CONSOLIDATED INTERIM MANAGEMENT REPORT
of
TELELINK BUSINESS SERVICES GROUP AD
for the
FIRST SIX MONTHS OF 2021

THE PRESENT MANAGEMENT REPORT IS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ART. 100o PAR. (4) AND (5) OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA) AND ART. 33 AND 33a OF ORDINANCE NO 2 FROM SEPTEMBER 17 2003 REGARDING THE PROSPECTUSES FOR PUBLIC OFFERING AND ADMISSION TO TRADING ON A REGULATED SECURITIES MARKET AND THE DISCLOSURE OF INFORMATION

DEAR SHAREHOLDERS,

We, the members of the Managing Board of TELELINK BUSINESS ERVICES GROUP AD (the Company), guided by our commitment to manage the Company in the best interest of its shareholders and in accordance with the provisions of art. 100o par. (4) and (5) of the POSA and art. 33 and 33a of Ordinance 2 from September 17 2003 regarding the Prospectuses for public offering and admission to trading on a regulated securities market and the disclosure of information by public companies and other issuers of securities, prepared the present Consolidated Management Report (the Report). The Report presents commentary and analysis of key financial and non-financial indicators and an objective overview, providing a true and fair representation of the development and operating results of the Company and its subsidiaries (the Group), as well as of its condition, together with a description of the main risks thereto.

I GENERAL COMPANY AND GROUP INFORMATION

I.1 Business profile

Telelink Business Services Group AD (TBS Group, the Company, the Issuer) was established on July 12 2019 with the purpose of consolidation, foundation and management of investments in subsidiaries operating in the field of information and communication technologies (ICT), together with which it constitutes the economic "Group TBS" (the Group).

The main activity of the Company comprises the provision of administrative and financial services and services relative to the management and support of the business development, marketing and sales of Group subsidiaries. The Company itself does not carry out direct commercial activities in the field of ICT or other areas addressing end customers outside the Group.

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

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

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

As of June 30 2021, the products and services offered by the Group cover a broad range of technologies organized in 6 technology groups – Service Provider Solutions, Enterprise Connectivity, Hybrid Cloud, Application Services, Modern Workplace and Information Security. To assure comparability to the classification used in preparing the Prospectus for the admission to trading on a regulated market in 2020, the Group also continues to provide a parallel grouping of the above technological units in 4 main categories – Data Networks, Data Center, Office Productivity and Information Security.

I.2 Governance

The Company has a two-tier board system.

