)	Subsidiary of	Telelink Business Services Group AD – 100%
Comutel DOO (Serbia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO – Podgorica (Montenegro)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Bosna and Herzegovina)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Slovenia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Albania SH.P.K. (Albania)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOOEL (Macedonia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOO (Croatia)	Subsidiary of	Telelink Business Services Group AD – 100%

Other related parties

Name	Nature of relationship
Telelink Bulgaria EAD (Bulgaria)	Under common control
Telelink Infra Services EAD (Bulgaria)	Under common control
Telelink City Services EAD (Bulgaria)	Under common control
Telelink Labs EOOD (Bulgaria)	Under common control
Secnet AD (Bulgaria)	Under common control
Telelink Services Romania SRL (Romania)	Under common control
Telelink Infra Services SH.P.K. (Romania)	Under common control
Telelink MK DOOEL (Macedonia)	Under common control
Telelink UK LTD. (United Kingdom)	Under common control
Telelink GmbH (Germany)	Under common control
Marifons Holdings Limited (Cyprus)	Under common control
V_investment Holdings B.V. (The Netherlands)	Under common control
V_investment Bulgaria EOOD (Bulgaria)	Under common control
Field on Track OOD (Bulgaria)	Under common control
Develiot EOOD (Bulgaria)	Under common control
TOTAl TV B.V. (The Netherlands)	Under common control
V_Investments Cyprus Limited (Cyprus)	Under common control
Modeshift Inc, (USA)	Under common control

31. Related party disclosure (continued)

Field on Track LTD. (United Kingdom)	Under common control
TOTALNA TELEVIZIJA DOO (Croatia)	Under common control
Modeshift Europe EAD (Bulgaria)	Under common control
Telelink Investments SARL (Luxembourg)	Under common control
Richhill EOOD (Bulgaria)	Under common control

Participation in joint arrangements

Name	Nature of Relationship	Group Companies Affected
Consorcium SysTel (Bulgaria)	Participation	Telelink Business Services EAD - 50%
Green Border OOD (Bulgaria)	Participation	Telelink Business Services EAD - 50%
Consortium ATP Services (Bulgaria)	Participation	Telelink Business Services EAD
Consortium Telesec (Bulgaria)	Participation	Telelink Business Services EAD - 50%
Consortium Telelink Info (Bulgaria)	Participation	Telelink Business Services EAD - 78%
Consortium Telelink Group (Bulgaria)	Participation	Telelink Business Services EAD - 50%
Consortium TechnoLink (Bulgaria)	Participation	Telelink Business Services EAD - 59,10%
Consortium Bulgarian Basins (Bulgaria)	Participation	Telelink Business Services EAD - 15%
Consortium Green Border 3 (Bulgaria)	Participation	Telelink Business Services EAD - 75,91%
Consortium TeleSystems (Bulgaria)	Participation	Telelink Business Services EAD - 63,50%
Consortium Smart Transport (Bulgaria)	Participation	Telelink Business Services EAD - 20%

Set out below is the total amount of the transactions concluded with related parties throughout the respective financial year, as well as the outstanding balances as at the end of each financial year:

Trade	Sales to related parties		Purchases from related parties	
	2020	*2019*	*2020*	*2019*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Other related parties (under common control)	4,872	3,030	2,429	2,974
	4,872	3,030	2,429	2,974

Interest	Charged to related parties		Charged by related parties	
	2020	*2019*	*2020*	*2019*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Other related parties (under common control)	14	2	-	38
	14	2	-	38

Trade	Receivables from related		Payables to related parties	
	2020	*2019*	*2020*	*2019*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Other related parties (under common control)	1,074	2 143	2 659	274
	1,074	2 143	2 659	274

Amounts due by related parties are included in trade and other receivables (Note 22). Amounts due to related parties are included in trade and other payables (Note 28).

32. Related party disclosure (continued)

Receivables and payables from and to related parties cannot be set-off. Outstanding balances of trade receivables and trade payables at the year-end are unsecured, interest-free and settlement occurs in cash.

Joint arrangements

The interests of Telelink Business Services EAD in joint arrangements are regulated by consortium agreements. Telelink Business Services EAD and the other parties agree, based on mutual cooperation, to combine their efforts in the form of consortium to implement certain projects where no party holds control. The partners participate with assets, liabilities, income and expenses corresponding to their share in the consortium. The consortiums generate no profit or loss.

Set out below are the interests of Telelink Business Services EAD – income, expenses, assets and liabilities in the consortiums:

Trade	Sales to joint operations		Purchases from joint operations	
	2020	*2019*	*2020*	*2019*
Name	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Consortium ATP Services (Bulgaria)	329	403	-	-
Consortium Telesec (Bulgaria)	4	2,636	-	-
Consortium Telelink Group (Bulgaria)	3,612	-	-	-
Consortium TelechnoLink (Bulgaria)	10	1,897	-	-
Consorcium SysTel	5,489	-	-	-
Consortium TeleSystems	1,513	-	-	-
Consortium Bulgarski porechiya	60	-	-	-
Consortium Telelink Smart Transport	39	-	-	-
Consortium Green Border 3 (Bulgaria)	-	3,711	1	-
	11,056	8,647	1	-

Trade	Trade receivables from		Trade payables to	
	2020	*2019*	*2020*	*2019*
Name	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Consortium ATP Services (Bulgaria)	28	109	-	-
Consortium Telelink Group (Bulgaria)	227	-	-	-
Consortium TeleSystems	587	-	-	-
Consortium Bulgarski porechiya	-	-	-	7
	842	109	-	7

Remuneration of key management personnel

	2020	*2019*
	BGN'000	*BGN'000*
Short-term employee benefits	803	901
Share-based payments	49	-
	852	901

32. Share capital and reserves

	2020	2019
Registered capital	*shares*	*shares*
Ordinary shares of BGN 1 each	12,500,000	12,500,000
	12,500,000	12,500,000
Ordinary shares issued, fully paid-in	*shares*	*shares*
At 31 December, issued and fully paid-in	12,500,000	12,500,000

Telelink Business Services Group AD was established in July 2019 with a share capital of BGN 50 thousand. The share capital available as of 31 December 2020 amounting to BGN 12,500 thousand was formed as a result of the Reorganization of Telelink Bulgaria EAD, whereby Telelink Bulgaria EAD allocated the net assets attributable to the separated Business Services activity amounting to BGN 12,667 thousand and the latter amount was allocated to the formation of additional share capital amounting to BGN 12,450 thousand and general reserves amounting to BGN 217 thousand.

Legal reserves

Legal reserves are formed from retained earnings in accordance with the statutory requirements and can be used to offset future losses. Pursuant to article 246 of the Commercial Act, legal reserves should be set aside until they reach one tenth or more of the company's registered capital. The sources of funding these reserves may be at least one tenth of the net profit, share premiums upon share issuing, and other sources provided for by the statutes of the Company or by resolution of the General Meeting of Shareholders.

Legal reserves are formed from the retained earnings of Telelink Business Services Group AD (2020: BGN 239 thousand and 2019: BGN 217 thousand), Telelink Business Services EAD (2020 and 2019: BGN 100 thousand) and Telelink Business Services Macedonia (2020: BGN 2 thousand).

The Group's legal reserves as at 31 December 2020 were BGN 341 thousand (2019: BGN 317 thousand).

Other reserves

Other reserves were formed after applying the predecessor method upon the acquisition of the companies under common control, and represent the difference between the investment in acquirees and the share capital of these entities.
The Group's other reserves formed following the acquisition as at 31 December 2020 and 31 December 2019 were BGN (14,123) thousand.

In 2020 the Group establishes *one-off share-based payments incentive Procedure for employees (the Procedure)*, *long-term share-based payment incentive Programme for management and key personnel (the Programme)* and *share-based payment incentive Scheme for members of the Managing board (the Scheme)*. (Note 37)

32. Share capital and reserves (continued)

The increase in Other reserves equals the expense at the amount of BGN 60 thousand related to the Scheme and BGN 151 thousand related to the Programme.

Other components of equity

	Number of shares	*Other components of BGN '000*
At the beginning of the reporting period		
Shares bought back on market	(28 964)	(302)
Share -based payments	28 608	343
Buy-back transaction costs	-	(1)
At the end of the reporting period	(356)	40

On 21 December 2020, the Company implemented *the Procedure*, transferring 28,608 shares to 137 persons without limitations to further disposal. In accordance with the respective decisions of the General Meeting of Shareholders (“GMS”) from 10 September 2020 and the MB from 27 November 2020, the program was implemented entirely on the basis of own shares bought back by the Company.

