



Telelink Business Services Group AD

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Separate Management Report and

Separate Financial Statements

For the period 12 July - 31 December 2019

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GENERAL INFORMATION

Supervisory Board (SB)

Hans van Houwelingen – Chair of SB, independent member

Ivo Evgeniev Evgeniev – member of SB;

Bernard Jean Luc Moscheni – member of SB, independent member.

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

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Business Center Richhill, Block B, 2nd floor

1766 Sofia

Register and registration number

UIC 205744019

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



Telelink Business Services Group AD

ANNUAL MANAGEMENT REPORT

OF TELELINK BUSINESS SERVICES GROUP AD

FOR THE FINANCIAL YEAR 2019

THIS MANAGEMENT REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 39 OF THE ACCOUNTANCY ACT, ARTICLE 100M, PARAGRAPH 7 AND PARAGRAPH 8 OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA), AND APPENDIX 10 TO ARTICLE 32, PARAGRAPH 1, ITEM 2 OF ORDINANCE NO 2 OF 17 SEPTEMBER 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION.



DEAR SHAREHOLDERS,

We, the members of the Management Board of Telelink Business Services Group AD (or hereinafter referred to as "the Company"), aiming at managing the Company in the shareholders' interest and considering the provisions of Article 33 of the Accountancy Act, Article 100m, paragraph 7 of the POSA, and Appendix 10 to Article 32, paragraph 1, item 2 of Ordinance No 2 of 17 September 2003 on the Prospectuses to be Published when Securities are Offered to the Public or Admitted to Trading on a Regulated Market and on Disclosure of Information by the Public Companies and Other Issuers of Securities, have prepared this Management Report (hereinafter, the Report). The report contains commentary and analysis of financial and non-financial key performance indicators relevant to the business of the Company, including information on environmental issues and employees. The report provides an objective review that gives a true and fair representation of the development and operating results of Telelink Business Services Group AD, as well as of its situation, and a description of the major risks it faces.

The Corporate Governance Statement of Telelink Business Services Group AD prepared in accordance with the provisions of article 100m, paragraph 8 of POSA, is enclosed hereto.

I. CORPORATE INFORMATION

Telelink Business Services Group AD („TBS Group“, the „Company“) was incorporated on 12 July 2019 as a sole-shareholder joint stock company owned by Telelink Holdings BV (The Netherlands).

At the date of incorporation of the Company, Telelink Holdings BV (The Netherlands) was also the sole owner of Telelink Bulgaria EAD. In turn, the latter held investments in subsidiaries working in the area of information and communication technology in three major business lines, namely „Business services“, „Infrastructure services“ and „Product development“. Taken together, Telelink Bulgaria EAD and its subsidiaries formed the common Telelink group existing at the time.

The Company's objective was to spin off the investments in Telelink group's subsidiaries, specialised in the „Business services“ business line, in a separate company, group and corporate structure independent from Telelink Bulgaria EAD.

By resolution of the sole owner Telelink Holdings BV (The Netherlands), Telelink Bulgaria EAD was reorganised through separation of the independent activity „Business services“ in accordance with Art. 262c of the Commercial Act, whereas a part of the property of Telelink Bulgaria EAD, comprising all assets, rights and liabilities attributable to the Separated activity (including assets, liabilities, contracts and employees) was transferred to Telelink Business Services Group EAD (in its capacity of a Successor) („Reorganisation“, „Spinoff“) in exchange for shares in the capital of the Successor issued to Telelink Holdings BV (The Netherlands). The reorganisation was entered into the Commercial Register and came into effect on 14 August 2019.

As a result of the Separation, commencing on that date, the Company combined the investments in the Telelink group companies specialised in the „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 new company incorporated earlier in 2019, Telelink Albania Sh.p.k. („Telelink Albania“). In September 2019, the Group was also joined by newly established Company subsidiary Telelink Business Services DOOEL (Macedonia) („TBS Macedonia“).

Subsidiary	Country of incorporation and management	Shareholding participation of TBS Group
<i>(direct)</i>		
Telelink Business Services EAD	Bulgaria	100%
Comutel DOO	Serbia	100%
Telelink DOO – Podgorica	Montenegro	100%
Telelink DOO	Bosnia and Herzegovina	100%
Telelink DOO	Slovenia	100%
Telelink Albania SH.P.K.	Albania	90%
Telelink Business Services DOOEL	Macedonia	100%
<i>(indirect)</i>		
Telelink BS Staffing EOOD	Bulgaria	(through TBS EAD) 100%
Green Border OOD	Bulgaria	50%

As of December 31 2019, the Company is the sole owner of all of its direct subsidiaries except Telelink Albania, in which it held a majority stake of 90%, with the remaining 10% owned by Picard Ivanov DOOEL (Macedonia), itself controlled by Paun Ivanov, a member of the Company's Management Board.

As of December 31 2019, all directly controlled subsidiaries carried out active commercial operations. The indirectly owned Telelink BS Staffing EOOD, incorporated by TBS EAD with a view to the potential launch of joint operations with a leading financial consultancy, has not yet deployed substantial business activities. In turn, the project purpose of the joint venture Green Border OOD, co-established by TBS EAD, has been exhausted with the implementation of the respective project and it is not expected to have any material future impact on the activity and financial position of the Group.

The Company was incorporated with the activity subject matter of: „Commercial activities in the country and abroad, commercial representation, intermediation and agency in the country and abroad, construction and maintenance of transmission and telecommunication networks, acquisition, management, evaluation and sale of interests in Bulgarian and foreign companies, investments in company shares and stocks, consultancy, corporate governance, capital and asset management, commission-based activities, as well as any other activity not prohibited by law, provided that, if a permit or licence or registration is required for the performance of any activity, such activity shall be carried out after obtaining such permission or licence, or after such registration.“

The main commercial activity carried out in 2019 includes the provision of consulting and management services to the Group's subsidiaries. Further details on the type of provided services and the composition of revenues are provided in section XIV.2.a.

In addition to taking over the shares in subsidiaries transferred under the Spinoff, as described above, the development of investments in Bulgarian and foreign companies in 2019 included the incorporation of TBS Macedonia as a single-shareholder subsidiary in view of identified immediate opportunities for launching operations based on participation in specific projects and the potential for full deployment of the portfolio of solutions and services offered by the Group on the Macedonian market.

Pursuant to a decision of the sole owner from 15 August 2019, the Company took steps to become a public entity with a view to the admission of its shares to trading on the Bulgarian Stock Exchange („BSE“). As of 31 December 2019, the Financial Supervision Commission („FSC“) had approved a Prospectus for the admission to trading on a regulated market of the Company's shares (the „Prospectus“) with a resolution dated 28 November 2019 and the Supplement thereto pursuant to resolution dated 23 December 2019, but the

Company's shares were yet to be listed on the BSE. The financial results from the Company's operations and the factors shaping its cash flows are presented in the Income statement and analysed below.

II. KEY FINANCIAL INDICATORS

Financials (BGN thousand)	2019
Net sales revenue	80
Cost of Sales	-76
Gross Profit	4
Sales and Marketing Expenses	0
General and Administrative Expenses	-136
Other Operating Income/(Expenses) (net)	-19
Operating Profit	-151
Financial Income/(Expenses) (net)	373
Income Tax Expense	-5
Net Profit	217
Depreciation & Amortization Expenses	10
Interest Income/(Expenses) (net)	-12
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	224
Total Assets	15,920
Non-current Assets	15,833
Current Assets	87
Equity	12,934
incl. Retained Earnings and Profit for the Year	217
Total Liabilities	2,986
Non-current Liabilities	0
Current Liabilities	2,986
Cash & Cash Equivalents	58
Total Financial Debt*	2,892
Net Financial Debt**	2,834
Net Cash Flow from Operating Activities	-3,240
Net Cash Flow from Investment Activities	6,088
Net Cash Flow from Financing Activities	-2,790
Number of Employees as of Period End	9
<i>* Incl. loans and finance lease contracts</i>	
<i>** Total Financial Debt - Cash & Cash Equivalents</i>	

Ratios	2019
Gross Margin	5.0%
Operating Margin	-188.8%
Net Margin	271.3%
EBITDA margin	280.0%
Current Ratio	0.03
Equity / Total Assets	81%
Financial Debt / Total Assets	18%
Non-current Assets / Total Assets	99%
Equity and Non-current Liabilities / Non-current Assets	0.8
Net Financial Debt / EBITDA	12.7
Average Return on Assets (ROA)	2.7%
Average Return on Equity (ROE)	3.4%



III. OVERVIEW OF THE COMPANY'S ACTIVITY AND PERFORMANCE

As of December 31 2019, the Company carried out active operations and reported positive net assets of BGN 12,934 thousand.

The financial position and the factors shaping the Company's assets, liabilities and equity are presented in the Statement of financial position and analysed below.

1. Income, expenses and profit

As a result of providing consulting and management services to the Group's subsidiaries, the Company reported net sales revenue of BGN 80 thousand for 2019.

The realized gross profit of BGN 4 thousand and gross margin of 5% reflected the pricing policy applicable to services rendered to subsidiaries, according to which in order to stay at arm's length in respect of the part of these services provided against external services received by the Company, no mark-up is charged thereto.

The general and administrative expenses of BGN 136 thousand, reported by the Company, comprise mainly expenses on the remuneration of the members of the Company's Management and Supervisory Boards and on the cost of external financial, legal and administrative services that, in their substance and purpose, are of general nature and cannot be attributed to the cost of sales.

Considering the significant excess of the latter over the gross profit earned and the occurrence of BGN 19 thousand of other operating expenses, the Company ended 2019 with an operating loss of BGN 151 thousand.

At the same time, despite the moderate excess of interest expense over interest income, the Company generated significantly higher net financial income of BGN 373 thousand as a result of a dividend of BGN 386 thousand received from Telelink Bosnia after the date of the Reorganisation.

Owing to the above income, the Company reported both a positive net profit of BGN 217 thousand and positive earnings before interest, taxes, depreciation and amortisation (EBITDA) of BGN 224 thousand, exceeding significantly the amount of revenue and operating profit generated over the period.

2. Assets, liabilities and equity

The Company was incorporated in July with a registered share capital of BGN 50 thousand. The share capital of BGN 12,500 thousand, available as of 31 December 2019 and split into 12,450,000 shares with a par value of BGN 1 each, was formed as a result of the Reorganisation, by which assets of BGN 21,603 thousand and liabilities of BGN 8,937 thousand, attributable to separated „Business services“ activities, were spun off into the Company, whereas the difference was applied towards the formation of additional share capital of BGN 12,450 thousand and equity reserves of BGN 217 thousand.

The major part of separated assets was formed of investments in subsidiaries specialised in the „Business services“ business line, amounting to BGN 15,718 thousand, and a loan of BGN 5,702 thousand extended to TBS EAD. Significant separated liabilities included a bank loan obligation to Unicredit Bulbank AD in the amount of BGN 5,702 thousand and liabilities to Telelink Holdings BV (The Netherlands) totalling BGN 3,231 thousand, which stemmed from residual payments due to the latter for acquiring part of the separated shares in subsidiaries and for dividends distributed thereby prior to their separation from Telelink Bulgaria EAD.



The liabilities to Telelink Holdings BV (The Netherlands), separated as a result of the reorganisation, were repaid in September 2019. Respective payments were funded with proceeds from the partial repayment of the receivables under the loan provided to TBS EAD, separated as a result of the Reorganisation. The liabilities under the bank loans from Unicredit Bulbank AD, which were separated under the Reorganisation, were repaid in October 2019. The repayment was made through refinancing from TBS EAD, defined as a pre-approved goal of the first utilisation under a new facility agreement between the latter and Unicredit Bulbank AD. The difference between the liability of the Company to TBS EAD, formed as a result of the refinancing, and the remaining receivables of the Company under the loan to TBS EAD, has been carried forward as a loan received from TBS EAD. As of 31 December 2019, the the Company's liabilities under the latter amounted to BGN 2,892 thousand.

The financial debt being formed as a result of this short-term loan amounted to 18% of the Company's total assets. Although it resulted in a significant excess of current liabilities over current assets, it is not associated with a risk of indebtedness to third party creditors outside the Group and is not expected to affect the Group's consolidated working capital.

As a net result of the above and other factors, the Company ended 2019 with a high degree of balance sheet capitalisation, as the BGN 12,934 thousand of equity formed as a result of the Reorganisation and the positive financial result for the period reached 81% of the reported total assets of BGN 15,920 thousand.

3. Cash flow

Considering the negative operating result and the payment of significant other liabilities to Telelink Holdings BV, the Company reported a negative net cash flow from operating activities of BGN -3,240 thousand.

At the same time, the repayment of the loan to TBS EAD assumed as a result of the Spinoff and the dividends received from Telelink Bosnia resulted in a positive net cash flow from investing activities of BGN 6,088 thousand.

Balancing the above factors with the short-term loan obtained from TBS EAD and the repayment of the liabilities to Unicredit Bulbank AD under the financial debt assumed as a result of the Spinoff, the Company reported a negative net cash flow from financing activities of BGN -2,790 thousand.

In general, the Company's net cash flow remained nearly neutral in respect of the aforementioned major and other post-Reorganisation transactions, with the reported increase in cash and cash equivalents of BGN 58 thousand for the period remaining close in amount to the Company's share capital of BGN 50 thousand paid-in upon its incorporation.

IV. INFORMATION ON ENVIRONMENTAL ISSUES AND STAFF

The activity of Telelink Business Services Group AD does not involve possible ecological issues and the Company does not consider the ecological risk as a specific risk.

As of 31 December 2019, the Company had a total of 9 employees, including the members of its Management and Supervisory Boards and Investor Relations Director („IRD"). Only two of these employees were hired under labour contracts, whereas the employment of other staff members is based on management contracts. The above composition was formed predominantly towards the end of 2019, between the end of November and the beginning of December. For the rest of the year, the Company's staff comprised only one employee transferred as a result of the Reorganisation in August, and one member of the Supervisory Board appointed under a management contract in September 2019.

V. NON-FINANCIAL INFORMATION REPORTING

In accordance with the requirements of Directive 2014/95 / EU of the European Parliament as regards the disclosure of non-financial information and the provisions of the Accountancy Act, some of the entities are obliged to publish non-financial information either alone or as part of their annual management reports.