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

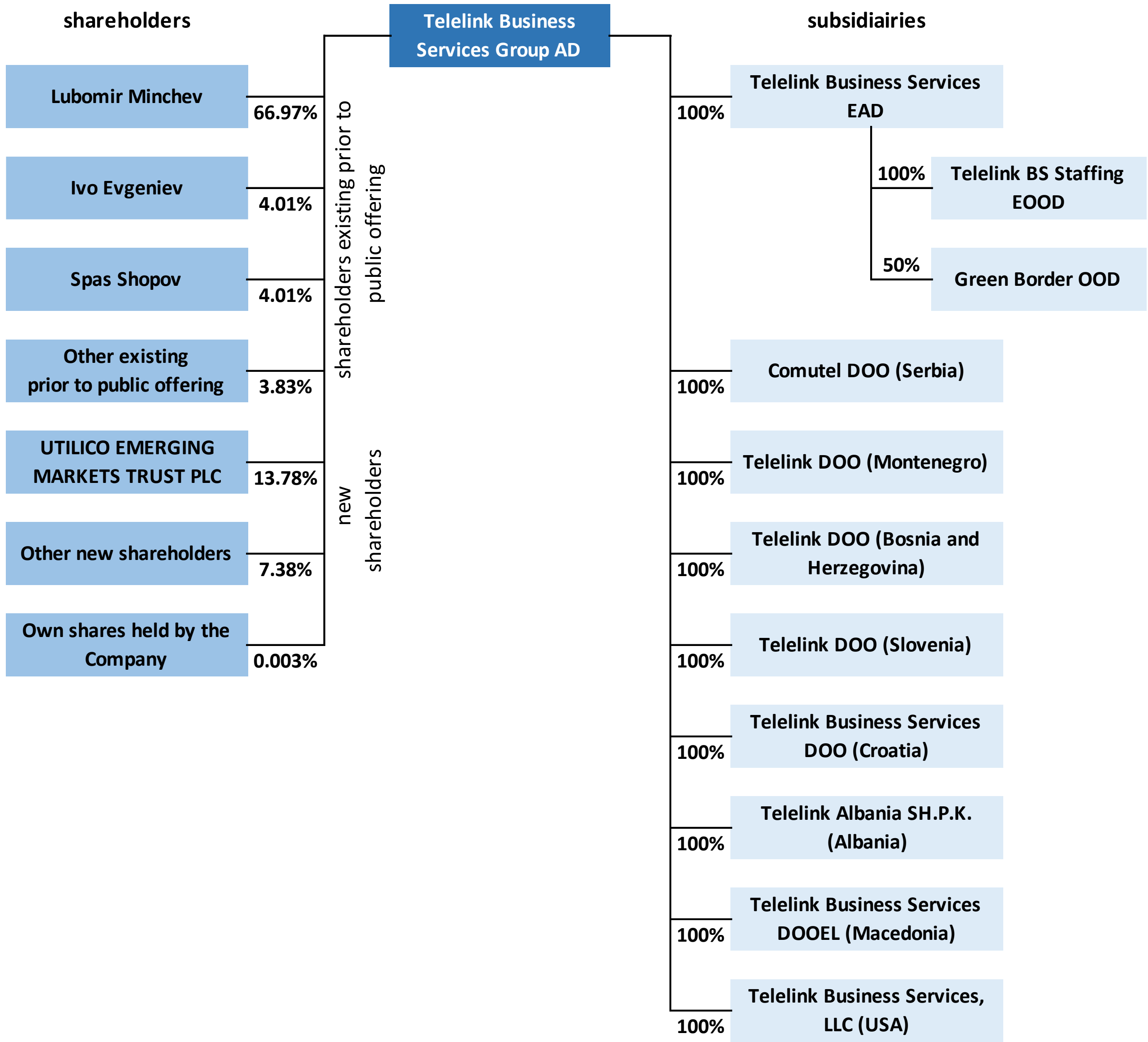
- Ivan Zhitianov – Chairman of the MB and Executive Director;
- Teodor Dobrev – member of the MB;
- Paun Ivanov – member of the MB;
- Nikoleta Stanailova – member of the MB;

- Gojko Martinovic – member of the MB.

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

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

I.3 Shareholding structure of the Company and the Group



I.4 Share capital and ownership structure

The Company has a registered capital in the amount of BGN 12,500 thousand divided in 12,500,000 common shares with a nominal value of BGN 1.00 each.

In 2020 and the first half of 2021, there were three tranches of public offering of existing Company shares, pursuant to which three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock

Exchange (BSE) a total of 2,625,000 shares (of which 875,000 in the first half of 2021), representing 21% of the Company's registered capital (of which 7% realized in the first half of 2021).

During the above period, including the third tranche of its public offering carried out in June 2021, the Company did not issue and had no proceeds from new shares, other securities or options thereon.

Pursuant to share buybacks for the purposes of employee incentive programs, as of June 30 2021, the Company held 356 own shares acquired in 2020. No further share buybacks were carried out during the first half of 2021.

As of June 30 2021, the persons holding over 5% of the Company's capital were Lubomir Minchev with a stake of 8,371,678 shares or 66.97% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,723,099 shares or 13.78%.

I.5 Investment portfolio

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

As of June 30 2021, the Company held shares in nine subsidiaries, 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 Telelink Albania Sh.p.k. („Telelink Albania“), the participations in which were transferred into Company pursuant to a reorganization by means of spinoff of the Business Services activities of Telelink Bulgaria AD in August 2019;
- Telelink Business Services DOOEL (Macedonia) (TBS Macedonia), established by the Company in September 2019;
- Telelink Business Services DOO (Croatia) (TBS Croatia), established by the Company in November 2020;
- Telelink Business Services, LLC (USA) (TBS USA), established by the Company in January 2021.

As of June 30 2021, the Company was a sole owner of all of the above subsidiaries and had indirect interests in two more companies controlled by TBS EAD. All directly and indirectly owned subsidiaries are governed in their respective countries of incorporation.

As of June 30 2021, all direct subsidiaries except for the recently established TBS Croatia and TBS USA carried out active commercial operations.