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

Translation reserves

Translation reserves are formed from the restatement of the subsidiaries’ operating results and financial performance in the Group’s presentation currency.

The translation reserves as at 31 December 2020 were BGN (560) thousand (2019: BGN (556) thousand).

33. Dividends distributed

Set out below are the dividends distributed by the Group companies to the parent company in 2020 and 2019:

Name	*2020 BGN'000*	*2019 BGN'000*
Comutel DOO	450	3,445
Telelink DOO - Podgorica	160	436
Telelink DOO (Bosnia and Herzegovina)	270	386
Telelink DOO (Slovenia)	606	-
Telelink Business Services EAD	7,002	2,000
	8,488	6,267

At 31 December 2020 and 31 December 2019 all dividends are fully paid.

33. Dividends distributed (continued)

The General meeting of the shareholders by resolution from 10 September 2020 approved the 2019 net profit of the Group amounting to BGN 195 thousand and the amount of BGN 6,000 thousand based on the 6-month interim financial statements for 2020 to be distributed as cash dividend to the shareholders.

	2020	*2019*
	BGN'000	*BGN'000*
At the beginnig of the reporting period	-	-
Final dividend for 2019: 0,016 per share	195	-
Interim dividend for 2020 : 0,480 per share	6,000	
Net dividend distributed	(5,924)	-
Tax withheld	(271)	-
At the end of the reporting period	-	-
Dividend per share for 2019	0,016	-
Dividend per share for 2020	0,480	-
Dividend per share	0,496	-

34. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. If carrying amounts approximate fair values of financial assets and liabilities not measured at fair value, no information on the fair values is shown.

		Fair value measurement			
Year ended at 31 December 2020	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2020	372	-	-	372
Total assets measured at fair value		372	-	-	372

		Fair value measurement			
Year ended at 31 December 2019	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2019	362	-	-	362
Total assets measured at fair value		362	-	-	362

35. Commitments and contingencies

Litigations and claims: There are no significant litigation or claims against the Group.

Guarantees: Bank guarantees under contracts with clients and participation in tenders, issued by the Group servicing banks at 31 December 2020, amounted to BGN 9,750 thousand (at 31 December 2019: BGN 2,197 thousand).

Capital commitments: The Group had no capital commitments as at 31 December 2020 and 2019.

Commitments to the benefit of related parties

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

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

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

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

As of 31 December 2020, TBS EAD has provided guarantees securing third-party obligations with regard to the implementation of projects and tax payables of Telelink Slovenia.

36. Financial risk management objectives and policies

The Group's principal financial liabilities comprise interest-bearing loans and borrowings, and trade payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, loans granted, and cash and short-term deposits that derive directly from its operations.

In 2020 and 2019, the Group neither owned nor traded in derivative financial instruments.

The Group is exposed primarily to interest rate risk, liquidity risk, currency risk, and credit risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's revolving credit lines for current financing of working capital and to a lesser extent, to finance lease contracts bearing floating (variable) interest rates.

The Group's policy is to manage its interest expenses by employing financial instruments bearing fixed and floating interest rates and assuming the risk relating to revolving credit lines due to the inherently variable nature of exposures thereto; moreover, the Group keeps track of changes in periodically updated floating and variable indices with a view to possibly fixing or hedging interest rates on financial leases.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2020	*2019*
	BGN' 000	*BGN' 000*
Fixed rate instruments		
Financial assets	11,751	2,193
Cash and cash Equivalents	11,751	2,193
Financial liabilities	(186)	-
Interest-bearing loans and borrowings (principal)	(186)	-
	11,565	2,193

	2020	*2019*
	BGN' 000	*BGN' 000*
Variable rate instruments		
Financial liabilities	(2,909)	(5,764)
Interest-bearing loans and borrowings (principal)	(1,817)	(4,124)
Finance leases	(1,092)	(1 640)
	(2,909)	(5,764)

A change of 100 basis points in interest rates at the date of the financial statements would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

36. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Effect in thousands of BGN	Profit or loss 1,00% increase	-1,00% decrease
31 December 2020		
Variable rate instruments	(25)	18
Cash flow sensitivity (net)	(25)	18
31 December 2018		
Variable rate instruments	(44)	25
Cash flow sensitivity (net)	(44)	25

Due to the negotiation of minimal interest rates equal to either interest margin or total interest rate at the date of signature of the contract for certain instruments, the effects of an increase and decrease by the same change in interest rate are asymmetrical.

Currency risk

The Group trades in different markets and in local currencies that are different from its functional currency, as well as in third-party currencies, including mostly purchases in US dollars. Consequently, it faces transaction and translation exchange rate risks. The Group's exposure to changes in exchange rates of local currencies is substantially limited owing to the fixed EUR/BGN and EUR / BAM exchange rate maintained under the currency board systems operating in Bulgaria and Bosnia and Herzegovina, as well as by the adoption of the Euro as a National currency of Montenegro. Therefore, the total sales and profits generated in jurisdictions using or pegged to the Euro or BGN have the largest share in the consolidated results. The Group is exposed to translation currency risk in Serbia, Albania and North Macedonia relative to the floating exchange rates of the local currencies.

A significant part of revenue and cost of sales, including locally sourced goods and services, employee benefits and other fixed costs, are denominated in the local currencies of the operational subsidiaries.

Third-party currency risk relative to other trading is limited by existing contractual arrangements for the exchange rate indexation of receivables in Serbia, Albania and North Macedonia.

Outstanding risks from foreign currency trading are mitigated by Group companies by matching the timing and currencies of its trade receivables and payables, to the extent possible, as well as by occasional forward purchases of US Dollars for the payment of uncovered payables.

The tables below demonstrate the sensitivity to a possible changes on the following exchange rates:

	USD	*MKD*	*RSD*	*ALL*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	(1,817)	-	-	(187)
Trade and other payables	(16,906)	(768)	(255)	(2)
Trade and other receivables	3,193	684	2 183	2
Contract assets	-	-	-	11
	(15,530)	(84)	1,929	(175)

36. Financial risk management objectives and policies (continued)

Currency risk (continued)

	Effect on profit before tax	
	+5%	-5%
	BGN' 000	BGN' 000
Change in USD rate	(776)	776
Change in MKD rate	(4)	4
Change in RSD rate	96	(96)
Change in ALL rate	(9)	9
	(693)	693

Credit risk

The Group trades generally with recognised, creditworthy third parties, such as, leading telecoms, public institutions and multinational companies, and long-lasting partners with proven credit history. The receivable balances and maturities are monitored on an ongoing basis. Therefore, the Group's credit risk exposure is very limited.

The credit risk that arises from other financial assets of the Group, such as cash and other financial assets, is related to the Group's credit exposure to default risks on the part of its counterparties.

The maximum credit exposure of the Group related to the recognised financial assets equals their carrying amount as stated in the balance sheet as of 31 December 2020 and as of 31 December 2019.

Liquidity risk

Liquidity risk is managed through the planning of cash flows and ensuring sufficient cash, as also by agreeing credit limits and financial support with renown local banks and strategically engaged partners.

The following table summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual discounted payments.

31 December 2020	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	-	2,003	-	-	2,003
Lease liabilities	-	424	1,389	2,777	-	4,590
Trade and other payables	772	21,670	9,032	-	-	31,474

31 December 2019	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	1,231	2,501	-	-	3,732
Lease liabilities	-	411	1,430	4,168	-	6,009
Trade and other payables	9,429	12,296	3,400	-	-	25,125

36. Financial risk management objectives and policies (continued)

Capital management

The main objective of capital management of the Group is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value..