The obligation arises for large-sized public-interest entities that, by 31 December of the reporting period, exceeded the criterion for an average number of employees of 500 people during the financial year. Public-interest entities are: public companies and other issuers of securities; credit institutions; financial institutions; insurers and reinsurers, pension insurance companies and funds managed by them; investment intermediaries; trading companies that generate, transmit and sell electricity and heat energy; commercial companies that import, transmit, distribute and transit natural gas; commercial companies providing water, sewerage and telecommunications services; Bulgarian State Railways EAD and its subsidiaries.

Large-sized entities by definition include such reporting net sales revenue of and above BGN 76 million or carrying amount of assets of and above BGN 38 million.

Considering the requirements of the Accountancy Act, it may be concluded that Telelink Business Services Group AD is not obliged to report non-financial information either separately or as part of the report of the Board of Directors.

VI. MAJOR RISKS FACED BY THE COMPANY

The risks associated with the Company's business can generally be divided into systemic (general) and non-systemic (related to its activity and the industry in which it operates). Similar risk categories inherent to the business and the industry in which its subsidiaries operate are also relevant to the Company, insofar as they are the Company's primary source of income. In addition, investors in the Company's financial instruments are also exposed to risks associated with investing in securities (derivatives and basic).

1. Systemic risks

Systemic (general) risks are those that affect all economic agents in the country and arise from factors outside the Company and beyond its control. Basic methods for limiting the impact of these risks include gathering and analysing current information, and forecasting future development by individual and general indicators.

- Political risk

Political risk is the probability of a change of the government or a sudden change of its policies, or the occurrence of internal political disturbances and adverse amendments to the European and / or national legislation, which could result in adverse changes in the environment in which local businesses operate and losses for investors.

Political risks for Bulgaria in an international context are linked to the commitments made to implement serious structural reforms in the country as an equal member of the EU; to increase social stability and reduce inefficient spending, on the one hand, as well as to the strong destabilisation of the Middle East countries; the growing threat of terrorist attacks in Europe; refugee waves, and the instability of the neighbouring countries of Bulgaria.

Bulgaria, like other EU Member States in the region, continues to be seriously affected by the pan - European problem of intense refugee flow from the Middle East.



Other factors that also influence this risk are possible legislative changes, in particular such affecting the business and investment climate in the country.

- 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 power, would affect the Company's operations. A slowdown in the economy of the European Union, Bulgaria and other markets, in which Telelink Business Services Group AD's subsidiaries operate, or any other uncertainty about economic development, can make consumers cautious and affect their willingness and ability to purchase the products and services provided by the subsidiaries of Telelink Business Services Group AD.

Most analysts expect slowdown in growth and even contraction of the economies of developed Western European countries, with expectations that this process will reach, albeit at a slower and milder rate, Bulgaria and the Western Balkan countries. The slowdown in economic growth in the region and the associated cost constraints on the part of private companies and their under-compensation by counter-cyclical measures by national and supranational government authorities could impact adversely the sales and profitability of Telelink Business Services Group AD and its subsidiaries.

- Interest rate risk

Interest rate risk originates from possible, potential, negative changes in interest rates set by the financial institutions of the Republic of Bulgaria. Telelink Business Services Group AD is exposed to the risk of increase in market interest rates in connection with financing that is linked indirectly to the use of overdrafts, revolving credit lines and finance lease by its subsidiaries in Bulgaria and Serbia based on the basic interest rate (BIR) of the Bulgarian National Bank, EURIBOR and USD LIBOR indices, and finance leases in Bulgaria based on the periodically updated average deposit index (ADI) of the creditor bank, and floating EURIBOR indices.

- Currency risk

Exposure to currency risk represents the dependence and effects of changes in exchange rates. Systematic currency risk is the probability of a possible change in the country's currency regime (the Currency board), which would either result in depreciation of the Bulgarian lev or in appreciation of the Bulgarian lev against foreign currencies.

Telelink Business Services Group AD and its subsidiaries operate in different markets and in currencies other than the reporting currency of the Company and the local currencies of its subsidiaries, and are accordingly exposed to transaction and translation currency risks. The major source of transaction-related currency risks are the US dollar denominated purchases of equipment made by subsidiaries from global technological partners and their financing from credit limits denominated in the same currency.

- Tax risk

An amendment to the tax legislation, such as an increase in tax rates, may result in unforeseen expenses, and thus, may have an adverse impact on net profit.

The taxation system in Bulgaria is still evolving, which may result in controversial tax practices. Similar risks exist in other countries in which the Group's subsidiaries operate.

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

Risks related to the Group's sector and operations

▪ Risks related to business strategy and growth

Inadequate business strategy

The choice of an inadequate development strategy as well as its untimely adaptation to the changing conditions of the environment may result in losses or lost profits for the Group. It is essential to manage strategic risk through continuous monitoring and periodic tracking of changes in the market environment and key performance indicators, and interacting at all levels of the organisation in order to identify potential problems and implement appropriate measures without delay. Although the need for and the importance of this process are recognised, it is possible that the Group's management and staff will be limited in the implementation of these practices due to the lack of sufficient experience, up-to-date information or to the insufficiency of human resources.

Insufficient management capacity and increased growth management costs

Although there is managerial staff with significant experience and competence that is sufficient to manage the Group in its current business size and scale, the goals set for expansion in new markets and segments of existing markets will require additional management staff. 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 in developed markets, can be difficult and may entail high costs that can affect negatively the profitability of operations.

Insufficient operating capacity and increased growth assurance costs

The Group's expansion in both existing and new markets is highly dependent on the recruitment and successful integration of additional staff, including centralised 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 lost profits due to the impossibility to win and secure the implementation of new projects, services and customers, and to eroding or eliminating the Group's competitive advantages based on the quality of service, number and cost of human resources.

Insufficient access and increased costs for external resources and subcontractors

Insofar as they are also subject to increased demand in the ICT market, the risks outlined above also apply to recruitment of external experts and subcontractors on a temporary basis to complement the Group's in-house capacity.

▪ *Human resource and management staff related risks*

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

Loss, shortage and higher costs of management staff and key personnel

The Group's operational management and business development depend to a large extent on the contributions 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 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. 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.

Loss, shortage and increased costs of implementation staff

Considering the dynamic development and higher 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 specialised 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.

Risks related to the market and competitive environment

▪ *Slowed down or unfavourable development of demand*

Despite the positive development and growth in key Group markets and the ICT market as a whole, forecasted by key expert organisations in the industry, it is not certain 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 depends also 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.

- *Changes in the regulatory environment unfavourable to demand*

The Group generates a substantial portion of its revenue from regulated or government policy-influenced sectors and market niches such as telecommunications, banking, distribution companies, national security, healthcare, etc. In this sense, the 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.

- *Intense competition*

The Group operates in an intensely competitive business area involving 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 recognised trademarks, a leading role in the implementation of innovative solutions and widely diversified customer base and market presence, as well as large-scale organisational 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.

- *Unfair competition*

As part of the 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 organisational 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.

Public procurement risks

- **Slowing down performance and implementation**

The implementation of projects in the public sector depends on their timely definition, the approval of budget or programme financing, announcement and tendering, contracting and acceptance of the activities performed by the relevant governmental entities or local and central government. Failure or late implementation of any of these steps may result in revenue dropping and respectively, in a corresponding deterioration in the Group's current performance or slowing down of its growth rate.

Current or upcoming changes in the management and expert staff in connection with the holding of local and / or central elections, the appointment of temporary management bodies and other factors that might delay decision making and taking actions by the contracting organisations, are typical factors that could result in delay of the above key milestones.

Delays may also arise as a result of appeals filed by competitors against tendering procedures announced or the results thereof. Regardless of their merits, in view of the effective legal deadlines for their hearing, appeals more or less result in delays of the process of awarding and signing of contracts for their execution.

- **Competition in 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 an improper use of statutory options to appeal the tendering procedures or the results thereof aiming at extending the time of competitors to prepare or impairing the Group's financial results by delaying the project implementation and thus, revenue and profits.

Concentration risks

- **Negative development of relationships with key accounts**

Due to its specialisation in the provision of high class technological solutions and professional services of targeted mainly at large and medium-sized organisations and projects, the risk of concentration with respect to key accounts and customer groups is an inherent risk for the Group. That includes telecommunication operators, public organisations, banks, multinational companies, and other private sector entities with significant revenue shares over the last three financial years and / or of potential significance for the Group's future development. Despite the Group's increasing diversification of revenue, an eventual loss, dramatic decline in sales, or deterioration in the terms and conditions of cooperation with such customers would have an adverse impact on the volume and results of operations in an immediate perspective, as well as a potentially negative reputational effect for the Group in the future.

- **Negative development of relationships with key technological partners**

Given the significant role of innovative and large-scale technology offered by leading global manufacturers in respect of the offered products and services offered, the Group is exposed to a concentration risk with regard to key technological partners. Among these, four leading technological partnerships in the area of network technology, data centres and office productivity solutions stand out with significant shares in the purchases completed over the last three financial years.

Despite the Group's flexible technological policy and openness to a wide range of partners, a possible termination or deterioration of key terms and conditions of these partnerships such as requirements for

maintaining technological specialisation, discount levels, payment terms, etc. could impact adversely the costs and volume of operations.

Risks originating from changes in technology and technological choices

▪ Time and costs to adapt to new technology

The ICT sector is characterised by rapid uptake of new technologies, reducing the life cycle of products and requiring a constant update of the Group's technological specialisation to respond to trends in market demand and the opportunities for generating revenue from the introduction of new solutions and services. Despite the Group's consistent practice 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 conducting research activities and establishing relations with relevant suppliers.

▪ Loss of customers due to the transition to different technology

Despite the wide range of technology and technological partners offered by the Group and its open approach and extensive experience in establishing new partnerships with equipment and software manufacturers, customers may prefer to change technologies and manufacturers used so far with others with whom the Group does not have and cannot establish partnerships that provide relevant competence and favourable delivery terms and conditions. It is possible, due to the existence of competitors with better positioning in respect of a technological partner and better delivery terms and conditions for their products, that the Group will not be preferred as a supplier by a customer although there is an established partnership with the same manufacturer. Such circumstances could also lead to a substantial decrease in revenue and operating results.

▪ Late adoption of new technology by customers

The core geographic markets in which the Group operates are lagging behind in adopting innovative ICT products and services. Despite the market segmentation applied by the Group according to the clients' technological maturity, it is possible that the target customer groups of respective solutions will also react more conservatively than expected, significantly delaying the implementation of the Group's strategy and planned growth.

▪ Late or unsuccessful positioning of own products and services

In order to utilise the market opportunities identified in certain market segments, the Group may continue to invest in developing its own complex solutions and services adapted to the needs and characteristics of certain markets and customer groups. Despite this adaptation, there is a risk that new products and services may not meet actual requirements or may not be accepted quickly enough or in general by the Group's current and target customers, which would result in late, limited or negative return on investment.



Risks relating to long-term contracts

- **Costs of regular servicing and maintenance commitments**

A number of contracts concluded 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 and the Group may not be able to compensate these additional costs at the expense of the customer or the respective primary suppliers and technological partners, with corresponding negative effects on the results of operations.

- **Early termination**

Medium-term or long-term contracts for multiple deliveries or regular servicing in the form of support, managed and other services, may be terminated unilaterally and prematurely at the customer's initiative. Although some of these contracts include provisions limiting the risk and respective losses for the Group, such as penalties, buyout commitments, and others, they may not be sufficient to cover lost profits or additional costs incurred. The early termination of such contracts would result directly in decreasing the Group's recurring revenues, which may not be compensated by new sources of revenue and could result in an overall decline in revenue and operating results.

- **Specific risks relative to the provision of equipment as a service**

Depending on the changes in the IT policies of the respective customers or other factors, the long-term managed service contracts involving the provision of equipment as a service, concluded by the Group, may be terminated unilaterally before the expiry of their term. Notwithstanding the stipulated advance notices and compensation for the expenses incurred up to that point, their eventual termination would be a factor for reducing the Group's recurring revenues and sales as a whole.

Some contracts provide for the possibility that under certain circumstances of termination the equipment provided may not be bought out by the customer and may remain property of the group companies concerned. Therefore, additional costs of dismantling, transportation, etc. may be involved, and the subsequent disposal of such equipment through sale or provision to other customers may be delayed or may not realize.

Some contracts provide the option to extend their scope at the customer's initiative through the supply and integration of additional equipment provided as a service in accordance with pricing and other terms and conditions that may be either identical to the original ones or subject to limited indexation. If in the meantime market prices of the relevant equipment increase and if there is a significant increase in costs of providing the respective services, this may lead to an uncompensated increase in costs and a decrease in the Group's profitability from such operations.

Financial risks

- **Currency risk**

The group operates in different markets and in currencies other than its functional currency as well as in currencies of third countries, and it is exposed to transaction and translation currency risks. The major source of transaction-related currency risks are the US dollar denominated purchases of equipment by the subsidiaries from global technological partners and their financing from credit limits denominated in the same currency. Although some of the contracts provide for foreign currency indexation mechanisms and

there is a practice of selective forward hedging of large purchases at the discretion of the respective subsidiaries, every year, such transactions continue to generate net results (including losses) from foreign currency operations for the Group's subsidiaries. Given the fixed rates of the Bulgarian lev and the Bosnian Convertible Mark to the Euro, and the adoption of the latter as a national currency in Slovenia and Montenegro, the Group remains exposed to translation risk originating mostly from the floating exchange rate of the Serbian dinar, as well as of the Macedonian denar and the Albanian lek, in regard of the newly incorporated companies in these countries.

- **Liquidity risk**

The Group's cash flows can undergo considerable momentary fluctuations as a result of a variety of factors such as peaks in net working capital, intensified investment activity, dividend payments, etc., which may result in the Company's cash being insufficient to meet its due liabilities. Despite the existence of financing agreements providing for significant limits for working capital funds and general purposes, and the financing of a significant proportion of investments under finance lease contracts, there is still a risk that these limits may prove insufficient at certain times or periods. Such deficits may lead to a temporary failure of the Group to serve timely its obligations to third parties with a variety of negative effects on its reputation and financial situation.

- **Insufficient financial capacity to implement projects**

Apart from their impact on the current liquidity of the company, possible cases of uncovered cash shortages may also result in the impossibility to commit the necessary working capital to start new or implement current projects, which may lead to a delay in revenue, sanctions for late performance and corresponding erosion of the Group's reputation. In the event of impossibility to prove sufficient financial resources in front of potential customers or to meet the requirements of public and private tender procedures for awarding large-scale projects, it is possible that the Company will not be able to negotiate quick enough complementary financing and thus, it may miss the opportunities to win the relevant projects and the benefits of their implementation.