As of June 30 2021, the indirectly owned Telelink BS Staffing EOOD, established with the purpose of carrying out joint operations with a leading financial advisory firm, was yet to deploy material business activities, while joint venture Green Border EOOD has exhausted its purpose with the completion of the project it was established for and is not expected to have a material impact on the Group's future results and financial position.

I.6 Public Information

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

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

Telelink Business Services Group AD has fulfilled its obligation as per art. 89o, par. 1 of the POSA, pursuant to which it obtained a legal entity identification (LEI) code: 894500RSIIEY6BQP9U56.

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

The Company's Investor Relations Director is Ivan Daskalov, with the following contact details: telephone number +359 2 9882413, e-mail address: ir-tbs@tbs.tech.

II REVIEW OF THE GROUP'S ACTIVITIES AND FINANCIAL POSITION

As of June 30 2021, the Group continued to carry out active commercial operations and reported positive net assets of BGN 22,584 thousand.

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

II.1 Key financial indicators

(continues on next page)

Financials (BGN thousand)	period end		change
	30.06.2021	*30.06.2020*	
Net sales revenue	**98,324**	**65,072**	**51%**
Cost of Sales	-82,282	-52,345	57%
Gross Profit	**16,042**	**12,727**	**26%**
Sales and Marketing Expenses	-3,814	-3,065	24%
General and Administrative Expenses	-2,588	-2,086	24%
Other Operating Income/(Expenses) (net)	73	207	-65%
Operating Profit	**9,713**	**7,783**	**25%**
Financial Income/(Expenses) (net)	-340	-431	-21%
Income Tax Expense	-1,241	-918	35%
Net Profit	**8,132**	**6,434**	**26%**
Depreciation & Amortization Expenses	-1,448	-1,243	16%
Interest Income/(Expenses) (net)	-104	-142	-27%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**10,925**	**8,737**	**25%**
	30.06.2021	*31.12.2020*	**0%**
Total Assets	**85,509**	**66,942**	**28%**
Non-current Assets	16,338	13,257	23%
Current Assets and Assets Held for Sale	69,171	53,685	29%
Equity	**22,584**	**14,452**	**56%**
incl. Retained Earnings and Profit for the Year	23,404	16,014	46%
Total Liabilities	**62,925**	**52,490**	**20%**
Non-current Liabilities	10,899	5,875	86%
Current Liabilities	52,026	46,615	12%
Cash & Cash Equivalents	**19,279**	**11,762**	**64%**
Total Financial Debt*	**5,252**	**3,363**	**56%**
Net Financial Debt**	**-14,027**	**-8,399**	**-5,627**
	30.06.2021	*30.06.2020*	**0%**
Net Cash Flow from Operating Activities	**6,797**	**6,863**	**-1%**
Net Cash Flow from Investment Activities	**-547**	**-1,064**	**-49%**
Net Cash Flow from Financing Activities	**1,267**	**-1,950**	**3,217**
	30.06.2021	*31.12.2020*	**0%**
Number of Employees as of Period End	**281**	**241**	**17%**

** Incl. loans and finance lease contracts; ** Total Financial Debt - Cash & Cash Equivalents*

Ratios	period end		change
	30.06.2021	*30.06.2020*	
Gross Margin	16.3%	19.6%	-3.2%
Operating Margin	9.9%	12.0%	-2.1%
Net Margin	8.3%	9.9%	-1.6%
EBITDA margin	11.1%	13.4%	-2.3%
	30.06.2021	*31.12.2020*	
Current Ratio*	1.33	1.15	0.18
Equity / Total Assets	26%	22%	5%
Financial Debt / Total Assets	6%	5%	1%
Non-current Assets / Total Assets	19%	20%	-1%
Equity and Non-current Liabilities / Non-current Assets	2.0	1.5	0.5
	30.06.2021	*30.06.2020*	
Average Return on Assets (ROA)	21.3%	-	-
Average Return on Equity (ROE)	87.8%	-	-

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

II.2 Revenues

In total, consolidated net sales revenues for the first half of 2021 increased by 51% over the same period of 2020, reaching BGN 98,324 thousand.

The main driver behind registered growth was the 92%[1] increase achieved in Bulgaria, where TBS EAD continued to record growing sales on the local market and significant revenues from cross-border clients with the predominant contribution of globally serviced multinational companies. With a share of 73%, the Company continued to play a leading part in the formation of Group revenues and had a growing contribution as compared to 57% for the same period of 2020.