The Group manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	2020	*2019*
	BGN'000	*BGN'000*
Interest bearing loans and borrowings	2,003	4,124
Lease liabilities	4,590	6,009
Trade and other payables	33,259	26,796
Contract liabilities	11,653	7,927
Less cash and short term deposits	(11,762)	(2,199)
Net debt	39,743	42,657
Equity	15,012	8,340
Less other reserves arising from Group restructuring	14,123	14,123
Adjusted Equity	29,135	22,463
Capital and net debt	68,878	65,120
Gearing ratio	58%	66%

37. Share-based payments

In 2020 the Group established one-off share-based payment incentive Procedure for employees (the Procedure). Under the Procedure employees with at least 24 months length of service in the Group and its preceding companies are eligible to receive one-off supplementary remuneration (bonus) in the form of shares without restrictions for subsequent disposal. The implementation of the Procedure took place on 21 December 2020. Telelink Business Services Group AD has transferred to employees of the Group 28 608 shares with nominal value of BGN 1 each and price at the day of the transfer of BGN 12 per share. The Group has measured the fair value of the services received by reference to the fair value of the shares transferred which is equal to the closing price of the Bulgarian Stock Exchange on the date of the grant. The Group accounts for the Procedure as an equity-settled share-based payments plan. The Procedure is implemented entirely at the expense of the shares bought back by the Company. The total expense of the shares transferred under the Procedure is at the amount of BGN 343 thousand.

37. Share-based payments (continued)

In 2020 the Group established long-term share-based payment incentive Programme for management and key personnel (the Programme). Under the Programme eligible employee is any employee who works at managerial position or is a key employee, nominated by resolution of the Managing Board, who has at least 365 days length of service at the Group. The supplementary remuneration under the Programme is conditional on the Group's performance for a period of three years 2020-2022 and personal performance of each employee with regard to financial and non-financial results. The final number of shares to be transferred is measured by reference to the Group`s performance for a period of three years.

In 2020 the Group establishes share-based payment incentive Scheme for members of the Managing board (the Scheme). Granting conditions and final number of shares to be transferred are subject to the continuing employment of the members of the Managing board and the Group`s performance for the three-year period 2020-2022.

According to the Programme and the Scheme shares will be transferred to employees in the year following the three-year period 2020-2022. The Group has estimated the fair value of the services received by reference to the fair value of the shares granted, but not yet vested, using the closing price of the Bulgarian Stock Exchange at 31 December 2020 adjusted with the present value of future dividend. The Group accounts for the Programme and the Scheme as an equity-settled share-based payments plans. The expense accrued according to the Programme and the Scheme is BGN 211 thousand.

38. Events after the date of the consolidated financial statements

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

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

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

38. Events after the date of the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

38. Events after the date of the consolidated financial statements (continued)

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

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

Except as described above, the Group’s management declares that from the end of the reporting period to the date of approval of these financial statements no significant and / or materials events have occurred that have an impact on the results or affect the Group’s operations, the non-disclosure of which would have an effect on the true and fair presentation of the financial statements.

CONSOLIDATED ANNUAL REPORT

TELELINK BUSINESS SERVICES GROUP AD

FOR THE YEAR ENDED DECEMBER 31 2020

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

DEAR SHAREHOLDERS, CO-WORKERS AND PARTNERS,

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

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

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

The results were there.

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

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

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

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

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

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

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

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

Stay healthy and safe!

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 15:30:23 +03'00'

Ivan Zhitiyanov, Chief Executive Officer

April 28 2021

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

Revenue by Client Region

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

Revenue by Technology Group

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

Balance Sheet

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

change from Dec 31 2019

Cash Flow

Operating	Investing	Financing	Net
BGN 21.7 M	-BGN 1.3 M	- BGN 10.8 M	BGN 9.6 M

BGN 20.5 M

Free Cash Flow

Share Price

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

Public Offering

Market Cap

Dec 31
BGN 151.2 M

Cash Returns

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

DEAR SHAREHOLDERS,

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

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

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I.1 Establishment and Reorganization of the Company

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

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

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

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

I.2 Formation and composition of the Group

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

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

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

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

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

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

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

I.3 Shareholding structure, public offering and share incentives

I.3.1 Ownership structure prior to the Public Offering

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

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

I.3.2 Public Offering and current shareholding structure

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

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

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

I.3.3 Share incentives

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

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

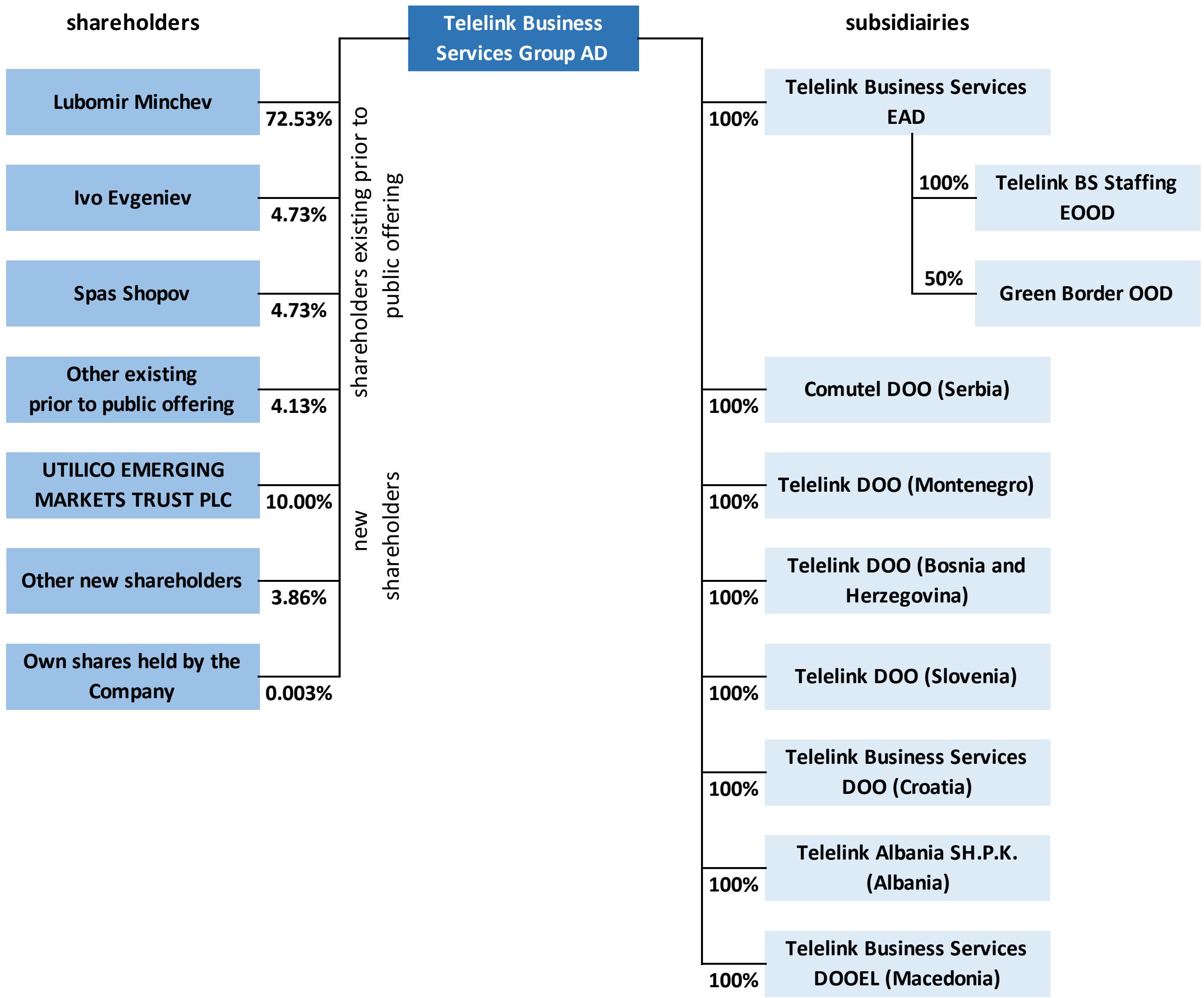
On September 10 2020, the GMS approved the award to the members of the MB of remuneration based on Company shares, depending on the Group's performance during a three-year period 2020-2022 regarding financial and other results from operations and their continuing employment of the same period. The final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

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

I.3.4 Significant shareholders

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

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



I.5 Corporate Governance

The Company has a two-tier board system.