- **Credit risk**

Although the Group's key accounts are well-established and solvent companies and institutions with proven payment history, the Group still remains at risk of significant delays or non-payment of receivables due to a variety of factors that involve internal processes, financial condition and current trends in the cash flows of those and other customers. If significant receivables become past due, this situation may have an impact on the Group's cash flows and immediate liquidity, as well as on its ability to service its obligations to third parties in due course with a variety of negative effects on its reputation and financial condition.

- **Risk of impairment of the Group's assets**

Under certain circumstances (such as provisioning and writing off receivables, impairment of intangible assets, investment property, inventories, held-for-sale assets, etc.), it is possible that the Group will report substantial expenses and reductions in the carrying amounts of its assets.

- **Interest rate risk**

The Group is exposed to the risk of increase in market interest rates in connection with the use of overdrafts, revolving credit lines and finance leases in Bulgaria and Serbia based on the base interest rate

(BIR) of the Bulgarian National Bank, EURIBOR and USD LIBOR indices, and finance leases in Bulgaria based on the periodically updated average deposit index (ADI) of the financing bank and floating EURIBOR indices. Due to the dynamic nature of the overdraft and credit line exposures, and the low effective fluctuation of BIR and EURIBOR in recent years, which is limited by the use of fixed minimum basic interest rates by the financing banks corresponding to zero market interest rates, at present the Group does not hedge interest rate risk and therefore, a possible sharp increase in market rates could have a negative effect on its results.

Operational risks

- **Process deviations and quality of service**

Group companies are exposed to a 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, unauthorised transactions, and damages caused to assets. Any failure of the risk management system to establish or correct an operational risk may have a substantial adverse effect on the reputation of the Group and its operating results.

- **Unfitness and defects of specific IT equipment and systems**

To carry out their principal activity, the group companies use specific IT equipment and systems and therefore, any potential malfunction, misuse or unfitness of the equipment would have a significant impact on the ability of the companies to fulfil their commitments to counterparties or may result in unforeseen technical, legal and other costs, which may deteriorate the Group's reputation and operating results.

- **Ensuring compliance with norms and standards**

Certain customers of the Group have requirements to their contractors, often requiring their competence and rules for organisation of processes and activities to be compliant with a number of international quality management standards, procedures on the handling of confidential information, etc. Despite the certification of TBS EAD under a number of such standards and norms, if similar requirements are imposed on other group companies that have not obtained such certification or if current requirements are changed and the Group is unable to respond to that change within a short time, this could have a negative impact on the Group's revenue and operating results.

- **Risk of leaking of personal and sensitive data of employees and customers**

In carrying out its activities, the Group stores and processes personal and sensitive data of its employees, customers and third parties. Any loss or unauthorised external and internal access, and misuse of such data could have various negative consequences for the competitiveness, reputation and performance of the Group, including judicial or out-of-court proceedings and proceedings that might be brought against the relevant companies, accompanied by serious pecuniary sanctions on the part of the regulatory authorities.

Other risks

- **Risk of judicial and other proceedings**

In general, Group companies are exposed to a risk of judicial proceedings, including collective actions brought against them by their customers, employees, shareholders, etc. by initiating civil claims, actions by competent authorities, administrative, executive and other types of judicial and out-of-court proceedings. Some of these proceedings may be accompanied by restrictive and enforcement measures against the property and activities of the Group, which might limit its ability to carry out its activity, partially or fully, for an unknown period of time. The claimants in this type of proceedings against the Group may seek reimbursement of large or indefinite amounts or other types of compensation, which may significantly deteriorate the Group's financial position. Future defense costs may prove to be significant. It is possible that the disclosure or adverse effects on the activity will erode the reputation of the companies concerned



and the Group as a whole, regardless of whether the claims and negative rulings are justified. The potential financial and other consequences of such proceedings may remain unknown over a long period of time.

- Risk of related party transactions

In their practice, Group companies engage in transactions and undertake commitments both with each other and with related parties outside the Group. Despite its good practice and commitment to comply with the applicable provisions of POSA and other applicable regulations, it is possible, due to the lack of knowledge, negligence on the part of employees, and other reasons, that one or more of these transactions is/are concluded under terms and conditions that differ substantially from the market ones and therefore, they may have an adverse effect on the operating performance and financial position of the Group.

- Cyber-attacks

Apart from the unauthorised access to data of the Group and its counterparties, any attacks against the Group and its counterparties could be directed towards or have as a consequence a malfunction or inability to use information and communication systems, including specialised IT-service systems. Despite the specialisation of the Group in information security and its advanced competencies in preventing, limiting, tracing and recovering systems and data after such attacks, it is possible that the latter will take time during which the effects of these attacks may have a negative impact on the performance of the activity, as well as that such attacks may compromise the Group's reputation.

- Force majeure events

As all other businesses, the Group is exposed to a general risk of occurrence of natural disasters, military actions, terrorism, political, public and other acts and events beyond its control, which cannot be insured, that may have a considerable adverse effect on its business, operating results and perspective in one or more territorial and other areas of activity.

The risks associated with the Company's business can generally be divided into systemic (general) and non-systemic (related to the Group's activity and the industry in which it operates). In addition, investors in the Company's financial instruments are also exposed to risks associated with investing in securities (derivatives and basic).

VII. IMPORTANT EVENTS, WHICH HAVE OCCURRED AFTER THE DATE OF PREPARATION OF THE FINANCIAL STATEMENTS

The significant transactions and events balance sheet, related to Telelink Business Services Group AD, are summarized as follows:

On 31 January 2020, a decision was taken by the Management Board and Supervisory Board of Telelink Business Services Group AD that the Company should sign a contract with Picard Ivanov DOOEL for the purchase of 1 (one) share of the capital of Telelink Albania Sh.p.k., representing 10% of the company's capital, against the payment of a total purchase price of EUR 1,000 (one thousand). The contract was signed on 25 February 2019 and the price was fully paid on 26 February 2020.



On 21 February 2020, an Annex to a Contract for short-term financing was signed between the subsidiary Telelink Business Services EAD and Unicredit Bulbank AD, according to which the conditional commitment to establish pledges on the commercial entities of Telelink Business Services EAD and Telelink Business Services Group EAD in case the procedure for listing the shares of the latter on the Bulgarian Stock Exchange was not completed by 14 February 2020, was amended by extending the above- term until 30 April 2020.

On 27 February 2020, a decision was taken by the Management Board of Telelink Business Services Group AD that the subsidiary Telelink Business Services“ EAD should sign a contract with Consortium SysTel DZZD for the implementation of a public procurement titled „Design, development and commissioning of State hybrid private cloud (SHPC) and protective internet knot for public services of the e-government“. The amount of the contract signed on 19 February 2020 between the State Agency „eGovernment“ and Consortium SysTel DZZD for the implementation of the public procurement is BGN 28,283 thousand, VAT excluded, with the subsidiary Telelink Business Services EAD undertaking to supply equipment and services for an amount up to BGN 14,141 thousand, VAT excluded.

COVID 19 coronavirus epidemic

In February 2020, the COVID-19 coronavirus emerging in China had entered the phase of global spread, affecting an increasing number of European countries. As of 08 March 2020, its spread in Bulgaria was confirmed as well, and on 13 March 2019 a state of emergency was declared in the country, imposing increased anti-epidemic measures and restrictions on the freedom of movement and the regime of work of the population, public and private organisations.

Situation within the Company

At the date of issuance of this report, the Company has no registered cases of COVID-19 infected employees, supplies of goods and services essential for its operational sustainability have not been seized, and the company continues to operate without interruption.

The management takes all measures recommended for limiting the spread of the infection, including by informing employees about the implementation of certain measures, providing protective equipment and disinfectants, limiting business trips, restricting access of outside persons, and promoting the remote mode of work of employees from their homes, for which appropriate technological means and infrastructure have been provided.

Situation within the Group's subsidiaries

To the extent that the Issuer's source of income and financing are its subsidiaries, the impact of the epidemic on the operating activities of Group companies is essential to its financial performance.

As of the date of this report, the spread of the virus and the implementation of measures to prevent that spread cover, to one degree or another, all countries in which subsidiaries of the Issuer are registered. The impact of similar factors on their suppliers and customers from other countries and regions is also essential to their operations.

As of the date of this Management Report, there have been no known or scheduled interruptions or significant delays in the operation and deliveries from key equipment manufacturers from the USA, China and other countries of key importance to the Group.

As technological companies with advanced IT infrastructure, Group companies have secured technologically and implemented successfully a remote way of work that allows for the continuity of external and internal services and processes that can be done remotely. Key external processes and interactions, such as the



signing of contracts and meetings with customers, have also been digitalised. Considering the introduced communication and collaboration tools, workload and efficiency tracking systems, and the high average level of the employees' IT skills, the Company does not expect remote work to result in a considerable decrease of productivity. For the performance of field activities related to work outside the offices of the companies, employees are provided with personal protective equipment, and if such work is to be performed in territories, the travel and access to which is limited, the involvement of qualified local subcontractors has been planned.

As of the date of this Report, the Bulgarian government has taken an active position aimed at supporting private businesses and ensuring premises for the ongoing implementation of the public procurement and awarding process. Moreover, there is no information that major projects might be suspended by key accounts and other customers from the private sector as a consequence of the epidemic.

Non-adjusting event

The Company's management considers the spread of the infection a non-adjusting event occurring after the balance sheet date, and in view of the early phase and dynamic evolution of the epidemic at the date of this Report, the management has not identified and made a quantitative assessment of specific consequences of the epidemic with a significant impact on its financial performance. Without prejudice to the above, the Company will continue to monitor the situation's development with a view to the timely identification of any actual and potential effects, taking all possible steps to limit their impact.

VIII. POSSIBLE FUTURE DEVELOPMENT OF THE COMPANY

The development plans of the Company include the expansion of its role in the corporate management, business development and marketing activities of the Group with the aim of supporting its local and international development and growth strategy. It is expected that this expansion will lead to both higher revenue from providing advisory and management services to subsidiaries, and the emergence of similar intra-group revenue from pre-sales and marketing services provided by the Company. In order to assure extended operations with internal and external resources, the Company also expects a corresponding increase in operating expenses and employed personnel mainly by transferring existing employees from TBS EAD.

Similarly to the previous year, the Company plans to finance the difference between gross profit and general and administrative expenses with dividend income from its subsidiaries. Given the growing net profits reported by the Group in its preliminary results for 2019, as well as the equity interests formed in the capital of Group companies, the Company expects this income to exhibit multiple growth against the background of dividends for 2019, which were distributed predominantly to the preceding parent company. Considering the Lockup agreement among the existing shareholders and the expected final approval of the supplements to the Prospectus, including such new ones required by the FSC, the Company expects a successful Public Offering in 2020 and new shareholders acquiring up to 30 percent of the shares in its capital.

Taking into account the target ratio of profit allocation and the possibility for approval of an interim dividend provided for in Articles of Association in force, as well as the dividend expectations announced publicly on 10 January 2020, the Company plans to distribute to its shareholders dividend of BGN 4,000 thousand in 2020.



It is expected that the planned expansion of the Company's staff and activity will require limited investments in computer and other general-purpose equipment.

As of the date of this Report, the Company has no immediate plans or specific expectations for establishing or acquiring stocks or shares in new companies. However, the management remains open to considering potential future capital investments and acquisitions with the potential for positive synergies that could support or accelerate the implementation of the Group's local and international development and growth strategy.

IX. RESEARCH AND DEVELOPMENT ACTIVITIES

Telelink Business Services Group AD does not conduct research and development activities.

X. INFORMATION ON THE REDEMPTION OF TREASURY SHARES REQUIRED UNDER ARTICLE 187E OF THE COMMERCIAL ACT

1. Number and the nominal value of treasury shares acquired and transferred throughout the year; the share of the capital which they represent, as well as the price at which the acquisition or transfer have taken place

The company has neither acquired, nor transferred treasury shares.

2. The number and the nominal value of treasury shares held and

As of 31 December 2019, the company held no treasury shares.

XI. INFORMATION REQUIRED UNDER ARTICLE 247 OF THE COMMERCIAL ACT

1. Total remuneration received during the year by the Board members

2. The remuneration received during the year by the members of the Management and Supervisory Boards of the Company is summarised under point 17 of this Report

No other remuneration or benefits, including in-kind remuneration, have been paid.

3. Shares and bonds of the Company acquired, possessed and transferred by the Board members during the year

During the reporting period, the members of the Management Board acquired shares in Telelink Business Services Group AD, as follows:

- Ivan Zhitiyanov – 1.00 percent
- Paun Ivanov – 1.00 percent;

4. Rights of the Board members to acquire shares and bonds of the company

The Articles of Association of Telelink Business Services Group AD provide no restrictions on the right of the members of the Management and Supervisory Boards of the Company to acquire shares of the Company, except in the cases stipulated in applicable law.