In spite of a relative slowdown by 3%[1] on the background of strong sales in the first quarter of 2020, subsidiaries in Serbia, Montenegro, Bosnia i Herzegovina and Slovenia (region Mid-Western Balkans) continued to realize significant deliveries to both traditional and new clients from the Balkan telecom sector. Altogether, the region played a decreasing but nonetheless significant role in the formation of consolidated revenues with a share of 25% as compared to 39% for the same period of 2020.

A relative slowdown was also registered in combined sales from the South-Western Balkans region, encompassing subsidiaries in Macedonia and Albania, where the Group recorded a combined decrease of 14%[1] mainly as a result of lower sales to a telecom sector client in Albania. Similarly to the first half of 2020, when they contributed 4%, the two companies played a relatively limited part in consolidated revenues for the period with a relative weight of 2%.

II.2.1 Revenues by main categories of products and services

Technology Group		Net Sales Revenue (BGN thousand)				
		30.6.2021	30.6.2020	change	share 30.6.21	share 30.6.20
Service Provider Solutions	(1)	17,484	24,293	-28%	18%	37%
Enterprise Connectivity	(2)	9,594	14,172	-32%	10%	22%
Hybrid Cloud	(3)	24,636	10,619	132%	25%	16%
Application Services	(4)	2,820	286	9.9x	3%	0.4%
Modern Workplace	(5)	41,074	13,835	197%	42%	21%
Information Security	(6)	1,420	1,519	-7%	1%	2%
Other	(7)	1,295	349	271%	1%	1%
Data Networks	(1+2)	27,079	38,465	-30%	28%	59%
Data Center	(3+4)	27,457	10,904	152%	28%	17%
Office Productivity	(5)	41,074	13,835	197%	42%	21%
Information Security	(6)	1,420	1,519	-7%	1%	2%
Others	(7)	1,295	349	271%	1%	1%
Total		**98,324**	**65,072**	**51%**	**100%**	**100%**

The leading driver of growth in consolidated revenues were sales in the Modern Workplace technology group, which increased nearly three times over the first half of 2020 with the main contribution of the growing number of large projects in the Bulgarian education sector. In total, the amount of revenue recorded by this business line in the first half of 2021 reached BGN 41,074 thousand or 42% of Group sales, as compared to 21% for the same period of 2020.

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

Favoured by the implementation of a broad range of large and medium projects in all main sectors and regions, sales of Hybrid Cloud solutions also exhibited a more than double increase of 132% from the first half of 2020, reaching BGN 24,636 thousand and an increasingly important share of 25% of Group sales for the current period, as compared to 16% for the same period of 2020.

Reflecting the customized developments, which complemented technologies from third-party suppliers within one of the big projects implemented by TBS EAD in the Bulgarian public sector, Group revenues for the first half of 2021 also included substantial sales of Application Services in the amount of BGN 2,820 thousand or 3% of consolidated sales for the period, representing a nearly tenfold increase from the first six months of 2020.

Reflecting the relative slowdown in revenues from the Mid-Western Balkans region ana Albania and the increasing share of other technology groups in sales to the telecom sector during the reporting period, the Group recorded 28% lower sales of Service Provider Solutions as compared to the first half of 2020. Nevertheless, the BGN 17,484 thousand of revenues recorded in this business line remained significant and continued to play a substantial role in the formation of consolidated sales with a decreasing, yet significant share of 18%, comparing to 37% for the same period of 2020.

A similar trend was observed in Enterprise Connectivity, where the Group registered a 32% decrease on the background of the bigger average size of projects implemented by TBS EAD and TBS Macedonia in the first half of 2020, but continued to realize nonetheless substantial revenues. Amounting to BGN 9,594 thousand, the latter accounted for 10% of consolidated sales as compared to 22% for the same period of 2020.

Maintaining a similar size of BGN 1,420 thousand after a 7% decrease from the first half of 2020, Information Security sales continued to consist mainly of small and medium projects in Bulgaria and Macedonia with a limited impact of 1% of consolidated revenues, comparing to 2% in the same period of 2020.