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

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

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

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

I.6 Public Information

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

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

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

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

II REVIEW OF THE GROUP'S ACTIVITIES AND FINANCIAL POSITION

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

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

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

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

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

Product categories	Technology groups	Types of technology

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

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

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

II.1 Key financial indicators

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

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

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

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

II.2 Business development and revenue trends

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

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

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

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

II.3 Expenses and profitability

II.3.1 Gross profit

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

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

II.3.2 Sales and marketing expenses

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

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

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

II.3.3 General & administrative expenses

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

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

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

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

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

II.3.5 Financial income and expenses

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

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

II.3.6 Net profit

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

II.3.7 Normalized EBITDA

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

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

II.4 Assets, liabilities and equity

II.4.1 Assets

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

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

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

II.4.2 Liabilities

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

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

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

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

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

II.4.3 Financial debt

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

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

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

II.4.4 Liquidity

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

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

II.4.5 Equity

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

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

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

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

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

II.5 Cash flows

II.5.1 Cash flow from operating activities

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

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

II.5.2 Cash flow from investing activities

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

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

II.5.3 Cash flow from financing activities

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

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

II.5.4 Net cash flow

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

III MAIN RISKS RELEVANT TO THE GROUP

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

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

III.1 Systemic risks

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

III.1.1 Political risk

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

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

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

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

III.1.2 General macroeconomic risk

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

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

III.1.3 Currency risk

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

III.1.4 Interest rate risk

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

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

III.1.5 Credit risk

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

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

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

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

III.1.7 Risks related to imperfections of the legal system

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

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

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

III.2.1 Risks specific to the business strategy and growth

III.2.1.1 Inappropriate business strategy

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

III.2.1.2 Insufficient management capacity and increased growth management costs

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

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

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

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

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

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

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

III.2.2 Risks relative to human resources and managerial staff

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

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

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

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

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

III.2.3 Risks relative to the market environment and competition

III.2.3.1 Slowdown or unfavourable trends in demand

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

III.2.3.2 Regulatory changes unfavourable to market demand

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

III.2.3.3 Intense competition

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

III.2.3.4 Unfair competition

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

III.2.4 Risks relative to public procurement

III.2.4.1 Delayed tendering and implementation

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

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

III.2.4.2 Competition for public procurement

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

III.2.5 Concentration risks

III.2.5.1 Adverse changes in key client relationships

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

III.2.5.2 Adverse changes in relationships with key technological partners

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

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

III.2.6.1 Time and cost of adpating to new technologies

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

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

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

III.2.6.3 Delayed adoption of new technologies by the clients

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

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

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

III.2.7 Risks relative to long-term contracts

III.2.7.1 Cost of commitments for regular service and support

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

III.2.7.2 Early termination

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

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

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

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

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

III.2.8 Financial risks

III.2.8.1 Currency risk

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

III.2.8.2 Liquidity risk

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

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

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

III.2.8.4 Credit risk

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

III.2.8.5 Asset impairment risk

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

III.2.8.6 Interest rate risk

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

III.2.9 Operational risks

III.2.9.1 Deviations in processes and quality of service

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

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

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

III.2.9.3 Assuring compliance with standards and norms

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

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

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

III.2.10 Other risks

III.2.10.1 Litigation risk

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

III.2.10.2 Risks relative transactions with related parties

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

III.2.10.3 Cyber attacks

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

III.2.10.4 Force majeure

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

III.3 COVID-19 coronavirus epidemic

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

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

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

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

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

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

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

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

IV INFORMATION ON ENVIRONMENTAL ISSUES

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

Physical activities carried out in relation to system integration, delivery and maintenance are limited to the transportation, installation and setup, replacement or repair of on-site ICT equipment and materials, and do not include construction activities on the deployment or reorganization of infrastructures, premises and complex facilities. By their nature and scope, the transport, installation and repairment activities performed do not entail significant environmental risks.

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

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

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

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

V INFORMATION ON EMPLOYEE-RELATED MATTERS

V.1 Trends in the number and evolution of personnel

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

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

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

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

V.2 Organizational policy and human resources management

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

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

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

V.3 Financial motivation and share-based incentives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

VIII POTENTIAL FUTURE DEVELOPMENT OF THE GROUP

VIII.1 Group Development Strategy

VIII.1.1 Geographical development

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

VIII.1.2 Products and services of high growth potential

VIII.1.2.1 Managed Services

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

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

VIII.1.2.2 Information Security

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

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

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

VIII.1.2.3 Cloud Services

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

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

VIII.1.2.4 Hyperautomation

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

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

VIII.1.3 Key competitive differentiators

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

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

VIII.1.4 Organization and management of resources and operations

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

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

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

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

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

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

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

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

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

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

VIII.2 Potential acquisitions

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

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

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

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

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

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

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

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

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

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

X ESTABLISHED BRANCHES OF THE COMPANY AND GROUP COMPANIES

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

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

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

XI USE OF FINANCIAL INSTRUMENTS

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

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

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

XI.1.1 Currency risk management

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

XI.1.2 Interest rate risk management

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

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

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

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

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

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

XI.2.2 Risk of unfavourable changes in market prices

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

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

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

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

XI.2.3 Credit risk exposure and management

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

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

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

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

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

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

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

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

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

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

XII.1 Revenues by main categories of products and services

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

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

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

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

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

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

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

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

XII.2 Revenues by geographic market and significant counterparties

XII.2.1 Revenues by geographic markets

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

** By registration of the client.*

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

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

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

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

XII.2.2 Significant clients

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

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

XII.2.3 Significant suppliers

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

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

- Cisco International Limited

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

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

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

- Microsoft Ireland Operations Ltd

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

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

- Polycomp EOOD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XII.6 Off-balance sheet items

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

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

XII.7.1 Shares in subsidiaries

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

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

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

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

XII.7.2 Investments in intangible assets

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

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

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

XII.7.3 Real estate investments

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

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

XII.7.4 Investments in financial instruments and other companies

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

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

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

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

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

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

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

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

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

XII.8.2.1 Agreements signed by TBS EAD

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

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

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

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

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

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

Security provided under the agreement continues to include:

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

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

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

XII.8.2.2 Agreements signed by Comutel

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

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

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

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

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

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

XII.8.2.3 Agreements signed by Telelink Albania

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

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

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

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

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

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

XII.8.2.4 Agreements signed by TBS Macedonia

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

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

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

XII.9.1 Loans granted by the Company

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

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

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

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

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

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

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

XII.9.3 Loans granted by subsidiaries

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

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

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

XII.9.4 Provided guarantees and undertaking of liabilities by subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XII.17.2 Contingent and deferred remunerations awarded during the year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

** % of the registered share capital*

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

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

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

** % of the registered share capital*

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

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

Company's share capital.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XII.21 Information about the Investor Relations Director

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

XIII ADDITIONAL INFORMATION AT THE COMPANY'S DISCRETION

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

XIV NON-FINANCIAL STATEMENT

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

Date of preparation:

April 28 2021

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 15:30:59 +03'00'

Ivan Zhitiyanov,

TELELINK BUSINESS SERVICES GROUP AD

CORPORATE GOVERNANCE

STATEMENT

OF "TELELINK BUSINESS SERVICES GROUP" AD

TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT

PURSUANT TO ARTICLE 100H, PAR. 8 IN RELATION TO ARTICLE 7, ITEM 1 OF

THE PUBLIC OFFERING OF SECURITIES ACT

Information on the application of the National Code of Corporate Governance

The activity of "TELELINK BUSINESS SERVICES GROUP" AD, after its registration as a public company by a decision of the Financial Supervision Commission dated 28.11.2019, respectively after admission of its shares to be traded on a regulated market, organized and maintained by "Bulgarian Stock Exchange" AD, is in accordance with the normative requirements set in the Public Offering of Securities Act (POSA) and the deeds for its implementation, with the Articles of Association of the company, and with the National Code of Corporate Governance.

In 2020, the corporate management of "TELELINK BUSINESS SERVICES GROUP" AD has taken all necessary legal and factual actions to implement all the recommendations of the Code.

Good corporate governance is a set of balanced relationships between the Management Bodies of the Group, its shareholders and all stakeholders – employees, trading partners, creditors, potential and future investors and society as a whole. The Code is applied on the basis of the **"observe or explain" principle**. This means that the company complies with the Code, and in case of deviation, its management should clarify the reasons for this.

"TELELINK BUSINESS SERVICES GROUP" AD does not apply another corporate governance code, as well as corporate governance practices, in addition to the National Corporate Governance Code.

I. Corporate management of "TELELINK BUSINESS SERVICES GROUP" AD.

"TELELINK BUSINESS SERVICES GROUP" AD (hereinafter referred to as the "Company") is a company with a two-tier management system.

The company is managed and represented by a Management Board, under the control of a Supervisory Board.