Participation of the Board members in commercial companies as general partners; possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, general managers or board members

Ivan Zhitlyanov – Chairman of the Management Board and Executive Director	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	NO
Participation in the management of other companies	<ul style="list-style-type: none"> • Telelink Business Services EAD, UIC 130545438 – member of BD and Executive Director; • Secnet AD, UIC 131357407 – member of BD • Telelink BS Staffing EOOD, UIC: 205334618 - General Manager
Teodor Dobrev – member of the Management Board	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	NO
Participation in the management of other companies	<ul style="list-style-type: none"> • Telelink Business Services EAD, UIC 130545438 – member of BD
Paun Ivanov - member of the Management Board	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	<ul style="list-style-type: none"> • Picard Ivanov DOOEL Skopje, North Macedonia
Participation in the management of other companies	<ul style="list-style-type: none"> • Telelink Infra Services EAD, UIC 204856684 – member of BD and Executive Director;
Nikoleta Stanailova - member of the Management Board	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	NO
Participation in the management of other companies	<ul style="list-style-type: none"> • INTELI MEAL OOD, UIC 203626770 –General Manager
Gojko Martinovic - member of the Management Board	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	NO
Participation in the management of other companies	<ul style="list-style-type: none"> • Comutel, UIC 100271670 – Executive Director
Hans van Houwelingen – Chairman of the Supervisory Board, an independent member	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	<ul style="list-style-type: none"> • ACTIAM NV, The Netherlands – Chief Executive Officer, until 10 February 2020 • ACTIAM (L) SICAV, The Netherlands – Chairman of BD, until 10 February 2020 • Telelink Holdings BV, The Netherlands – member of the Board of Directors, until 10 February 2020
Participation in the management of other companies	<ul style="list-style-type: none"> • Telelink Investments EOOD, UIC: 205964645 commencing 10 February 2020

Ivo Evgeniev – member of the Supervisory Board	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	<ul style="list-style-type: none"> • ALEXANDREA INVEST GROUP OOD, UIC 130922584 – owner and General Manager • ALEXANDREA INVEST EOOD, UIC 203119652 – owner and General Manager • MEZZANINE INVEST EOOD, UIC 202831999 – owner and General Manager • AZIRA FOOD HOLDING EAD, UIC 204093210
Participation in the management of other companies	<ul style="list-style-type: none"> • ALEXANDREA INVEST GROUP OOD, UIC 130922584 – owner and General Manager • ALEXANDREA INVEST EOOD, UIC 203119652 – owner and General Manager • ROSSLIN DEVELOPMENT AD, UIC 204271951 – member of BD • MEZZANINE INVEST EOOD, UIC 202831999 – owner and General Manager • TALLAR FOODS EOOD, UIC 130146503 – General Manager • K-EXPRESS EOOD, UIC 131165677 – General Manager • ENDEVAR BULGARIA PARTNERSHIP, UIC 176958985 – member of the Managing body • ARMADA CAPITAL AD – in liquidation, UIC 203994586 – member of BD and Executive Director; • AZIRA FOOD HOLDING EAD, UIC 204093210 – a natural person representing a legal entity – member of BD Alexandria Invest Group OOD • КУНИНО ЕНЕРДЖИ АД, UIC 106620443 - a natural person representing a legal entity – member of BD Alexandria Invest Group OOD • Institute for Agrostrategies and Innovation Partnership, UIC 176612093 – member of the Managing board • BCause CHARITIES AID FOUNDATION, UIC 121029426 – member of the Managing board • GORUN ENERGY EOOD, UIC 175460825 – General Manager commencing 22 January 2020 • HPP HUBAVENE AD, UIC 175293874 – member of the Board of Directors
Бернар Москени - member of the Supervisory Board	
Participation in commercial companies as a general partner	NO
Holder of 25 percent of the capital of another company	NO
Participation in the management of other companies	NO



5. Contracts concluded in 2019 with members of the Board of Directors or their related persons that go beyond ordinary business activities or substantially depart from the market conditions

In 2019, Telelink Business Services Group AD had no contracts concluded with members of the Board of Directors or related parties thereto that went beyond ordinary business activities or substantially deviated from market conditions.

XII. EXISTENCE OF BRANCHES OF THE ENTERPRISE

Telelink Business Services Group AD has no branches registered in the country and abroad.

XIII. FINANCIAL INSTRUMENTS EMPLOYED BY THE COMPANY

a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES OF THE COMPANY, INCLUDING ITS POLICY TO HEDGE EACH MAJOR TYPE OF HEDGED ITEM SUBJECT TO HEDGE ACCOUNTUNG

The Company did not use any financial instruments during the reporting period.

Since its income and expenses are predominantly or entirely denominated in local currency (Leva) or in Euro under the conditions of a Currency Board, the Company is not exposed directly to significant currency risk.

Under the terms and conditions of the credit agreement for the loan extended by TBS EAD, the interest due by the Company is based on a fixed interest rate. At the end of the reporting period, the Company did not have and had no plans to use other financial debt. Therefore, at 31 December 2019 the Company was not exposed to and had no reasons to expect any interest rate risk to arise.

To the extent that, in their operations and with regard to their financing, Group subsidiaries are exposed to currency and interest rate risks, the Company monitors, recommends and approves the use of hedging instruments or methods and approaches to minimise these risks by restricting or matching foreign currency, maturity and other structures of the exposures and cash flows in the process of providing advisory and management services to the respective companies with a view to optimising their individual results and the Group's consolidated results.

b) EXPOSURE OF THE COMPANY TO PRICE, CREDIT AND LIQUIDITY RISK, AND CASH FLOW RISK

Considering that revenue from consulting and management services to subsidiaries are denominated only in EUR under the conditions of a Currency Board, the Company is not directly exposed to significant price risk.

Considering that revenue and receivables originate primarily or wholly from subsidiaries controlled by the Company, the credit risk associated with these receivables may be considered insignificant.

The Company manages liquidity and cash flow risks by monitoring systematically the quality and maturity of its receivables and liabilities, and by timely planning of cash inflows and outflows. If shortage of funds is expected in a given horizon, and with a view to meeting unforeseen deviations, the Company secures financing by negotiating appropriately structured loans or revolving credit limits from leading Group companies and / or by setting aside reserves through taking decisions on timely and sufficient dividend distributions by its subsidiaries.

To the extent that the Group's subsidiaries, in their operations, are also exposed to price, counterparty and liquidity risks, or to cash flow risk, the Company monitors, recommends and approves the use of methods and approaches to minimise these risks by limiting or matching foreign currencies, maturities and other structures of the exposures and cash flows in the process of providing advisory and management services to the respective companies with a view to optimising their individual results and the Group's consolidated results.

XIV. Description of the main characteristics of the internal control system and of the risk management system of the issuer relative to the financial reporting process

The internal control system of financial reporting is based on previous experience of staff, studies of good reporting and control practices, compliance with legal requirements to ensure the effective functioning of reporting and disclosure systems. It is subject to constant development, improvement and monitoring by the management.

The Company's management is responsible for the preparation of an annual management report and financial statements that give a true and fair representation of the financial performance of the company in accordance with the applicable accounting policies. The management is responsible for implementing an internal control system for the prevention, detection and correction of errors and misstatements, committed due to the accounting system's operations. In relation to the above, the management complies with the following basic principles in the financial reporting process:

- Compliance with the accounting policies, completeness and accuracy of accounting information disclosed in the financial statements;
- Reporting of all operations in accordance with laws and regulations;
- Timely reporting of transactions and events, in their exact size, upon the preparation of the financial statements;
- Following the prudence concept when measuring assets, liabilities, income and expenses, and detecting and eliminating fraud and errors;
- Preparation of reliable financial information; adherence to International Financial Reporting Standards and compliance with the going concern concept.

XV. ADDITIONAL INFORMATION PURSUANT TO SECTION VI A OF APPENDIX 10 OF ORDINANCE NO 2 OF FSC

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

Telelink Business Services Group AD reported net sales revenue of BGN 80 thousand for 2019.

2. Information about the revenue allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacturing of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenue from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the issuer.

a) STRUCTURE OF REVENUE

The Company's revenue for 2019 is based entirely on the provision of consulting and management services to its subsidiaries. Pursuant to respective contracts signed with the latter, provided services include:

- business development services, including product positioning and presentation of products and services to potential customers, consultancy on the potential development of new products, services and functionalities;
- management services such as assistance in making strategic decisions, defining goals and strategies, development and implementation of policies and guidelines;
- financial management services, including business planning, consulting on the form and quality of financial reporting and audit, monitoring and analysis of financial results, and advising on improving efficiency and profitability;
- tax policy consultancy;
- human resource consultancy,
- advice on legal matters and legal assistance on matters requiring thorough knowledge;
- consulting and services relative to PR and marketing activity and promoting public awareness of the company's activities;
- other services, adjacent to the above.

Considering the above composition, the geographical structure of the Company's revenue is determined by its distribution among served subsidiaries and the countries in which they are established and managed.

Country	Region	Net Sales Revenue (BGN thousand)	
		2019	share 2019
Bulgaria	Bulgaria	58	73%
Serbia	Mid-Western Balkans	14	18%
Montenegro	Mid-Western Balkans	2	3%
Bosnia and Herzegovina	Mid-Western Balkans	2	3%
Slovenia	Mid-Western Balkans	2	3%
Albania	South-Western Balkans	1	1%
Macedonia	South-Western Balkans	1	1%
		0	0%
Total	Bulgaria	58	73%
Total	Mid-Western Balkans	20	25%
Total	South-Western Balkans	2	3%
Total	Total	80	100%



Based on services provided to TBS EAD, revenues generated on the local market play a leading role, accounting for 73% of total sales. The remaining part of revenue comes mainly from the Mid-Western Balkans region, accounting for 25% of total sales, and mostly, from services provided to Comutel (Serbia), accounting for 18% of the Company's total sales.

b) SIGNIFICANT SUPPLIERS

For the past period, the Company has three suppliers, forming over 10% of the purchases made each, as follows:

- Ernst & Young Audit OOD, accounting for 56% of total purchases pursuant to the audit of the Group's combined financial statements for the purposes of the Prospectus for admission to trading on a regulated market of the Company's shares and the audit of the Company's annual financial statements for 2019;
- Elana Trading AD, accounting for 16% of total purchases in its capacity as an investment intermediary and supplier under a consulting services agreement relative to the planned Public offering and admission to trading on a regulated market of the Company's shares;
- Consult 2002 EOOD, accounting for 13% of total purchases in connection with services under a legal assistance and service contract.

As of 31 December 2019, Ernst & Young Audit OOD was also the source of 100% of the trade payables reported by the Company, which were incurred in connection with the annual financial audit of the Company for 2019.

3. Information about large transactions and such of significant importance to the issuer's activity

All significant transactions of the Company are made with related parties and summarized in section 4 below.

4. Information about the transactions made between the issuer and related parties during the reporting period

With regard to the performance of its main activities, Telelink Business Services Group AD made the following significant transactions were with related parties in the financial year 2019:

- Agreement dated 14 August 2019 between Telelink Business Services Group EAD and Telelink Business Services EAD, by means of which the parties agreed that the amount of BGN 5,696,952.95 (five million six hundred ninety-six thousand nine hundred and fifty-two Bulgarian leva and 95 cent) transferred as a result of the Reorganisation from Telelink Bulgaria EAD to Telelink Business Services Group EAD and representing liabilities for utilised overdraft under a Facility agreement, corresponding to the receivables from Telelink Business Services EAD for loans granted under a Financial cooperation agreement between Telelink Bulgaria EAD and Telelink Business Services EAD, which were separated into Telelink Business Services Group EAD, should be construed as a loan granted by Telelink Business Services Group EAD as Lender to Telelink Business Services EAD as Borrower (the "Loan"). The interest rate on the loan was 2.25 percent. As of 31 December 2019, the liability under the above Agreement had been fully repaid .
- Telelink Business Services Group EAD signed contracts with its subsidiaries for the provision of services relating to the corporate and business development of the respective company, including, but not



limited to product positioning services, consulting on business planning, financial reporting and audit, consulting on legal matters, PR and marketing services, and business promotion :

- Contract dated 15 August 2019 between Telelink Business Services Group EAD and Telelink Business Services EAD; the services provided during the reporting period amount to BGN 58 thousand;
- Contract dated 15 August 2019 between Telelink Business Services Group EAD and Telelink D.O.O. (Slovenia); the services provided during the reporting period amount to BGN 2 thousand;
- Contract dated 15 August 2019 between Telelink Business Services Group EAD and TeleLink D.O.O (Bosnia and Herzegovina); the services provided during the reporting period amount to BGN 2 thousand;
- Contract dated 15 August 2019 between Telelink Business Services Group EAD and Telelink LLC (Montenegro); the services provided during the reporting period amount to BGN 2 thousand;
- Contract dated 15 August 2019 between Telelink Business Services Group EAD and Comutel (Serbia); the services provided during the reporting period amount to BGN 15 thousand;
- Contract dated 15 August 2019 between Telelink Business Services Group EAD and TELELINK ALBANIA SH.P.K (Albania); the services provided during the reporting period amount to BGN 1 thousand;
- Contract dated 15 August 2019 between Telelink Business Services Group EAD and TELELINK BUSINESS SERVICES DOOEL Skopje (North Macedonia); the services provided during the reporting period amount to BGN 1 thousand;
- Cash loan contract of 02 September 2019 between Telelink Business Services EAD /lender/ and Telelink Business Services Group AD /borrower/, with a limit of up to BGN 4,000,000.00, under the condition of partial utilisation and repayment, maturing on 31 December 2020; the interest rate is 2.25 percent per annum, charged on the utilised portion of the loan.
- Decision dated 30 October 2019 of Telelink Business Services Group AD, the sole owner of Telelink DOO („Telelink Bosnia“) for the distribution of a dividend of BGN 386,183.21, which had been fully paid as of 31 December 2019.

During the reporting period, Telelink Business Services Group AD did not carry out transactions that fell beyond ordinary business activities or substantially deviated from market conditions, nor were its subsidiaries parties to such transactions.

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operations

As of 31 December 2019, there were no events or indicators of a nature unusual for the Issuer.

6. Information about off-balance sheet transactions

There were no off-balance sheet transactions reported during the year.

7. Information about shareholdings of the issuer, about its main investments in the country and abroad

As of 31 December 2019, the company reported total investments in directly held subsidiaries of BGN 15,737 thousand, including BGN 15,718 thousand transferred to the Company as a result of the

Reorganisation from 14 August 2019 as part of the assets attributable to the separated „Business services“ activities, and BGN 19 thousand – formed as a result of the incorporation of TBS Macedonia in September 2019. The shares held by the Company in the capital of subsidiaries are disclosed in percentage by subsidiary in section 1.1.1 of this Report. The amount of the investments by subsidiary as of 31 December 2019 is disclosed in Note 12 to the Company’s Separate financial statements.

The intangible assets held by the Company include an externally-developed branding concept, transferred to the Company as a result of the Reorganisation as part of the assets attributable to the separated „Business services“ activities. The initial value of the investment was BGN 105 thousand. The asset’s carrying amount as of 31 December 2019 was BGN 78 thousand.

As of 31 December 2019, the Company had no investments in financial instruments and real estate, nor did it hold any securities of companies outside the Group.

8. Information about the loan contracts signed by the Company, by a subsidiary or a parent company thereof, in their capacity of borrowers

a) LOAN CONTRACTS SIGNED BY THE COMPANY

On 02 September 2019, the Company signed a Cash loan contract with the subsidiary TBS EAD. The limit to be utilised by the Company is BGN 4,000 thousand and it has a revolving nature, as the loan can be utilised and repaid repeatedly within this limit. No specific purpose of the loan is set under the contract and it may be utilised freely to satisfy the needs of the Company. No collateral is stipulated and respectively, provided under the contract. The interest rate due under the contract is fixed at 2.25%. The term of repayment of all respective liabilities of the Company is 31 December 2020.