In spite of increasing nearly four times from the first half of 2020 mostly as a result of substantial complementary deliveries within a public sector project implemented by TBS EAD in the ended six months of 2021, the BGN 1,295 thousand of sales outside the above main product groups remained of typically marginal importance to the Group, measuring in the range of 1%± of consolidated revenues for the period.

II.2.2 Revenues by geographic markets

As a main factor behind revenue growth in TBS EAD, sales to clients registered in Bulgaria for the first half of 2021 increased more than twofold over the same period of 2020, reaching BGN 68,849 thousand and accounting for a growing share of 70% in Group revenues, as compared to 52% for the first half of 2020.

With the launch of deliveries from subsidiaries in the Mid-Western Balkans region to clients from the Greek telecom sector, the Group also recorded substantial growth in sales to Other Balkan Markets. Together with clients registered in Romania, the above sales accounted for BGN 5,208 thousand or 5% of consolidated revenues for the reporting period.

As the same time, the Group registered a substantial slowdown of combined local sales in the Mid-Western Balkans region, wherein accelerating revenues in Slovenia, Croatia and Montenegro compensated only in part observed decreases in Serbia and Bosnia and Herzegovina. Totaling BGN 19,685 thousand, revenues from the region contracted by 23% from the first half of 2020 but remained of a nonetheless high importance to the generation of Group revenues with a declining yet substantial share of 20%, as compared to 39% for the same period 2020.

Country/Region*	Net Sales Revenue (BGN thousand)				
	30.6.2021	30.6.2020	change	share 30.6.2021	share 30.6.2020
Bulgaria	68,849	33,939	103%	70%	52%
Serbia	9,280	13,763	-33%	9%	21%
Slovenia	6,539	5,598	17%	7%	9%
Bosnia and Herzegovina	2,680	6,163	-57%	3%	9%
North Macedonia	1,932	1,823	6%	2%	3%
Croatia	1,130	19	58.1x	1%	0%
Albania	148	408	-64%	0%	1%
Montenegro	56	64	-12%	0%	0%
Other	7,710	3,294	134%	8%	5%
Bulgaria	68,849	33,939	103%	70%	52%
Mid-Western Balkans	19,685	25,608	-23%	20%	39%
South-Western Balkans	2,080	2,231	-7%	2%	3%
Other Balkan Markets	5,208	151	34.4x	5%	0%
Central & Eastern Europe	2,195	2,431	-10%	2%	4%
Other Markets	306	711	-57%	0%	1%
Total	**98,324**	**65,072**	**51%**	**100%**	**100%**

** By registration of the client.*

A moderate slowdown was also observed in revenues from clients of the South-Western Balkans region, wherein the decrease in sales to a client from the Albanian telecom sector prevailed over moderate growth in total revenues from the Macedonian market. In total, revenues from the region for the first half of 2021 amounted to BGN 2,080 thousand or 7% less than the same period of 2020 and maintained a relatively low share in the range of 2-3% of consolidated sales.

While also showing a moderate decrease by 10% and a lower share of 2% as compared to 4% in the first half of 2020, sales to Central and Western European countries maintained a substantial size of BGN 2,195 thousand and continued to derive mostly from multinational clients services by TBS EAD. These clients were also the main driver of period revenues from Other markets of the Group outside Europe, whereas the observed decline in this market pool occurred mostly on the background of significant one-time deliveries made to another international client in Armenia in the first quarter of 2020.

II.3 Expenses and profitability

II.3.1 Gross profit

In spite of the relative decrease in the consolidated gross margin from 19.6% in the first half of 2020 to 16.3% in the current reporting period, the Group also achieved significant gross profit growth, with the result of BGN 16,042 thousand reported on this level surpassing by 26% the one recorded in the same period of 2020.

The main factor for both the achieved absolute growth and the registered decrease in relative profitability were sales realized during the reporting period by TBS EAD, which included some large projects with a high share of computer equipment and software license resale bearing typically lower added value as compared to the usually implemented product mix. Comparatively lower margins were also reported in subsidiaries making part of the Mid-Western Balkans region, where sales for the current period also included deliveries of equipment bearing lower added value.

II.3.2 Sales and marketing expenses

While exhibiting a substantial growth rate of 24% over the same period of 2020, the consolidated sales and marketing expenses of BGN 3,814 thousand reported for the first half of 2021 increased at a significantly slower pace than Group revenues, amounting to 3.9% of the latter as compared to 4.7% for the first half of the previous year.