As of the date of preparation of this document, members of the Management Board are:

Ivan Krasimirov Zhitiyanov – Chairperson and Executive Member of the Management Board

Teodor Dimitrov Dobrev – Member of the Management Board

Paun Uvanov Ivanov – Member of the Management Board

Nikoleta Elenkova Stanailova – Member of the Management Board

Gojko Martinovic – Member of the Management Board

As of the date of preparation of this document, members of the Supervisory Board are:

Hans van Huvelingen – Chairperson of the Supervisory Board

Ivo Evgeniev – Member of the Supervisory Board

Bernard Jean Luc Mosccheni – Member of the Supervisory Board

Functions and duties of the Management Board

The Management Board of the company makes decisions, as its exclusive competence, for:

1. Closure or transfer of enterprises or significant parts of them to the subsidiaries of the Company;
2. Significant change in the activity of the company;
3. Significant organizational changes;
4. Opening and closing of branches and representative offices of the company in the country and abroad;

5. Acquisition, termination or other disposal of shares, other securities, shares or share participation in commercial companies in the country and abroad, as well as in non-profit legal entities;
6. Formation of monetary funds and the procedure for raising and spending them;
7. Execution of the transactions under Article 236 of the Commercial Law;
8. Acquisition and alienation of real estates and real rights over them;
9. Preparation, acceptance and signing of a prospectus for public offering of securities issued by the company;
10. Selection and release of investment intermediaries to undertake and/or administer an issue of securities issued by the company, which will be the subject of public offering;
11. Acceptance and presentation of the annual financial report of the company, the annual report on the activity and the report of the registered auditors of the Supervisory Board;
12. Acceptance of the annual consolidated financial report of the company;
13. Adoption of an annual budget and business plan of the company and/or its subsidiary, as well as amendments to the annual budget and business plan;
14. Making decisions for transactions or actions, which do not fall within the usual commercial activity of the company, and transactions, which are not concluded under market conditions;
15. Taking bank loans;
16. Transfer of the rights to perform the expanded activity of the company and the persons directly related to it to a person who is not the exclusive property of the company or to a person directly related to the company;
17. Any transfer, rental or establishment of a right of usufruct, rent, pledge, mortgage or other encumbrances on the property of the company and the persons directly related to the company;
18. Proposal to the General Meeting of Shareholders for separation of particular spheres of activity of the company and the persons directly related to it, so that one or more of these spheres of activity to be transferred to a company or companies, which are not related to the company, regardless the form of separation of the respective sphere of activity;
19. Concluding or amending management contracts of the executive director of the company;
20. All other issues related to the management of the Company, which are not within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board.

The Management Board takes decisions if at least half of its members are present in person or represented by another member of the Board. A member present may not represent more than one absent member. Decisions are taken by simple majority.

The Management Board may take decisions in absentia if all members of the Board agree in writing to these decisions.

The Management Board reports on its activities to the Supervisory Board at least once every three months.

Election and dismissal of members of the Management Board

The Supervisory Board elects and dismisses the members of the Management Board in accordance with the law and the Articles of Association of the company, as well as in accordance with the principles of continuity and sustainability of the work of the Management Board.

In case of proposals for election of new members of the Management Board, the principles of compliance of the competence of the candidates with the nature of the National Code of Corporate Governance in the activity of the company are observed.

All members of the Management Board should meet the legal requirements for holding office. The functions and obligations of the corporate management, as well as its structure and competence, are in accordance with the requirements of the Code.

The contracts for assignment of management, concluded with the members of the Management Board, determine their obligations and tasks, their obligations for loyalty to the company and the grounds for dismissal.

Structure and competences of the Management Board

The number of members and the structure of the Management Board are determined in the Articles of Association of the company.

The composition of the Management Board is structured in a way that guarantees the professionalism, impartiality and independence of its decisions in connection with the management of the company. The functions and obligations of the corporate management, as well as its structure and competences are in accordance with the requirements of the Code.

The Management Board ensures a proper division of tasks and responsibilities between its members in order to achieve efficiency of the activities of the company, in accordance with the interests and rights of the shareholders.

The competences, rights and obligations of the members of the Management Board follow the requirements of the law, the by-laws and the standards of good professional and managerial practice.

The members of the Management Board should have the appropriate knowledge and experience required for the position they hold.

Improving the qualification of the members of the Management Board is their constant commitment.

The members of the Management Board should have the necessary time to perform their tasks and duties. The Articles of Association of the company do not determine the number of companies in which the members of the Management Board may hold managerial positions.

Conflict of interests

The members of the Management Board must avoid and not allow real or potential conflicts of interest.

The members of the Management Board will immediately disclose conflicts of interest and provide access to information on transactions between the company and members of the Management Board or persons related to it by submitting the declaration under Art. 114b of the POSA.

In 2020, the Management Board has developed a procedure for avoiding conflicts of interests in transactions with stakeholders and disclosure of information.

Functions and duties of the Supervisory Board

The Supervisory Board of the company makes decisions, as its exclusive competence, on the following:

1. Election and dismissal of the members of the Management Board and determination of the remuneration of the members of the Management Board and the Executive Directors;
2. Approval of the business plan and the annual budget of the company and its subsidiaries;
3. Approval of the following decisions of the Management Board:

3.1. Distribution of functions between the members of the Management Board and the authorization of members of the Management Board to represent the company;

3.2. Opening and closing of branches and representative offices of the company in the country and abroad;

3.3. Acquisition, termination or other disposal of shares, other securities, shares or share participation in companies in the country and abroad, as well as in non-profit legal entities:

3.4. Carrying out the transactions under Art. 236 of the Commercial Law;

3.5. Approval of the Rules of Procedure of the Management Board and any proposed amendments or additions thereto;

3.6. Other matters explicitly stated in the Rules of Procedure of the Supervisory Board.

4. The Supervisory Board has the right to request, at any time, the Management Board to submit information, reports or draft decisions on all matters affecting the Company.

The Supervisory Board has the right to check all documents, books and reports concerning the activities of the company and to request written and oral information on all matters from all members of the Management Board and from all employees of the company.

The Supervisory Board meets at least once every three months. The meetings are convened by the Chairperson of the Supervisory Board on his/her initiative or at the request of a member of the Supervisory Board or at the request of a member of the Management Board, made through the Chairperson of the Management Board.

The Supervisory Board takes decisions if at least half of its members are present in person or represented by another member of the Board. A member present may not represent more than one absent member. Decisions are taken by simple majority.

The Supervisory Board may take decisions in absentia if all members of the Board agree in writing to these decisions.

Election and dismissal of members of the Supervisory Board

The Supervisory Board is elected and dismissed by the members of the General Meeting of Shareholders in accordance with the law and the Articles of Association of the company, as well as in accordance with the principles of continuity and sustainability of the work of the Supervisory Board.

When considering proposals for election of new members of the Supervisory Board, the principles of compliance of the competence of the candidates are observed, as required by the National Code of Corporate Governance applied in the activity of the company.

All members of the Supervisory Board should meet the legal requirements for holding office. The functions and obligations of the corporate management, as well as its structure and competence, are in accordance with the requirements of the Code.

The contracts for assignment of the management, concluded with the members of the Supervisory Board, determine their obligations and tasks, their obligations for loyalty to the company and the grounds for dismissal.

Structure and competences of the Supervisory Board

The number of members and the structure of the Supervisory Board are determined in the Articles of Association of the company.

The composition of the Supervisory Board is structured in a way that guarantees the professionalism, impartiality and independence of its decisions. The functions and obligations of the corporate management, as well as its structure and competences are in accordance with the requirements of the Code.

The competences, rights and obligations of the members of the Supervisory Board follow the requirements of the law, the by-laws and the standards of good professional and managerial practice.

The members of the Supervisory Board should have the appropriate knowledge and experience required for the position they hold.

Improving the qualification of the members of the Supervisory Board is their constant commitment.

The members of the Management Board should have the necessary time to perform their tasks and duties. The Articles of Association of the company do not determine the number of companies in which the members of the Management Board may hold managerial positions.

The election of the members of the Supervisory Board of the company is done through a transparent procedure that provides, among others, timely and sufficient information about the personal and professional qualities of the candidates for members. As part of the documentation for the General Meeting, at which the election of a new member of the Supervisory Board is proposed, all declarations required by the POSA and the Commercial Law, a criminal record certificate and a professional biography of the candidate for elected position are submitted.

Upon election of members of the Supervisory Board, the candidates confirm, by a declaration or in person, to the shareholders the accuracy of the submitted data and information. The election procedure are conducted by open voting and taking into account the votes "For", "Against" and "Abstentions". The results of the voting are announced through the minutes of the General Meeting of Shareholders.