As of 31 December 2019, the Company’s liabilities under the loan amounted to BGN 2,892 thousand.

b) GUARANTEES PROVIDED AND ASSUMPTION OF LIABILITIES BY THE COMPANY

As of 31 December 2019, the Company has signed a guarantee agreement and a pledge over all shares held by it in the capital of TBS EAD for the purpose of securing the liabilities of TBS EAD under a Contract for the undertaking of credit commitments under an overdraft credit line between the latter and Unicredit Bulbank AD.

The Company’s commitments undertaken pursuant to the Reorganisation from 14 August 2019 for securing the liabilities under loan contracts between Telelink Bulgaria EAD and Unicredit Bulbank AD were fully terminated in October and November 2019.

c) LOAN CONTRACTS CONCLUDED BY SUBSIDIARIES

TBS EAD

On 10 October 2019, TBS EAD signed with Unicredit Bulbank AD a Contract for the undertaking of credit commitments under an overdraft credit line.

The limits for effective use of funds and undertaking of contingent commitments under the contract include:

- Up to EUR 3,000 thousand in overdraft for general-purpose financing of working capital funds;



- Up to EUR 2,000 thousand in a revolving credit for the partial financing of specific projects up to 80 percent of the difference between their total value and respective advance payments received, which can be utilised on the basis of separate requests and approvals for each project;

- Up to EUR 10,000 thousand, but not more than EUR 11,000 thousand in total together with the overdraft limit and the revolving credit above, for the issuance of bank guarantees and letters of credit.

All limits may be drawn in BGN, EUR or USD at interest rates of BIR + 1.357%, 1-month EURIBOR + 1.5% and 1-month LIBOR + 1.5%, respectively, but not less than 1.5 percent (regardless of the currency of utilisation).

The currently agreed availability period is 31 May 2020, with corresponding deadlines for repayment of amounts drawn under the overdraft facility - 31 July 2020, and for the revolving credit – until payments from customers under each project financed are received, but no later than 31 May 2021. The contract is subject to annual renewal on the basis of an annual review of the borrower and approval by the crediting bank.

The following collateral has been provided under the contract:

- pledge of receivables on accounts with the bank;
- pledge of current and future receivables under individualized contracts of TBS EAD for the purpose of securing amounts drawn under the overdraft facility, and additional pledges of current and future receivables of TBS EAD under the projects financed by the revolving credit;

- pledge of 100% of the shares in the capital of TBS EAD and related receivables;
- guarantee provided by Telelink Business Services Group AD, including a commitment to preserve its shareholding in TBS EAD.

As of 31 December 2019, the funds utilised by TBS EAD under the contract amounted to BGN 1,623 thousand.

Comutel

On 21 January 2019, Comutel signed an annex for the annual renewal of a Credit Facility Agreement concluded with Raiffeisen Banka AD Beograd (Serbia) in 2015.

The limit for the effective utilisation of funds under the contract is a revolving credit for working capital of up to USD 5,000 thousand, which can be utilised on the basis of separate requests up to the amount of respectively pledged receivables from clients.

The interest rate under the contract is 1-month LIBOR + 1.6%.

The currently agreed availability and repayment period is 28 January 2020. The contract is subject to annual renewal with the approval by the crediting bank.

The collateral provided under the contract includes pledges of specific receivables from a certain key account of the company operating in the telecommunications sector, presented at each individual utilisation. As of 31 December 2019, the funds utilised by Comutel under the agreement amounted to BGN 2,502 thousand.

Telelink Albania

On 02 September 2019, the company signed a Cash loan contract with TBS EAD. The main terms and conditions of the contract are described in section 1.11.9 above.

Telelink Macedonia

On 06 November 2019, the company signed a Cash loan contract with TBS EAD. The main terms and conditions of the contract are described in section 1.11.9 above.



9. Information about the loan contracts signed by the Company, by a subsidiary or a parent company thereof, in their capacity of lenders

Based on an Agreement dated 14 August 2019 between Telelink Business Services Group EAD and Telelink Business Services EAD, by means of which the parties agreed that the amount of BGN 5,696,952.95 (five million six hundred ninety-six thousand nine hundred and fifty-two Bulgarian leva and 95 stotinki) transferred as a result of the Reorganisation in accordance with article 262c of the Commercial Act from Telelink Bulgaria EAD to Telelink Business Services Group EAD and representing liabilities for utilised overdraft under a Facility agreement, corresponding to the receivables from Telelink Business Services EAD for loans granted under a Financial cooperation agreement between Telelink Bulgaria EAD and Telelink Business Services EAD, should be considered a loan granted by Telelink Business Services Group EAD to Telelink Business Services EAD. The annual interest on the loan is 2.25%, calculated on a daily basis (30/360) from 15 August 2019. As of 31 December 2019, the loan and due interest were fully paid.

A Cash loan contract from 02 September 2019 between the subsidiary Telelink Business Services EAD /lender/ and Telelink Business Services Group AD /borrower/, with a limit of up to BGN 4,000,000.00, under the condition of partial utilisation and repayment, maturing on 31 December 2020; the interest rate is 2.25 percent per annum, charged on the utilised portion of the loan.

A Cash loan contract from 02 September 2019 between the subsidiaries Telelink Business Services EAD /lender/ and Telelink Albania Sh.p.k. („Telelink Albania“) /borrower/, with a limit of up to EUR 100,000.00, under the condition of partial utilisation and repayment, maturing on 31 December 2020; the interest rate is 2.5% per annum, charged on the utilised portion of the loan. Pursuant to Annexes to the contract, the loan amount was increased up to EUR 800,000.00.

A Cash loan contract from 06 November 2019 between the subsidiaries Telelink Business Services EAD /lender/ and Telelink Business Services DOOEL („TBS Macedonia“), with a limit of up to EUR 500,000.00, under the condition of partial utilisation and repayment, maturing on 31 December 2020; the interest rate is 2.5% per annum, charged on the utilised portion of the loan.

10. Information on the use of the funds accumulated through a new issue of securities over the reporting period

With the exception of the paid-in share capital of BGN 50 thousand, the Company had no proceeds from share issues during the reporting period.

The method of forming the additional share capital of BGN 12,450 thousand upon the Reorganisation of the Company is described in section 1.2.1.2 above.

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

As of 31 December 2019, the Company had not published forecasts for the financial results included in its financial statements for 2019.

12. Analysis and assessment of the financial resource management policy with indication of the possibilities for servicing of the liabilities, eventual risks and measures for their removal

The policy of managing financial resources to the effect of meeting timely and properly the Company's obligations is based on ensuring sufficient funds from three main sources:

- revenue from sales of consulting services, management services and other assistance provided to Group subsidiaries;
- dividend income from direct participations in the capital of Group subsidiaries;
- financing the shortage of funds to cover payables to third parties and other subsidiaries through loans from leading Group subsidiaries.

It is expected that the above sources will be sufficient to cover the needs for working capital, purchases of fixed assets for general business purposes and dividend payments, with the Company estimating that future revenue from sales of services and dividends from subsidiaries should provide sufficient funds for the repayment of the loan from TBS EAD, while remaining ready to renegotiate the term of the latter in due time, if necessary.

13. Assessment of the possibilities for realization of investment intentions with indication of the amount of available funds and possible changes in the financing structure of this activity

As of 31 December 2019 and the date of this Report, the Company has not planned and does not expect considerable investment expenditures.

The Company's management acknowledges that any future acquisitions of company shares and other investments exceeding the Company's available financial resources should be undertaken only after the timely negotiation of additional intragroup loans, third party debt financing and / or capital increase.

14. Information about changes in the fundamental principles of management of the issuer and its economic group during the reporting period

There were no changes in the fundamental principles of management of the Company during the reporting period. With regard to the Company's becoming a public entity, new Articles of Association were adopted, which entered into force after the approval of the Prospectus of the Company.

15. Information about the main characteristics of the internal controls system and risk management system applied by the issuer in the course of preparation of the financial statements

This information is disclosed in section 3 of the Corporate Governance Statement in accordance with the provisions of article 100m, paragraph 8 of POSA, which is a separate report issued together with the Management Report.

The Company's management exercises control, including policies and procedures, to limit risks within reasonable and acceptable limits.

Financial control is applied along the following lines:

- Disclosure and transparency of results, finance, processes and strategies that contribute to the achievement of high efficiency in the Company's operations;
- Coordination of goals, budgets and accounting within the internal reporting system;
- Ensuring the reliability of required financial and non-financial information;
- Ensuring efficient cash flow management and monitoring;
- Ensuring efficient asset management;
- Control of access to information.

16. Information about changes in the management bodies of the company

Effective 24 September 2019, Lyubomir Minchev was replaced as a member of the Supervisory Board by Bernard Jean Luc Moscheni.

There were no other changes in the management and supervisory bodies during the current financial year.

17. Information about the amount of the remuneration, rewards and/or the benefits of each member of the management bodies for the reporting year

Amounts and non-cash remuneration paid to the members of the Supervisory and Management Boards by the Company and its subsidiaries during the reporting period:

	Remuneration (issuer)	Remuneration (related companies)	Under employment contracts (issuer)	Under employment contracts (related companies)	Total
	BGN	BGN	BGN	BGN	BGN
Ivan Zhitiyanov	-	78,980	-	-	78,980
Teodor Dobrev	-	-	-	43,421	43,421
Paun Ivanov	-	-	-	-	-
Nikoleta Stanailova	-	-	20,374	-	20,374
Gojko Martinovic	-	-	-	59,312	59,312
Hans van Houwelingen	-	-	-	-	-
Ivo Evgeniev Evgeniev	-	-	-	-	-
Bernard Jean Luc Moscheni	-	-	-	-	-

Amounts of remuneration accrued to the members of the Supervisory and Management Boards by the Company and its subsidiaries during the period:

	Remuneration MCC (issuer)	Remuneration MCC (related companies)	Under employment contracts (issuer)	Under employment contracts (related companies)	Total
	BGN	BGN	BGN	BGN	BGN
Ivan Zhitiyanov	5,000	228,360	-	-	233,360
Teodor Dobrev	2,000	-	-	103,579	105,579
Paun Ivanov	2,000	-	-	-	2,000
Nikoleta Stanailova	2,000	-	41,840	-	43,840
Gojko Martinovic	2,000	-	-	83,169	85,169
Hans van Houwelingen	2,500	-	-	-	2,500
Ivo Evgeniev Evgeniev	2,500	-	-	-	2,500
Bernard Jean Luc Moscheni	8,158	-	-	-	8,158

The difference between remuneration accrued and paid for the period stems from its usual payment in the month (for bonuses, in the year) following the month (respectively, the year) for which it is due.

There was no contingent or deferred remuneration to members of the Supervisory and Management Boards of the Company during the reporting period.

18. Information about shares of the issuer held by the members of the management bodies, procurators and the senior management staff

At 31 December 2019, the members of the management and control bodies and senior management staff of the Company holding shares in its capital were:

- Ivo Evgeniev, member of the Supervisory Board, holding a share of 6.175 percent;
- Ivan Zhitiyanov, Executive Director and Chairman of the Management Board, holding a share of 1 percent;
- Paun Ivanov, member of the Management Board, holding a share of 1 percent.

As of 31 December 2019 and the date of this Report, the Company has not issued and there were no members of the management and control bodies and senior management staff of the Company holding options on shares or other securities issued by the Company.

19. Information about agreements known to the company as a result of which changes may occur at a future time in the percentage of shares owned by current shareholders

On 22 October 2019, the Company entered as a party to a Consulting Services Contract signed among Lyubomir Minchev, Spas Shopov, Ivo Evgeniev and the investment intermediary Elana Trading AD with the subject-matter of providing services for obtaining the status of a public company, admission to trading on a regulated market and sale of up to 30% of the shares in the capital of the Company on the BSE. In view of the planned public offering, separate Brokerage Services Contracts were also signed among Lyubomir Minchev, Spas Shopov, Ivo Evgeniev and Elana Trading AD.

On 17 December 2019 a Lockup Agreement was signed among the Company and Lyubomir Minchev, Spas Shopov, Ivo Evgeniev, Ivan Zhitiyanov, Paun Ivanov, Yordan Velchev and Yordan Popov, in their capacity of shareholders. The Agreement determines the shareholders who will have the right to sell shares and the maximum number of shares they will be entitled to offer within the planned public offering to be held in 2020. Pursuant to the Agreement, the current shareholders intend to sell on the BSE up to 30% (3,750,000) of the existing shares of the Company by the end of 2020, whereby:

- Lyubomir Minchev will be entitled to sell up to 23.825% (2,978,126 shares);
- Spas Shopov and Ivo Evgeniev will be entitled to sell up to 3.0875% (385,937 shares) each;
- the other four current shareholders of the Company will not be entitled to sell shares within the specified period.

In addition, pursuant to the Agreement, Lyubomir Minchev will be 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 insofar Spas Shopov and Ivo Evgeniev do not exercise or exercise partially their rights to sell shares on the BSE, described in the above paragraph. At the same time, Lyubomir Minchev commits to maintain a share of at least 51% (6 375 000 shares) in the Company's capital by the end of 2021.

According to the Company's Prospectus, the management and the majority owner envisage the preparation and approval of a long-term Share and / or Option Employee Incentive Plan, according to which employees and managers of the Company will be able to acquire between 10 and 20% of the Company's capital in the next five years. It has been stated that the necessary shares will be secured by the repurchase of existing shares from the market, and accordingly, no new shares are planned to be issued and no capital dilution is expected to occur pursuant to the Plan.

As of the date of this Report, there were no established relevant or similar arrangements for the participation of Company and Group employees in the capital of Telelink Business Services Group AD yet.

20. Information about pending court, administrative or arbitration proceedings relating to issuer's liabilities or receivables of an amount of at least 10 percent of its equity

As of the date of this Report, there were no pending court, administrative or arbitration proceedings to which Telelink Business Services Group AD was a party and/or concerning receivables of an amount of at least 10 percent of the Company's equity.

21. Contact information of the Investor Relations Director

The Investor Relations Director of the Company as at 31 December 2019 is Ivan Daskalov, tel.: +359 2 9882413; e-mail address: IR-TBS@TELELINK.COM.

XVI. OTHER INFORMATION AT THE COMPANY'S DISCRETION

The Company considers that there is no other information that has not been publicly disclosed by it and that might be important to shareholders and investors in their making substantiated investment decisions.