Conflict of interests

The members of the Supervisory Board must avoid and not allow real or potential conflicts of interest.

The members of the Supervisory Board will immediately disclose conflicts of interest and provide access to information on transactions between the company and members of the Supervisory Board or persons related to it by submitting the declaration under Art. 114b of the POSA.

The Articles of Association of the company explicitly provide that no later than at the beginning of the meeting, a member of the Supervisory Board is obliged to notify in writing its Chairperson that he/she or a related person has a conflict of interests on an issue included in the agenda and will not participate in the decision-making.

Remuneration of the members of the Supervisory and Management Boards

The remuneration policy for the members of the Supervisory and Management Board of "TELELINK BUSINESS SERVICES GROUP" AD was adopted by a decision of the Supervisory Board of the Company on 03 August 2020 and was approved by the first regular annual General Meeting of the Company's shareholders held on 10 September 2020, after it obtained public status. The policy has entered into force on the date of its approval by the General Meeting of Shareholders of the Company. During the reporting period there was an amendment to the remuneration policy, approved by a decision of the General Meeting of Shareholders held on 10 December 2020. Until the approval of the remuneration policy, the Company has paid remunerations in accordance with the applicable requirements, long-term interests and the strategy for future development, taking into account the recommendations of the National Corporate Governance Code. Information on the principles for formation of the remuneration of the members of the Management and Supervisory Boards of the Company, as well as on their amount, were disclosed in a report on the implementation of the remuneration policy for the members of the Supervisory and Management Boards.

Conflict of interest with respect to the Management of the subsidiaries

The members of the Management Boards of the subsidiaries must avoid and not allow real or potential conflicts of interest.

The members of the Management Boards of the subsidiaries will immediately disclose conflicts of interest and notify the Management Board of "TELELINK BUSINESS SERVICES GROUP" AD, providing access to all information on transactions between the companies and members of the management boards of the companies in the Group or their related parties.

The members of the Management Boards of the subsidiaries are obliged to comply with the Code of Ethics and Professional Conduct, the Rules for disclosure of inside information and the Procedure for avoiding conflicts of interest in transactions with interested parties and disclosure of information.

II. Description of the internal control and risk management system of "Telelink Business Services Group" AD (TBSG) and the Group in connection with the financial reporting process.

The Company has an Audit Committee elected by the General Meeting of Shareholders. The procedures for selection of members of the Audit Committee, manner of its functioning, reporting and mandate are described in the Audit Committee Statute approved by the General Meeting of Shareholders.

The Group Companies have established and operate a system for internal control and risk management, which provides the Companies with a holistic management approach, applying preventive (risk assessment and treatment), control (internal control) and corrective actions (internal audit) that provide a mechanism for continuous improvement of the processes in the Companies and ensure the effective functioning of the reporting and disclosure systems.

The system for internal control and financial reporting has been developed as a result of studies of good accounting practices, as well as in compliance with legal requirements, in accordance with the activities of the companies in the Group. It is in a constant process of monitoring by the Management, further development and continuous improvement.

Internal control

The **purpose of the internal control** in TBSG is to monitor the functioning of the processes, the implementation of the adopted rules, compliance with the applicable legislation and standards, identification of audit processes / areas, as well as risk indicators for monitoring. The internal control system of financial reporting is based on previous experience of the Management, studies of good reporting and control practices, compliance with legal requirements to ensure the effective functioning of reporting systems and disclosure of information. It is in a constant process of monitoring and continuous improvement.

On the basis of internal control, data is provided for making informed decisions regarding the functioning of processes, risk and opportunities management, improvement of control and operations, as well as reliable information on compliance with the applicable legislation and standards.

Internal control is exercised over all activities, whether financial or not.

The Management of the Companies in the Group is responsible for the preparation of the annual financial statements, which give a true and fair view of the financial condition of each enterprise, in accordance with the applicable accounting policy.

Management's responsibility also includes implementation of an internal control system to prevent, detect and correct errors and misstatements resulting from actions of the accounting system based on the following main principles:

- Observance of the accounting policy, completeness and correctness of the accounting information disclosed in the financial statements;

- Recording of all operations in accordance with the laws and regulations;
- Timely recording of operations and events, with their exact amount, during the preparation of financial statements;
- Observance of the precautionary principle in the valuation of assets, liabilities, income and expenses; detection and cessation of fraud and errors;
- Preparation of reliable financial information;
- Adherence to international financial reporting standards and compliance with the "going concern" principle.

Risk Management

The purpose of the Risk Management is to create a mechanism for making informed and consistent decisions by the Management of the companies in the TBSG Group in order to achieve sustainable business development.

In order to achieve maximum efficiency, the risk management process is an integral part of the activities of the companies in the Group, built as a structured approach according to the internal and external context of the organization and consistent with the dynamic changes that may occur in this context. Historical and current information, future forecasting and the influence that the human factor can have are used to carry out this process.

Telelink Business Services Group constantly monitors and adapts the risk management approach to ensure continuous improvement.

A detailed description of the risks specific to the activity of "TELELINK BUSINESS SERVICES GROUP" AD is presented in the section "MAIN RISKS RELEVANT TO THE GROUP" of the activity report.

Information system and related business processes essential for financial reporting and communication

The Group has an information system, essential for the purposes of financial reporting, corporate governance and communication; it is an integrated set of systems, platforms and procedures that are used to:

- initiating, recording, processing and reporting transactions and operations of the company (as well as events and conditions) and maintaining accounting for related assets, liabilities and equity;
- solving problems with incorrect processing of transactions and operations;
- transfer of information from deal and transaction processing systems to the general ledger;
- coverage of information essential for the financial reporting of events and conditions other than transactions and operations.

The experts from the accounting teams working with the Information System of the Companies and performing the related business processes have the necessary competence and clearly understand the individual roles and responsibilities related to the internal control - their own and those of the management staff, and understand how their activities in the information financial reporting system are related to the work of others and the means to report exceptions to the Corporate Management. Open communication channels help to ensure that exceptions are reported and acted upon.

Ongoing monitoring of controls

Ongoing monitoring of controls is a process for assessing the effectiveness of the results of the functioning of internal control over the time. It includes timely assessment of the effectiveness of controls and taking the necessary remedial actions. Corporate Management performs ongoing monitoring of controls through ongoing activities, separate assessments, or a combination of both. Ongoing monitoring activities are often embedded in the companies' normal recurring activities and include regular management and supervisory activities.

III. Protection of TBSG shareholders' rights.

The Corporate Management guarantees equal treatment of all shareholders, including minority and foreign shareholders, protects their rights, as well as facilitates their exercise within the limits allowed by the current legislation and in accordance with the provisions of the company's bylaws.

The invitation for the General Meeting contains the information required under the Commercial Act and the POSA, as well as additional information regarding the exercise of the right to vote and the possibility to add new items to the agenda under Art. 223a of the Commercial Act.

The Corporate Management ensures that all shareholders are informed about their rights through the information published on the company's website, the announced Articles of Association of the company and the invitation for each specific General Meeting of the shareholders.

General Meeting of the shareholders

All shareholders are informed about the rules according to which the General Meetings of the shareholders are convened and held, including the voting procedures, through the Articles of Association of the company, as well as through an invitation for each specific General Meeting of the shareholders.

The Corporate Management provides sufficient and timely information on the date and place of the General Meeting, as well as complete information on the issues to be considered and resolved at the meeting.

The invitation and the materials for the General Meeting of the shareholders are announced through the media agency Extra News and reach the public, the Financial Supervision Commission and the regulated securities market. In order to facilitate the exercise of rights by cross-border shareholders, the Company provides the Central Depository with notifications of upcoming corporate events. After presenting the invitation and the materials for the General Meeting of shareholders, they are available on the company's website.

Shareholders with voting rights have the opportunity to exercise their voting rights at the General Meeting of the company in person or through representatives and by correspondence.

As part of the materials for the General Meeting of shareholders, the Management Board provides a Sample Power of Attorney, Rules for voting by proxy and Rules for voting by correspondence.

The Management Board exercises effective control by creating the necessary organization for the voting of the authorized persons in accordance with the instructions of the shareholders and in the ways permitted by law. By order of the Executive Director, a composition of a Mandate Commission is determined, which registers the shareholders for each specific General Meeting and proposes to the General Meeting the election of a chairperson, secretary and enumerators. The management of the General Assembly strictly monitors the lawful conduct of the General Assembly, including the manner of voting of the authorized persons. When ascertaining differences in the will of the authoriser and the vote of the authorized person, this circumstance is be entered in the minutes and the will of the principal is taken into account accordingly.

The Management Board organizes the procedures and the order for holding the General Meeting of shareholders in a way that does not complicate or increase the cost of voting unnecessarily.

In order to facilitate the exercise of the right to vote of shareholders in a situation of health crisis, the Articles of Association of the Company introduced an additional method for exercising the right to vote by correspondence.

Materials for the General Meeting of shareholders

The texts in the written materials related to the agenda of the General Meeting are specific and clear and do not mislead the shareholders. They are available to the shareholders from the day of the announcement of the invitation for its convening in the Commercial Register and are published on the website of the Company. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the profit distribution proposal.

The Management Board, according to the current legislation, assists the shareholders entitled to include additional issues and to propose resolutions on issues already included in the agenda of the General Meeting, performing all necessary legal and factual actions to disclose the additional issues on the agenda of an already convened General Meeting.

The Management Board guarantees the right of the shareholders to be informed about the decisions taken by the General Meeting of shareholders by announcing the Minutes of the General Meeting of shareholders through the selected media agency.

Equal treatment of shareholders of one class

According to the Articles of Association of the company and the internal acts of the company, all shareholders of one class are treated equally, and all shares within one class give equal rights to the shareholders of the same class.

The Management Directors ensures the provision of sufficient information to the investors about the rights granted by all shares of each class before their acquisition through the information published on the company's website, as well as by conducting conversations and personal meetings with the Management and/or the Relations Manager of the investor.

Consultations between shareholders on basic shareholder rights

The Management Board does not prevent shareholders, including institutional ones, from consulting each other on matters relating to their fundamental shareholder rights in a manner that prevents abuse.

Shareholder' transactions with controlling rights and abusive transactions

The Management Board does not allow transactions with shareholders with controlling rights, which violate the rights and/or legitimate interests of other shareholders, including under the conditions of agreement with itself. Upon carrying out such type of transactions, an explicit decision of the Management Board is required, as the interested parties are excluded from the voting. In case of indications for crossing the statutory thresholds under Art. 114, para. 1 of the POSA, the Management Board prepares a reasoned report and initiates the convening and holding of a General Meeting of shareholders, at which the transactions are to be put to a vote.

IV. Disclosure of information.

The Management Board of TBSG has developed "Rules for disclosure of inside information regarding insiders for "Telelink Business Services Group" AD", which are in force since 26 May 2020 and are applied in all companies in the Group. The document has been developed in accordance with the legal requirements and the bylaws of the company. In accordance with the adopted rules, the Corporate Management has created and maintains a system for disclosure of information.

The information disclosure system ensures equality of the addressees of the information (shareholders, stakeholders, investment community) and does not allow misuse of inside information.

The inside information is disclosed in the legally established forms, order and terms through the selected media agency. The company uses a single point for disclosure of information electronically, thus the information reaches both the public and the Financial Supervision Commission and the regulated securities market in an unadjusted form. Information in unadjusted form and in the same volume is also published on the company's website. In this way, the company ensures that the information disclosure system provides complete, timely, accurate and understandable information that allows for objective and informed making of decisions and assessments.

The Executive Management promptly discloses the capital structure of the company and agreements that lead to control according to its disclosure rules.

The Management Board ensures that the rules and procedures under which the acquisition of controls and extraordinary transactions, such as conversions and the sale of significant parts of assets, are carried out are clearly and promptly disclosed.

The Management Board approves and controls the process of preparation of the annual and interim reports, as well as the interim financial notifications, as well as the procedure for disclosure of information.

The company maintains a website with approved content, scope and periodicity of the information disclosed through it. The content of the company's website fully covers the recommendations of the National Corporate Governance Code.

The company periodically discloses information about corporate governance.

The Management Board believes that its activities in 2020 have created the conditions for sufficient transparency in its relations with investors, financial media and capital market analysts.

In 2020, the company disclosed any regulated information within the deadlines and in accordance with the procedure provided for in the Public Offering of Securities Act and the deeds on its implementation.

V. Stakeholders

The Company has developed a policy towards stakeholders, which defines stakeholders and establishes the principles of effective interaction with them, in accordance with legal requirements and in compliance with the principles of transparency, accountability and business ethics.

"TELELINK BUSINESS SERVICES GROUP" AD regularly communicates with the stakeholders both financial and non-financial information in connection with the corporate policy adopted by the Management Board.

VI. Information pursuant to Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (Information referred to in Article 10 (1) (c), (d), (f), (h) and (i).

6.1. Information referred to in Article 10 (1) (c) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.

As of 31 December 2020 the shareholders holding 5 per cent or more of the capital and the voting rights in the General Meeting of the company are:

- Lyubomir Minchev directly holding 9,066,428 shares with a nominal value of BGN 1 each, representing 72.53% of the total capital of the company;

- UTILICO EMERGING MARKETS TRUST PLC directly holding 1,250,000 shares with a nominal value of BGN 1 each, representing 10.00% of the total capital of the company;

Information on persons who reached, exceeded or fell below one of the following limits of 10%, 20%, 1/3, 50% and 2/3 in 2020:

- UTILICO EMERGING MARKETS TRUST PLC, a shareholder reached 10% of the capital.

6.2. Information referred to in Article 10 (1) (d) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – holders of all securities with special control rights and a description of those rights.

"TELELINK BUSINESS SERVICES GROUP" AD has no shareholders with special control rights.

6.3. Information referred to in Article 10 (1) (f) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – any restrictions on voting rights, such as restrictions on voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems by which, in cooperation with the company, the financial rights granted to the securities are separated from the holding of the securities.

There are no restrictions on the voting rights of the shareholders of "TELELINK BUSINESS SERVICES GROUP" AD.

6.4. Information referred to in Article 10 (1) (h) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – the rules governing the appointment or replacement of members of the Board and making amendments to the Articles of Association.

According to the provisions of Art. 17, item 4 of the Articles of Association of "TELELINK BUSINESS SERVICES GROUP" AD, the General Meeting of shareholders determines the number, elects and dismisses the members of the Supervisory Board and determines their remuneration.

According to the provisions of Art. 29, para. 2 of the Articles of Association of "TELELINK BUSINESS SERVICES" GROUP AD, the Supervisory Board determines the number, elects and dismisses the members of the Management Board.

The General Meeting of shareholders, respectively the Supervisory Board, may at any time decide to make changes in the number and composition of the Supervisory Board, respectively the Management Board, and the members of the Boards may be re-elected without restriction. A member of the Supervisory and Management Board may be an able-bodied natural person or legal entity that meets the requirements of the law and has the necessary professional qualifications in connection with the activities of the company.

According to the provision of Art. 17, item 1 of the Articles of Association of "TELELINK BUSINESS SERVICES GROUP" AD, the General Meeting of shareholders is the body that may amend and supplement the Articles of Association of "TELELINK BUSINESS SERVICES GROUP" AD.

6.5. Information referred to in Article 10 (1) (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids – powers of members of the Board, in particular the right to issue or buy back shares.

The Management Board cannot make decisions for issuance or buyback of shares of the company. These decisions are within the powers of the General Meeting of shareholders.

In 2020, the Management Board was authorized to repurchase shares under certain conditions and terms, according to decisions of the General Meeting of shareholders held on 30 June 2020 and 10 December 2020.

VII. Description of the diversity policy applied to the Administrative, Management and Supervisory Bodies of "TELELINK BUSINESS SERVICES GROUP" AD and its subsidiaries.

"Telelink Business Services Group" AD and its subsidiaries are committed to maintaining compliance with the highest ethical and legal standards in the field of human rights, labour rights, environmental protection and the fight against corruption.

A number of internal documents have been developed that can be classified as a diversity policy with regard to Management and Supervisory Bodies in relation to aspects such as age, gender or education and professional experience.

Such internal documents are:

- Code of Ethics and Professional Conduct of "Telelink Business Services Group" AD that aims to establish the moral and ethical norms, principles and standards of conduct of employees in accordance with corporate principles such as legality, professionalism, confidentiality, teamwork, responsibility and accountability, mutual respect, respect of personal dignity and knowledge exchange.

- General personal data processing policy.