Date of preparation:
26 March 2020


Ivan Zhitiyanov
Telelink Business Services Group AD



Independent auditor's report

To the shareholders of

Telelink Business Services Group AD

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of Telelink Business Services Group AD (the Company), which comprise the separate statement of financial position as at 31 December 2019, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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.



A member firm of Ernst & Young Global Limited

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

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SWIFT/BIC: UNCRBGSF with Unicredit Bulbank AD

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate 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 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 separate financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Related Party Disclosures</p> <p>The Company's disclosures about related parties are included in Note 17 to the separate financial statements</p> <p>The operations of the Company involve material transactions with related parties, as disclosed in Note 17.</p> <p>The identification of the relationships and substance of the transactions are fundamental for the completeness and appropriateness of the presentation and disclosures of related parties. This process requires Management to analyze contractual agreements, as well as specific facts and circumstances, based on which it can assess the financial effect of the transactions and related disclosures.</p> <p>Due to the significance of the related party disclosures and Management's judgments in determining the substance and effect of the related party transactions, we consider this area to be a key audit matter.</p>	
	<p>In this area our audit procedures, among others, included analysis of the contractual agreements of the Company, as well as specific facts and circumstances, with the aim to identify the substance of the transactions with related parties and their effect on the financial position and operating results of the Company. We also obtained confirmation letters for balances and transactions with related parties, as well as management representations which we analyzed in the context of the available documentation for such transactions. We also performed analysis of documents and records for existence of related party relationships or transactions that management has not previously identified or disclosed.</p> <p>We also focused on the assessment of the presentation and disclosures of the transactions and balances with related parties for consistency with the knowledge we gained for the Company's business and the results from our audit procedures in other relevant areas.</p>



Information Other than the Separate 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 management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements

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

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



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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 Separate Financial Statements and Auditor's Report Thereon* section, in relation to the management report, including the corporate governance statement and the non-financial declaration, 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.



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 management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
- b) The 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 referring to the financial year for which the separate 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 entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the 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.



Additional Reporting on the Audit of the Separate Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related party transactions is disclosed in Note 17 to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2019, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves true and fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRS as adopted by the EU. The results of our audit procedures on Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.



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 separate financial statements of Telelink Business Services Group AD (the Company) for the year ended 31 December 2019 by the general meeting of shareholders held on 27 November 2019 for a period of one year.
- The audit of the separate financial statements of the Company for the year ended 31 December 2019 represents first total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's Supervisory Board, 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 Company.

Audit Firm Ernst & Young Audit OOD:



Nikolay Garnev

Legal Representative and

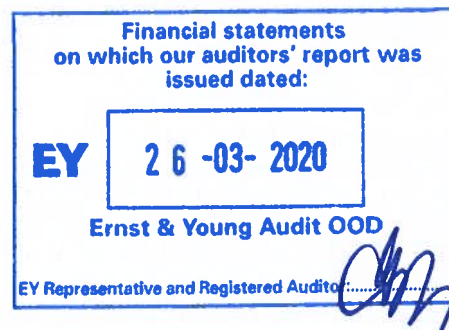
Registered Auditor in charge of the audit

Sofia, Bulgaria

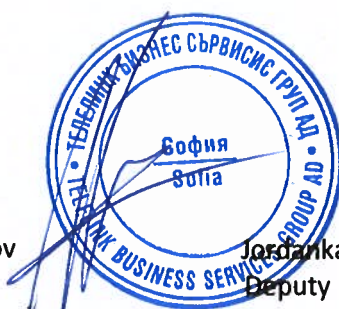
26 March 2020

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 12 JULY - 31 DECEMBER 2019

	Notes	For the period 12 July – 31 December 2019 BGN'000
Revenue	3	80
Cost of sales	4	(76)
Gross profit		4
General and administrative expenses	5	(136)
Other operating expenses	6	(19)
Operating profit		(151)
Finance income	7	404
Finance costs	7	(31)
Net finance income		373
Profit before taxes		222
Income tax expense	8	(5)
Profit for the year		217
Other comprehensive income		-
Total comprehensive income for the year, net of taxes		217



Ivan Krasimirov Zhitiyanov
Executive Director



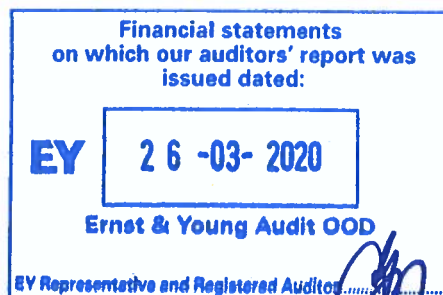
Jordanka Lyubchova Klenovska
Deputy Finance Director

The financial statements were approved for issue by decision of the Management Board dated 26 March 2020.

The notes from 1 to 21 are an inseparable part of these financial statements

**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019 BGN'000
Assets		
Non-current assets		
Property, plant and equipment	9	13
Intangible assets	10	78
Investments in subsidiaries	11	15,737
Deferred tax assets	8	5
		<u>15,833</u>
Current assets		
Trade and other receivables	12	29
Cash and cash equivalents	13	58
		<u>87</u>
TOTAL ASSETS		<u>15,920</u>
EQUITY AND LIABILITIES		
	Notes	2019 BGN'000
Registered capital	14	12,500
Legal reserves	14	217
Current profit		217
Total equity		<u>12,934</u>
Non-current liabilities		
Interest-bearing loans and borrowings	15	-
		<u>-</u>
Current liabilities		
Interest-bearing loans and borrowings	15	2,892
Trade and other payables	16	84
Income tax liabilities	8	10
		<u>2,986</u>
Total liabilities		<u>2,986</u>
TOTAL EQUITY AND LIABILITIES		<u>15,920</u>



Ivan Krasimirov Zhitiyanov
Executive Director

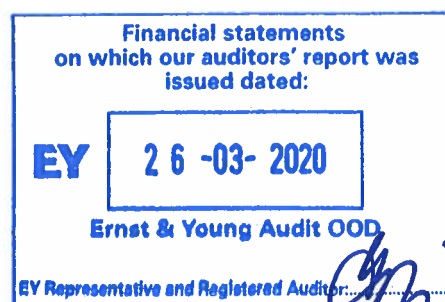
Jordanka Lyubchova Klenovska
Deputy Finance Director

The financial statements were approved for issue by decision of the Management Board dated 26 March 2020.

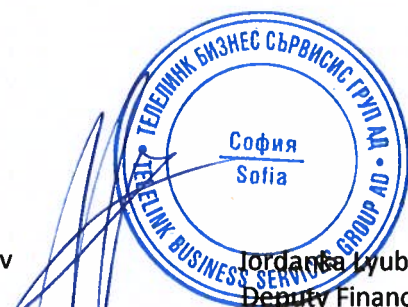
The notes from 1 to 21 are an inseparable part of these financial statements

**SEPARATE STATEMENT OF EQUITY
FOR THE PERIOD 12 JULY - 31 DECEMBER 2019**

	Share capital BGN'000	Legal reserves BGN'000	Retained earnings BGN'000	Total equity BGN'000
Balance on 12 July 2019	-	-	-	-
Adjustment from the adoption of IFRS 16	-	-	-	-
Balance on 12 July 2019 after adjustments	-	-	-	-
Comprehensive income				
Net profit for the year	-	-	217	217
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	217	217
Transactions with owners recognised in equity				
Share capital issued	12,500	217	-	12,717
Total transactions with owners recognised in equity	12,500	217	-	12,717
Balance on 31 December 2019	12,500	217	217	12,934



Ivan Krasimirov Zhitiyanov
Executive Director



Jordanka Lyubchova Klenovska
Deputy Finance Director

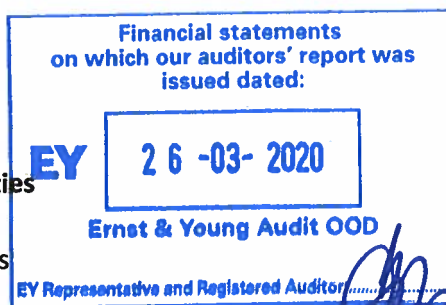


The financial statements were approved for issue by decision of the Management Board dated 26 March 2020.

The notes from 1 to 21 are an inseparable part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD 12 JULY - 31 DECEMBER 2019

	NOTES	For the period 12 July – 31 December 2019 BGN'000
OPERATING ACTIVITIES		
Profit before income taxes		222
Adjustments to reconcile profit before tax to net cash flows:		-
Non-cash adjustments:		
Net finance costs		13
Dividend income		(386)
Depreciation / Amortisation and Impairment	9&10	10
Working capital adjustments:		
Increase in trade and other receivables, contract assets		53
Decrease in trade and other payables, contract liabilities		(3,151)
Bank charges paid		(1)
Net cash flows used in operating activities		(3,240)
INVESTING ACTIVITIES		
Proceeds from loans repaid		5,697
Interest received		23
Dividends received	17	368
Net cash flows from investing activities		6,088
FINANCING ACTIVITIES		
Proceeds from capital		50
Proceeds from borrowings	15	2,878
Repayment of borrowings	15	(5,702)
Interest paid		(16)
Net cash flows used in financing activities		(2,790)
Net change in cash and cash equivalents		58
Cash and cash equivalents on 12 July		-
Cash and cash equivalents on 31 December		58



Ivan Krasimirov Zhitiyanov
Executive Director

Jordanka Lyubchova Klenovska
Deputy Finance Director

The financial statements were approved for issue by decision of the Management Board dated 26 March 2020.

The notes from 1 to 21 are an inseparable part of these financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2019

1. Corporate information

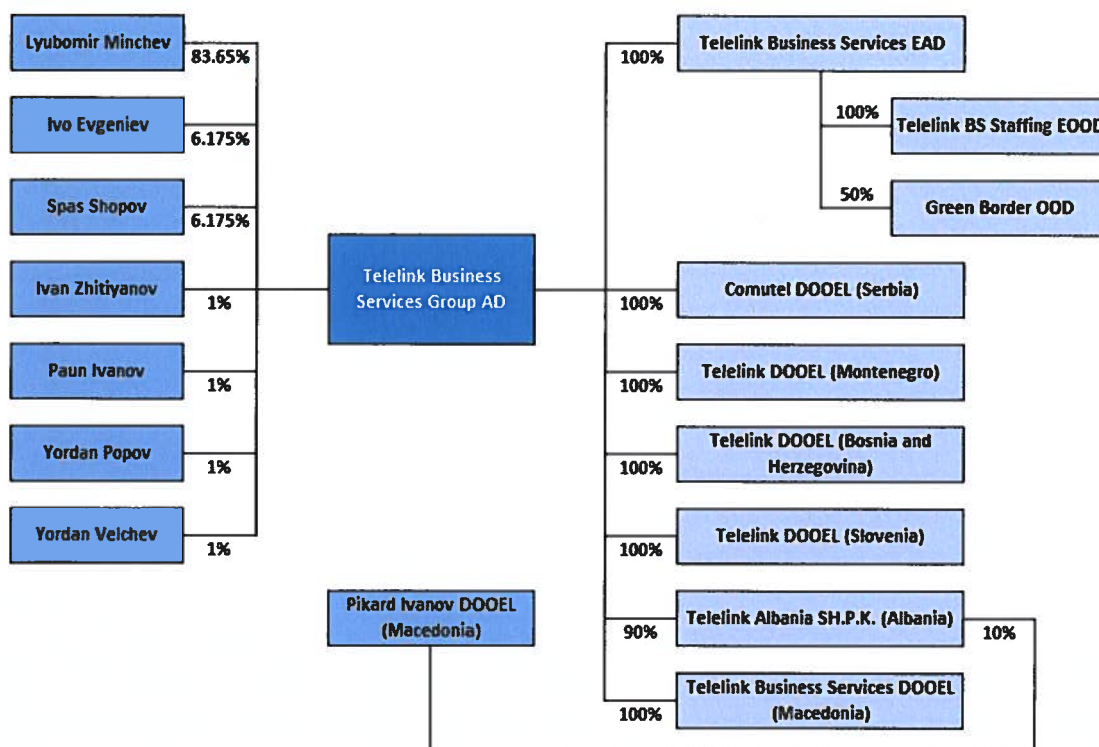
The separate financial statements were approved by decision of the Management Board on 26 March 2019. These financial statements are to be approved by the annual General Meeting of Shareholders of the Company.

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.

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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****1. Corporate information (continued)****Business**

The main commercial activity carried out in 2019 includes the provision of consulting services and management services provided to the Group's subsidiaries. The scope of these services comprises business development services, including product positioning and presentation of the products and services to potential customers, consultancy on the development of potentially new products, services and functionality, management services such as assistance in taking strategic decisions, setting up goals and strategies, development and implementation of policies and management principles, financial management services, including business planning, consulting on the form and quality of financial reporting and audit, financial results tracking and analysis, and advising on improving effectiveness and profitability, human resource consultancy, advice on legal matters, consulting and PR services, services in the area of marketing, etc.

The Company had a two-tier management structure as at 31 December 2019 – Management Board and Supervisory Board. The operative management is carried out by the Management Board. Those charged with governance include the members of the Supervisory Board. The average number of staff at 31 December 2019 was 2.

2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis except for the derivative financial instruments 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 Company's functional currency. All values are rounded off to the nearest thousand (BGN' 000) except when otherwise stated.

Statement of compliance

These 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.

The concept of going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to exist in the foreseeable future. The principle of preparation implies that the company will continue to accomplish its assets and fulfill its obligations in the normal course of its activities.

As of December 31, 2019, the current liabilities of the Company exceed its current assets by BGN 2,899 thousand. The company has received the assurance from Telelink Business Services EAD (as a lender) that it has the ability and readiness to extend the repayment period, if necessary, in order to prevent a reduction in the liquidity of the company.

The management is confident that the Company will maintain normal activities in the future, therefore the financial statements of the Company for the year ended 31 December 2019 are prepared on the basis of the going concern principle.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.1 Basis of preparation (continued)****Consolidated financial statements**

Telelink Business Services Group EAD is obliged to prepare consolidated financial statements under IFRS, adopted by the EU, which comprises the financial statements of all subsidiaries - Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (Macedonia), Telelink Albania SH.P.K. (Albania).

According to IAS 33 the Company is permitted to disclose earning per share information in its Consolidated reports.

2.2 Fair value measurement

The Company measures financial instruments, such as derivatives, at each reporting date.

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 Company.

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 Company 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.