Each of the above documents, individually and collectively, builds the diversity policy of the Management and Supervisory Bodies in relation to aspects such as age, gender or education and professional experience. The Group companies apply a balanced policy for nominating members of the corporate management who have education and qualifications that correspond to the nature of the company's work, its long-term goals and business plan.

The internal acts of the companies in the Group encourage the search for gender balance at all management levels.

Companies do not discriminate against members of corporate management and administrative bodies on the basis of age or gender.

Date of issue:

28 April 2021

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.04.28 15:31:30 +03'00'

Ivan Zhitiyanov,

"TELELINK BUSINESS SERVICES GROUP" AD

DECLARATION

In accordance with Article 100n, paragraph 4, item 4 of Public Offering of Securities Act

I the undersigned, Ivan Krasimirov Zhitiyanov, in my capacity as Executive Director of Telelink Business Services Group AD,

hereby DECLARE that to the best of my knowledge,

1. The Annual consolidate financial statements as of 31^{st} of December 2020, prepared in accordance with the applicable accounting standards, present correctly and fairly the information regarding the assets and liabilities, the financial position and profit of TELELINK BUSINESS SERVICES GROUP AD.

and

2. The Annual consolidated management report as of 31^{st} of December 2020 includes a fair review of the development and performance of TELELINK BUSINESS SERVICES GROUP AD, as well as the state of the Group together with a description of major risks and uncertainties faced thereby.

28.04.2021 г.

Sofia

IVAN KRASIMIROV ZHITIYANOV

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Date: 2021.04.28 15:31:54 +03'00'

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Ivan Krasimirov Zhitiyanov

TELELINK BUSINESS SERVICES GROUP AD

DECLARATION

In accordance with Article 100n, paragraph 4, item 4 of Public Offering of Securities Act

I the undersigned, Jordanka Lyubchova Klenovska, in my capacity as preparer of the consolidated financial statements of Telelink Business Services Group AD,

hereby DECLARE that to the best of my knowledge,

1. The Annual consolidate financial statements as of 31st of December 2020, prepared in accordance with the applicable accounting standards, present correctly and fairly the information regarding the assets and liabilities, the financial position and profit of TELELINK BUSINESS SERVICES GROUP AD.

and

2. The Annual consolidated management report as of 31st of December 2020 includes a fair review of the development and performance of TELELINK BUSINESS SERVICES GROUP AD, as well as the state of the Group together with a description of major risks and uncertainties faced thereby.

28.04.2021 г.

Sofia

YORDANKA LYUBCHOVA KLENOVSKA

Digitally signed by YORDANKA LYUBCHOVA KLENOVSKA
Date: 2021.04.28 15:48:47 +03'00'

Jordanka Lyubchova Klenovska

Preparer

TELELINK BUSINESS SERVICES GROUP AD

Ърнст и Янг Одит ООД
Полиграфия офис център
бул. Цариградско шосе 47А, ет.4
София 1124

Централа: +359 2 81 77 100
Факс: +359 2 81 77 111
ey.com

Building a better working world

ДЕКЛАРАЦИЯ по чл. 100н, ал. 4, т. 3 от Закона за публичното предлагане на ценни книжа

До акционерите

На „Телелинк Бизнес Сървисис Груп" АД

Долуподписаният:

1. Николай Гърнев, в качеството ми на Управител на одиторско дружество „Ърнст и Янг Одит" ООД, с ЕИК 130972874, със седалище и адрес на управление: Полиграфия офис център, бул. Цариградско шосе 47А, ет. 4, София 1124 и адрес за кореспонденция: Полиграфия офис център, бул. Цариградско шосе 47А, ет. 4, София 1124, и в качеството ми на регистриран одитор (с рег. № 0612 от регистъра при ИДЕС по чл. 20 от Закона за независимия финансов одит), отговорен за одит ангажимента от името на одиторско дружество „Ърнст и Янг Одит" ООД (с рег. № .108 от регистъра при ИДЕС по чл. 20 от Закона за независимия финансов одит) при ИДЕС, декларираме, че

„Ърнст и Янг Одит" ООД беше ангажирано да извърши задължителен финансов одит на консолидирания финансов отчет на „Телелинк Бизнес Сървисис Груп" АД за 2020 г., съставен съгласно Международните стандарти за финансово отчитане, приети от ЕС, общоприетото наименование на счетоводната база, дефинирана в т. 8 на ДР на Закона за счетоводството под наименование „Международни счетоводни стандарти". В резултат на нашия одит ние издадохме одиторски доклад от 28 април 2021 г.

С настоящото удостоверяваме, че както е докладвано в издадения от нас одиторски доклад относно годишния консолидиран финансов отчет на „Телелинк Бизнес Сървисис Груп“ АД за 2020 година, издаден на 28 април 2021 г.:

1. **Чл. 100н, ал. 4, т. 3, буква „а” Одиторско мнение**: По наше мнение, приложеният консолидиран финансов отчет дава вярна и честна представа за финансовото състояние на Групата към 31 декември 2020 г. и за нейните финансови резултати от дейността и паричните ѝ потоци за годината, завършваща на тази дата, в съответствие с Международните стандарти за финансово отчитане (МСФО), приети от Европейския съюз (ЕС) (стр. 1 от одиторския доклад);

2. **Чл. 100н, ал. 4, т. 3, буква „б” Информация, отнасяща се до сделките на „Телелинк Бизнес Сървисис Груп“ АД със свързани лица.** Информация относно сделките със свързани лица е надлежно оповестена в Пояснителна бележка 31 към консолидирания финансов отчет за 2020 г. На база на извършените от нас одиторски процедури върху сделките със свързани лица като част от нашия одит на консолидирания финансов отчет като цяло, не са ни станали известни факти, обстоятелства или друга информация, на база на които да направим заключение, че сделките със свързани лица не са оповестени в приложения консолидиран финансов отчет за годината, завършваща на 31 декември 2020 г., във всички съществени аспекти, в съответствие с изискванията на МСС 24 Оповестяване на свързани лица. Резултатите от нашите одиторски процедури върху сделките със свързани лица са разгледани от нас в контекста на формирането на нашето мнение относно консолидирания финансов отчет като цяло, а не с цел изразяване на отделно мнение върху сделките със свързани лица (стр. 7 от одиторския доклад).

3. **Чл. 100н, ал. 4, т. 3, буква „в” Информация, отнасяща се до съществените сделки.** Нашите отговорности за одит на консолидирания финансов отчет като цяло, описани в раздела на нашия доклад „Отговорности на одитора за одита на консолидирания финансов отчет“, включват оценяване дали консолидираният финансов отчет представя съществените сделки и събития по начин, който постига вярно и честно представяне. На база на извършените от нас одиторски процедури върху съществените сделки, основополагащи за консолидирания финансов отчет за годината, завършваща на 31 декември 2020 г., не са ни станали известни факти, обстоятелства или друга информация, на база на които да направим заключение, че са налице случаи на съществено недостоверно

представяне и оповестяване в съответствие с приложимите изисквания на МСФО, приети от Европейския съюз. Резултатите от нашите одиторски процедури върху съществените за консолидирания финансов отчет сделки и събития на Групата са разгледани от нас в контекста на формирането на нашето мнение относно консолидирания финансов отчет като цяло, а не с цел изразяване на отделно мнение върху тези съществени сделки (стр.7 от одиторския доклад).

Удостоверяванията, направени с настоящата декларация, следва да се разглеждат единствено и само в контекста на издадения от нас одиторски доклад в резултат на извършения независим финансов одит на годишния консолидирания финансов отчет на „Телелинк Бизнес Сървисис Груп“ АД за годината, завършваща на 31.12.2020 г., с дата 28 април 2021 г. Настоящата декларация е предназначена единствено за посочения по-горе адресат и е изготвена единствено и само в изпълнение на изискванията, които са поставени с чл. 100н, ал. 4, т. 3 от Закона за публичното предлагане на ценни книжа (ЗППЦК) и не следва да се приема като заместваща нашите заключения, съдържащи се в издадения от нас одиторски доклад от 28 април 2021 г. по отношение на въпросите, обхванати от чл. 100н, т. 3 от ЗППЦК.

Одиторско дружество „Ърнст и Янг Одит” ООД:

Digitally signed by Nikolay Georgiev Garnev
Date: 2021.04.28 19:48:25 +03'00'

Николай Гърнев

Управител

и

Регистриран одитор, отговорен за одита

28 април 2021 година

гр. София, България