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 Company 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.2. Fair value measurement (continued)**

The Company'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 Company'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 Company 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.

2.3 Significant accounting judgements, estimates and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

Judgements

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

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Provision of services

The company provides services that are sold separately, namely management and business consulting services to subsidiaries. The Company recognises the services as a single performance obligation and recognises revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Company.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.2 Significant accounting judgements, estimates and assumptions (continued)*****Useful lives of property plant and equipment, and intangible assets***

Accounting for machinery and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The information about the useful lives of property, plant and equipment and intangible assets is disclosed in note 2.4.

Provision for expected credit losses of trade receivables and contract assets

The provision is initially based on the Company's historical observed default rates. The Company will calibrate a 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.

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

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. Income tax liability includes current tax liabilities reported in the respective income tax returns and 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.

Deferred tax assets

Deferred tax assets are recognised for all temporary tax differences to the extent that is probable that future taxable profit will be available against which the taxes can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning opportunities. Further details are provided in note 8 "Income tax" to the financial statements.

Retirement benefit liability

The retirement benefit liability is determined by the Company using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, personnel turnover rates and mortality rates. Due to the long-term nature of retirement benefits, these assumptions are subject to significant uncertainty. At 31 December 2019, due to the immaterial number and young age of staff, the Company accrued no provision for retirement benefits.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

2.4 Summary of significant accounting policies

Foreign currency translation

The financial statements have been prepared in Bulgarian leva (BGN), which is the Company'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 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.

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 Company 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 Company 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.

Property, plant and equipment

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.

Subsequent to initial recognition as an asset, a machinery or equipment should be stated at cost, net of any accumulated depreciation and accumulated impairment losses.

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

<u>Type of the asset</u>	<u>Useful life in years</u>
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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

2.4 Summary of significant accounting policies (continued)

Borrowing 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.

Intangible assets

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on an intangible asset after its purchase or its completion is recognised 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 capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income 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 Company classifies the generation of the asset into a research phase and a development phase. If the Company cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only. Development costs are recognised for assets if the Company 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
Other assets	Within the contract period

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****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 income statement, depending on the use of the intangible asset.

Investments in subsidiaries

All investments in subsidiaries are stated in the separate financial statements at cost less any accumulated impairment losses.

Impairment of non-financial assets

The Company 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 Company 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. The recoverable amount 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.

For all non-financial assets, the Company assesses whether there are indications that the impairment loss on an asset other than goodwill recognised in prior periods may no longer exist or may have decreased. If such indications exist, the Company 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 amortisation, that would have been determined had no impairment loss been recognised for asset in previous periods. The reversal of an impairment loss is recognised in the income statement for the year.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Financial instruments - initial recognition and subsequent measurement****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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section *Revenue from contracts with customers*.

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 Company'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.

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 Company commits to purchase or sell the asset.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Financial instruments - initial recognition and subsequent measurement (continued)****Financial assets (continued)*****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 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.

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 other comprehensive income, 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 income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Financial instruments - initial recognition and subsequent measurement (continued)****Financial assets (continued)****Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 2.3)
- Trade receivables, including contract assets (Note 12)

The Company 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 Company 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Financial instruments - initial recognition and subsequent measurement (continued)****Financial assets (continued)**

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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 other comprehensive income, the Company applies the low credit risk simplification.

Impairment of financial assets

At every reporting date, the Company 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 Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

The Company considers a financial instruments in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Financial instruments - initial recognition and subsequent measurement (continued)****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 Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured by the Company at amortised cost using the 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 income statement. This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 15.

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 income statement.

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 and a proportion of overheads based on normal operating capacity but excluding borrowing costs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Provisions*****General***

Provisions are recognised when the Company 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 Company 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 Company and measured at the undiscounted amount of the expected cost of the benefit.

State social security plan

All employees of the Bulgarian entities are members of the Bulgarian Social Security Plan. In the normal course of business, the Company 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 Company 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 Company bears no other obligation.

Retirement benefits

The Company 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Retirement benefits (continued)**

The cost of providing benefits under the retirement benefit plan is determined by the Company 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 "Employee benefit expense";
- Net interest expense or income within "Finance costs".

Revenue from contracts with customers

The Company's activity includes the provision of services relating to corporate and business development of subsidiaries, including assistance in taking strategic decisions, financial management services, including business planning, human resource consultancy, advice on legal matters. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the 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 2.3.

Provisions of services

The company provides management and business consulting services to subsidiaries. The Company recognises the services as a single performance obligation and recognises revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Company. The Company uses an input method – it monitors costs incurred compared to the total amount of resources to be input in order to measure progress towards complete satisfaction of the service.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Revenue from contracts with customers(continued)***Significant financing component*

In certain cases, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company 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.

Contract balances*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the Company 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 Company'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 Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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 Company performs under the contract.

Cost to obtain a contract / Contract performance costs

Additional costs to obtain a contract (e.g., sales commissions paid to employees) and certain contract performance costs may be recognized as an asset if certain criteria are met. These capitalized assets - contract costs should be depreciated on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer.

If contract performance costs occur, they are presented as a separate class of assets in the statement of financial position and their amortization - in the cost of sales, changes in contract costs or a similar position.

Capitalized contract costs are reviewed for impairment at the end of each reporting period. Impairment losses are recognized in profit or loss.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****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.

Dividend income

Income is recognised when the Company's right to receive the payment is established.

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 Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases (ie leases with a lease contract term of less than 12 months) and leases of low-value assets. The Company 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 Company 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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Lease (continued)*****Right-of-use assets (continued)***

If ownership of the leased asset transfers to the Company 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 liabilities

At the commencement date of the lease, the Company 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 company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not 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 Company 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****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 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.4 Summary of significant accounting policies (continued)****Taxes (continued)***Deferred tax (continued)*

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement 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.

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.

2.5 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 Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company 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.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. It is not applicable for the Company.

IFRS 3 Business combinations (Amendments): 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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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 have not yet been endorsed by the EU. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: 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. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

The 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.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). 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. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****2.6 Reorganisation under the Commercial Act**

At the date of incorporation of the Company, the sole owner, Telelink Holdings BV (The Netherlands), is also a sole owner of Telelink Bulgaria EAD. In turn, the latter holds investments in subsidiaries working in the area of information and telecommunication technology in three major business lines titled „Business services“, „Infrastructure services“ and „Product development“. If taken together, Telelink Bulgaria EAD and its subsidiaries form the existing at that date group of Telelink.

The goal of the Company is to separate the investment in the Telelink group subsidiaries, specialized in the „Business services“ business line, in a separate company, a group and corporate structure that is independent from Telelink Bulgaria EAD.

By decision of the sole owner Telelink Holdings BV (The Netherlands), Telelink Bulgaria EAD was reorganised through separation of a separate activity „Business services“ in accordance with Art. 262 of the Commercial Act, whereas part of the property of Telelink Bulgaria EAD, comprising all assets, rights and liabilities attributable to the Separated business line (including assets, liabilities, contracts and employees), is transferred to Telelink Business Services Group EAD (being the successor) („Reorganisation“, „Separation“) in exchange of shares in the capital of the Successor issued to Telelink Holdings BV (The Netherlands). The reorganisation was registered with the Commercial Register and entered into force on 14 August 2019.

As a result of the Separation, commencing on that date, the Company combined the investments in the Telelink group companies specialized in the „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 new company incorporated earlier in 2019, Telelink Albania SH.P.K. („Telelink Albania“). In September 2019, Telelink Business Services DOOEL (Macedonia) („TBS Macedonia“), an entity newly incorporated by the Company, joined the Group.

In August 2019, all shares of the Company were transferred from Telelink Holdings BV (The Netherlands) to new persons – shareholders representing directly or indirectly the ultimate owners of Telelink Holdings BV (The Netherlands), with the direct majority owner being the co-founder of Telelink Group, Lyubomir Minchev, as a natural person. As a result of the transfer, the Company changed its legal form to a joint stock company and is no longer part of the Telelink business group.

The net assets transferred from Telelink Bulgaria EAD to Telelink Business Services Group EAD at the separation date for accounting and tax purposes are as follows:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

2.6 Reorganisation under the Commercial Act (continued)

	<i>At the accounting separation date BGN'000</i>
Assets	
Non-current assets	
Property, plant and equipment	15
Intangible assets	87
Investments in subsidiaries	15,718
	15,820
Current assets	
Trade and other receivables	82
Loans granted	5,702
	5,784
Total assets	21,603
	BGN'000
Equity	
Share capital	12,450
Reserve from reorganisation	217
Total equity	12,667
Non-current liabilities	0
Current liabilities	
Interest-bearing loans and borrowings	5,702
Trade and other payables	3,235
	8,937
Total liabilities	8,937
Total equity and liabilities	21,603

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Revenue from contracts with customers

	<i>For the period 12 July – 31 December 2019 BGN'000</i>
Type of products provided	
Goods	-
Services	80
	80
Geographical markets	
Bulgaria	58
Other European countries	2
Other non-European countries	20
	80
Timing of revenue recognition	
Transferred at a point in time	-
Transferred over time	80
	80

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

Performance obligations

Information on the Company's performance obligations is summarised below:

Services

Performance obligation is satisfied over time. Payment is due after the service is completed and accepted by the customer.

Revenue consists of services relating to corporate and business development of subsidiaries, including assistance in taking strategic decisions, financial management services, human resource consultancy, advice on legal matters, advice and services in the area of marketing.

The revenue of BGN 80 thousand represents revenue from contracts with customers within the meaning of IFRS 15 Revenue from contracts with customers.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2019
4. Expenses by nature, employee benefit expenses
Expenses by nature

	<i>For the period</i> <i>12 July – 31</i> <i>December 2019</i> <i>BGN'000</i>
Changes in inventories of finished goods and work in progress	-
Expenses on raw materials	-
Hired service costs	(122)
Employee benefit	(77)
Depreciation / amortization expenses	(10)
Other expenses, including costs of goods sold	(3)
Total book value of sales, administrative expenses	(212)

Cost of sales / Employee benefit expenses

	<i>For the period</i> <i>12 July – 31</i> <i>December 2019</i> <i>BGN'000</i>
Remuneration	(72)
Compulsory social and other insurance payments	(5)
Defined benefit plans	-
	77

5. General and administrative expenses

	<i>For the period</i> <i>12 July – 31</i> <i>December 2019</i> <i>BGN'000</i>
Employee benefit expenses	(36)
Depreciation / amortization expenses	(1)
Consulting services	(77)
Other expenses	(22)
	(136)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. Other operating income / (expenses)

	For the period 12 July – 31 December 2019 BGN'000
<u>Other operating income</u>	-
<u>Other operating expenses</u>	-
Other expenses	(19)
	<u>(19)</u>

7. Finance income and finance costs

	For the period 12 July – 31 December 2019 BGN'000
<u>Finance costs</u>	
Interest expenses	(30)
Other finance costs	(1)
	<u>(31)</u>
	For the period 12 July – 31 December 2019 BGN'000
<u>Finance income</u>	
Interest income on loans granted	18
Dividend income	386
	<u>404</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

8. Income tax

The major components of income tax expense for the year ended 31 December 2019 are:

	<i>For the period 12 July – 31 December 2019 BGN'000</i>
<u>Current income tax expense</u>	
Current income tax expense	(10)
<u>Deferred tax</u>	
Relating to origination and reversal of temporary differences	5
Income tax expense recognized in the statement of comprehensive income	(5)

The corporate income tax rate of the Company for 2019 is 10% (2020: 10%).

The reconciliation between the income tax expense applicable to the pre-tax accounting profit at the statutory tax rate and the income tax expense at the effective for the Company income tax rate for 2019 is as follows:

	<i>For the period 12 July – 31 December 2019 BGN'000</i>
Accounting profit before income tax	222
Income tax rate	10%
Tax at a rate of 10% (2019: 10%)	(22)
Non-deductible expenses	(2)
Tax effect in relation to double tax treaties	19
	(5)
Effective income tax rate	1.81%
Income tax recognized in the financial statements	(5)
	(5)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

8. Income tax (continued)

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

	Statement of financial position	Statement of profits or losses and other comprehensive income
	2019	For the period 12 July – 31 December 2019
	BGN'000	BGN'000
<u>Deferred tax assets</u>		
Employee benefit expenses	5	5
Deferred tax assets	5	
Movement in deferred taxes		5

The Company's tax liabilities are based on the tax return 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.

9. Property, plant and equipment

	Machinery & equipment	Computers	Total
	BGN'000	BGN'000	BGN'000
<u>Book value:</u>			
Balance on 12 July 2019	-	-	-
Additions	-	-	-
Transferred in reorganisation	12	8	20
Balance on 31 December 2019	12	8	20
<u>Accumulated depreciation:</u>			
Balance on 12 July 2019	-	-	-
Charged during the year	(1)	(1)	(2)
Transferred in reorganisation	(1)	(4)	(5)
Balance on 31 December 2019	(2)	(5)	(7)
Net book value at 12 July 2019	-	-	-
Net book value at 31 December 2019	10	3	13

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. Intangible assets

	Other assets <i>BGN'000</i>	Total <i>BGN'000</i>
<u>Book value:</u>		
Balance on 12 July 2019	-	-
Additions	-	-
Transferred in reorganisation	105	105
Balance on 31 December 2019	105	105
<u>Accumulated amortisation:</u>		
Balance on 12 July 2019	-	-
Charged during the year	(8)	(8)
Transferred in reorganisation	(19)	(19)
Balance on 31 December 2019	(27)	(27)
Net book value at 12 July 2019	-	-
Net book value at 31 December 2019	78	78

The Company carried out an impairment testing as at 31 December 2019. 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.

11. Investments in subsidiaries

	2019 <i>BGN'000</i>
<u>Company:</u>	
Telelink Business Services EAD (Bulgaria)	6,400
Comutel DOO (Serbia)	8,302
Telelink DOO - Podgoritsa (Montenegro)	530
Telelink DOO (Bosnia and Herzegovina)	354
Telelink DOO (Slovenia)	113
Telelink Albania SH.P.K. (Albania)	18
Telelink Business Services DOOEL (Macedonia)	20
	15,737

As a consequence of the reorganisation that entered into force on 14 August 2019, investments in subsidiaries in the "Business services" business line were separated into the Company, representing 100% of the capital of the following companies: Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO - Podgoritsa (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), and 90% of the capital of Telelink Albania SH.P.K (Albania).

Telelink Business Services DOOEL (Macedonia) was incorporated on 30 September 2019 as a 100%-owned subsidiary.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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10. Investments in subsidiaries (continued)

The Company's management conducted an impairment testing of its investments in subsidiaries at 31 December 2019. The main external and internal indications analysed by management included:

- Development in the regulatory and business environment of the business services sector, in which the subsidiaries operate primarily and which is characterized by lots of dynamics, including possibilities to extend new products, solutions and services by territorial business lines;
- Financial performance and operating results of the subsidiaries based on the most recent annual financial information, including observed trends, available contracts and orders;
- Available information about the market values of the subsidiaries and their assets.

Considering the results of the impairment testing, the Company's management judged that there were no indications of impairment of its investments in related parties as at 31 December 2019.

12. Trade and other receivables and contract assets

Current

	2019
	BGN'000
Trade receivables from third parties, gross	20
Trade receivables	20
Other receivables	9
Trade and other receivables	29

Trade receivables are from related parties only and are collectable. The Company does not expect to realise credit losses. Terms and conditions applicable to related party receivables are disclosed in Note 17 "Related party disclosures".

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 31 December 2019, ageing analysis of trade receivables and contract assets is presented in the table below:

	Days in delay						
	Current	< 30	31-60	61-90	91-180	>181	Total
	BGN'000	days	days	days	days	days	BGN'000
Expected percentage of credit losses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trade receivables from related parties, gross	-	-	20	-	-	-	20
Expected credit loss	-	-	-	-	-	-	-
Total trade receivables and contract assets	-	-	20	-	-	-	20

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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13. Cash and cash equivalents

	2019
	BGN'000
Cash on hand	1
Cash and cash equivalents on current accounts	57
	58

14. Share capital and reserves

	2019
	shares
<u>Registered capital</u>	
Ordinary shares of BGN 1 each	12,500,000
	12,500,000
Ordinary shares issued, fully paid-in	shares
At 31 December 2019, issued and fully paid-in	12,500,000

The share capital of BGN 50 thousand was paid-in on the Company's incorporation.

The remaining portion of the share capital of BGN 12,450 thousand, available as at 31 December 2019 and split into 12,450,000 shares with par value of BGN 1 each, was formed as a result of the Reorganisation, by which assets of BGN 21,603 thousand and liabilities of BGN 8,937 thousand, attributable to the „Business services“ business line, were separated into the Company, whereas the difference was used to form additional share capital of BGN 12,450 thousand and equity reserves of BGN 217 thousand.

Reserves nature and purpose

Reserves comprise of legal reserves of 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 and foreign currency gains / losses. Legal reserves are subject to distribution, with the exception of an amount representing 10% of the Company's share capital. Pursuant to article 246 of the Commercial Act, obliging joint stock companies, such as the Company, to set aside a reserve, legal reserves should be set aside until they reach one tenth of the company's registered capital. The sources of funding these reserves may be at least one tenth of the profit, share premiums or stocks and bonds upon their issuing, and other sources provided for by the statutes of the Company or by resolution of the General Meeting of Shareholders. There are no other restrictions imposed on them.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2019
15. Interest-bearing loans and borrowings

	Interest rate, %	2019 BGN'000
Current		
Interest-bearing loans from related parties	2.25%	2,892
		2,892

On 02 September 2019, the Company concluded a Cash loan contract with the subsidiary Telelink Business Services EAD. The limit to be utilised by the Company is BGN 4,000 thousand and it has a revolving nature, as the loan can be utilised and repaid repeatedly within this limit. No specific purpose of the loan is set under the contract and it may be utilised freely to satisfy the needs of the Company. No collateral is stipulated and respectively, provided under the contract. The interest rate due under the contract is fixed at 2.25%. The term of repayment of all liabilities of the Company is 31 December 2020.

The Company's liabilities on the loan amounted to BGN 2,892 thousand as at 31 December 2019.

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

	For the period 12 July – 31 December 2019 BGN'000
Interest-bearing loans and borrowings on 14 August (Note 2.6)	5,702
Proceeds from borrowings	3,250
Repayments of borrowings	(6,074)
Interest expenses accrued	30
Interest paid	(16)
Interest-bearing loans and borrowings on 31 December	2,892

16. Trade and other payables

	2019 BGN'000
Trade payables to third parties	19
Trade payables	19
Tax liabilities	6
Other payables	59
Trade and other payables	84

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.

17. Related party disclosure

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

The following companies are related parties:

Group companies

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 - Podgoritsa (Montenegro)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink DOO (Bosnia 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%

Other related parties

Name	Nature of relationship
Telelink Bulgaria EAD (Bulgaria)	Under joint control
Telelink Infra Services EAD (Bulgaria)	Under joint control
Telelink City Services EAD (Bulgaria)	Under joint control
Telelink Labs EOOD (Bulgaria)	Under joint control
Telelink Services Romania SRL (Romania)	Under joint control
Telelink MK DOOEL (Macedonia)	Under joint control
Telelink UK Ltd. (UK)	Under joint control
Telelink GmbH (Germany)	Under joint control
Seknet AD (Bulgaria)	Under joint control
Marifons Holdings Limited (Cyprus)	Under joint control
V-Investment Holdings B.V. (The Netherlands)	Under joint control
Promiteria Enterprises LTD (Cyprus)	Under joint control
Telelink Holdings B.V. (The Netherlands)	Under joint control
RichHill EOOD (Bulgaria)	Under joint control

Set out below is the total amount of the transactions concluded with related parties and balances due for the current and previous reporting period:

	Sales to related parties	Purchases from related parties
	For the period	For the period
	12 July – 31	12 July – 31
	December 2019	December 2019
	BGN'000	BGN'000
Trade activity		
Subsidiaries	81	-
Other related parties (under joint control)	-	-
	81	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2019
17. Related party disclosure (continued)

	Interest income	Interest expenses
	For the period 12 July – 31 December 2019 BGN'000	For the period 12 July – 31 December 2019 BGN'000
Loans from / to related parties		
Subsidiaries	18	14
Other related parties (under joint control)	-	16
	18	30
	Amounts owed by related parties	Amounts owed to related parties
	2019 BGN'000	2019 BGN'000
Trade activity		
Subsidiaries	20	-
Other related parties (under joint control)	-	-
	20	-
	Amounts owed by related parties	Amounts owed to related parties
	2019 BGN'000	2019 BGN'000
Loans from / to related parties		
Subsidiaries	-	2,892
Other related parties (under joint control)	-	-
	-	2,892

Joint arrangements:

The Company held no shares and disclosed no joint arrangements for the period 12 July – 31 December 2019.

Amounts owed by related parties are included in trade and other receivables (Note 12 „Trade and other receivables“ to the financial statements) and in loans received (Note 15 „Interest-bearing loans and borrowings“ to the financial statements). Amounts owed to related parties are included in trade and other payables (Note 16 „Trade and other payables“). Receivables from and payables to related parties cannot be netted.

Sales to and purchases from related parties are carried at contracted prices. Outstanding balances at the year-end are unsecured, interest free (except for loans) and settlement occurs in cash. There have been no guarantees provided to or received for any related party receivables, other than those disclosed below. The Company has not impaired doubtful debts from related parties as of 31 December 2019.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****17. Related party disclosure (continued)****Remuneration of key management personnel**

Expenses on remuneration and social security payments for the members of the Management Board and Supervisory Board of the Company for the period 12 July – 31 December 2019 amount to BGN 76 thousand. The amount due to the key management personnel as at 31 December 2019 was BGN 52 thousand.

18. Commitments and contingent liabilities**Commitments to the benefit of related parties**

At 31 December 2019, the Company concluded a guarantee in relation to securing the liabilities of Telelink Business Services EAD under a Contract for taking credit commitments under an overdraft credit line between the latter and Unicredit Bulbank AD, a guarantee contract and a pledge contract covering all shares held by the company in the capital of Telelink Business Services EAD. The Company's commitments taken in relation to the Reorganisation as of 14 August 2019 for securing the liabilities under a loan contract between Telelink Bulgaria EAD and Unicredit Bulbank AD were terminated fully in October and November 2019.

Dividend income

Pursuant to a decision dated 30 October 2019 of the Executive Director of the Company, Telelink DOO Bosnia and Herzegovina distributed dividend. The amount of BGN 386 thousand was paid in December 2019.

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

Guarantees: Bank guarantees under contracts with clients were not issued by the Company as at 31 December 2019.

Capital commitments: The Company had no capital commitments as at 31 December 2019.

19. Financial risk management objectives and policies

The Company's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, liabilities on loans and borrowings. In 2019, the Company neither owned nor traded in derivative financial instruments.

Interest rate risk

Pursuant to the loan contract with TBS EAD, interest due by the Company is based on a fixed interest rate. At the end of the reporting period, the Company neither had nor it planned to use another financial debt. Therefore, at 31 December 2019 the Company was not exposed to and had no grounds to expect that an interest rate risk would occur.

Currency risk

Due to the fact the Company's revenue and expenses are primarily or entirely denominated in the local currency (Bulgarian leva) or EUR under the Currency Board conditions, the Company is not exposed directly to a significant currency risk. The Company has no transactions denominated in the variable exchange rate of US Dollar to BGN originating from loans granted, trade payables, trade receivables and borrowings.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2019

19. Financial risk management objectives and policies (continued)

Credit risk

Due to the fact that all revenue and receivables originate from subsidiaries controlled by the Company, the credit risk relating thereto may be considered immaterial.

The maximum credit exposure of the Company originating from recognised financial assets corresponds to their amount as per the balance sheet as at 31 December 2019 and originates only from trade receivables from subsidiaries.

Liquidity risk

Liquidity risk and cash flow risk are managed by the Company through the systematic tracing of the quality and maturity of receivables and payables, and timely planning of cash inflows and outflows. In case of expected deficits of available funds in a given horizon and in view of meeting unforeseen deviations, the Company ensures their financing by negotiating appropriately structured loans or revolving credit limits from leading Group companies and / or by setting aside reserves by resolving on timely and sufficient distribution of dividends by its subsidiaries.

Liquidity risk is kept low, with sufficient cash and sufficient credit facilities being maintained with servicing banks (see Note 13 "Cash and cash equivalents").

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

31 December 2019	On demand BGN'000	< 3 months BGN'000	3-12 months BGN'000	1-5 years BGN'000	> 5 years BGN'000	Total BGN'000
Interest-bearing loans from related companies	-	-	2,892	-	-	2,892
Trade and other payables	-	84	-	-	-	84
	-	84	2,892	-	-	2,976

Capital management

The main objective of capital management of the Company is to ensure stable credit rating and proper equity ratios in view of continuation of its business and maximizing its value to the shareholders.

The Company 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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2019
19. Financial risk management objectives and policies (continued)
Capital management (continued)

The Company monitors capital using a debt (gearing) ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the sum of interest-bearing loans and borrowings and trade and other payables reduced by cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent company.

	2019 BGN'000
Interest-bearing loans and borrowings	2,892
Trade and other payables	84
Less cash and short-term deposits	(58)
Net debt	2,918
Equity	12,934
Total capital	12,934
Capital and net debt	15,852
Debt (gearing) ratio	18%

20. Financial instruments
Fair values

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 following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer. Based on this evaluation, allowances are taken to account for the expected losses of these receivables.
- The fair value of interest-bearing loans is estimated by discounting future cash flows using discount rates based on the interest rate levels currently available for debt instruments with similar terms and remaining maturities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****20. Financial instruments (continued)****Fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data

Level 3: Use of a model with inputs that are not based on observable market data

During the reporting periods ending 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

The Company held no financial instruments carried at fair value as at 31 December 2019. The fair values of financial assets and liabilities not carried at fair value have not been disclosed as their carrying amounts approximate their fair values.

21. Events after the reporting date

Significant transactions and events after the balance sheet, which relate to Telelink Business Services Group AD, are as follows:

On 31 January 2020, a decision was taken by the Management Board and Supervisory Board of Telelink Business Services Group AD that the Company should conclude a contract with Picard Ivanov DOOEL for the purchase of 1 (one) share of the capital of Telelink Albania SH.P.K, representing 10% of the company's capital, against the payment of a total purchase price of EUR 1,000 (one thousand). The contract was signed on 25 February 2019 and the price was fully paid on 26 February 2020.

On 21 February 2020, an Annex to a Contract for short-term financing was signed between the subsidiary Telelink Business Services EAD and Unicredit Bulbank AD, providing for that the contingent liability to establish pledges on the commercial entities of Telelink Business Services EAD and Telelink Business Services Group EAD, if the procedure for listing the shares of the latter on the Bulgarian stock exchange is not completed by 14 February 2020, should be amended by extending the above-specified term until 30 April 2020.

On 27 February 2020 a decision was made by the Managing Board of Telelink Business Services Group AD for the subsidiary Telelink Business Services EAD to conclude a contract with Consortium SysTel DZZD for the execution of a public procurement for design, construction and commissioning of a state hybrid private cloud (SHPC) and a secure internet node for public e-government services. The value of the contract signed on 19 February 2020 between the State Agency for Electronic Management and Consortium SysTel DZZD for execution of the public procurement was BGN 28,283 thousand, VAT exclusive, with the subsidiary Telelink Business Services EAD undertaking to supply equipment and services of no more than BGN 14,141 thousand, VAT exclusive.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS**31 DECEMBER 2019****21. Events after the reporting date (continued)**

The coronavirus (COVID-19) was confirmed by the World Health Organization in early 2020 and has spread from China around the world, causing disruptions to normal business activities. On 13 March 2020 a State of Emergency was announced in the country imposing anti-epidemic measures and restrictions on the freedom of movement and the work regime of the population, the state and private organizations.

As of the date of preparation of the report, there are no registered cases of employees of the Company, infected with COVID-19. No deliveries of goods and services significant for their operational assurance have been terminated and they continue to perform their activity without interruption.

The management teams have taken all recommended measures to limit the spread of the infection, including informing the employees about the implementation of certain measures, providing protective equipment and disinfectants, limiting business trips, limiting the access of external persons and encouraging working from home with the respective technological means and infrastructure provided.

The Company's management considers the spread of the infection a non-adjusting event occurring after the balance sheet date, and in view of the early phase and dynamic evolution of the epidemic at the date of this Report, the management has not identified and made a quantitative assessment of specific consequences of the epidemic with a significant impact on its financial performance. Without prejudice to the above, the Company will continue to monitor the situation's development with a view to the timely identification of any actual and potential effects, taking all possible steps to limit their impact.