The main factors behind the observed increase included the allocation of further activities and human resources in Bulgaria towards the management of current sales growth and the strategic market development goals of TBS EAD and the Group as a whole.

II.3.3 General and administrative expenses

Similarly to sales and marketing expenses, the consolidated general and administrative expenses of BGN 2,588 thousand recorded in the first half of 2021 exhibited a substantial increase by 24% over the same period of 2020, while representing a decreasing ratio of 2.6% relative to consolidated revenues, as compared to 3.2% in the same period of the previous year.

The observed increase on this level also stemmed mostly from the expanding activities and pivotal role of Bulgarian member companies for the strategic development of the Group as a whole, including the expansion of management capacity, the improvement of existing and the implementation of new internal functions, systems and processes, as well as expenditures related directly or indirectly to the Issuer's status of a public company.

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

In the context of balanced growth in gross profit and the sum of sales and marketing and general and administrative expenses, the consolidated operating profit of BGN 9,713 thousand reported in the first half of 2021 increased by a rate of 25% similar to gross profit growth, representing an upside of BGN 1,930 thousand over the same period of 2020, in spite of the concurrent operating margin contraction from 12.0% to 9.9% between the two periods.

A similar trend was observed in the recorded consolidated EBITDA of BGN 10,925 thousand, representing an increase by 25% or BGN 2,188 thousand over the same period of 2020 in spite of a relative decrease in corresponding margins from 13.4% to 11.1%.

II.3.5 Financial income and expenses

Decreasing by 21% from the first half of 2020, the net finance costs of BGN 340 thousand recorded in the current period had an increasingly diminishing impact on the formation of the Group's financial results with a ratio of just 0.3% of consolidated revenues, as compared to 0.7% in the same period of the previous year.

The observed reduction was attributable to both decreasing interest expenses, reflecting the substantially lower average utilization of credit line funds during the period, and the lower net loss from foreign currency operations, with the combined effect of these factors exceeding the growth in bank charges and commissions observed in line with the expansion of the Group's activities.

II.3.6 Net profit

Taking into account the moderate and partly offsetting effects of decreasing net finance costs and the increase in the Group's consolidated effective tax rate from 12.5% to 13.2%, the consolidated net profit of BGN 8,132 thousand recorded in the first six months of 2021 represented a positive trend similar to operating profitability, growing by 26% or BGN 1,698 thousand from the first half of 2020 in spite of a relative net margin decrease from 9.9% на 8.3% between the two periods.

II.4 Assets, liabilities and equity

II.4.1 Assets

Reaching BGN 85,509 thousand, consolidated total assets as of June 30 2021 exhibited a significant overall increase by 18,567 thousand or 28% from the end of 2020.

The main source of the above upside were current assets, which increased by BGN 15,486 thousand or 29% mainly along the lines of trade and other receivables in subsidiaries making part of the Mid-Wester Balkans region and cash and cash equivalents, which reached BGN 19,279 thousand or 23% of the Group's total assets mostly as a result of the strongly positive cash flow realized by TBS EAD. As of period end, consolidated current assets and assets held for sale amounted to BGN 69,171 thousand and continued to account for a predominant part of 81% of total Group assets, close to the ratio of 80% observed at the end of 2020.

Reaching a total value of BGN 16,338 thousand or 19% of total Group assets as of period end, consolidated non-current assets also showed a substantial increase by BGN 3,081 thousand or 23% from December 31 2020 as a result of growing long-term prepaid expenses, which continued to stem mostly from equipment support commitments over 1 year in subsidiaries making part of the Mid-Western Balkans region. In spite of their 11% decrease from December 31 2020 in the absence of significant new capital expenditures, long-term assets making part of Property, plant and equipment remained a fundamental component of the Group's non-current assets and continued to include mostly equipment provided by TBS EAD as a service to clients under long-term managed service contracts and rights of use under long-term rental and operating lease contracts on buildings and vehicles recognized as assets of the respective categories in accordance with the IFRS 16 in force since January 01 2019.

II.4.2 Liabilities

Funding 56% of growth in assets over the period, the consolidated liabilities of BGN 62,925 thousand reported as of June 30 2021 increased by BGN 10,435 thousand or 20% from the end of 2020 due to both current and non-current liabilities.

Standing out as the bigger factor behind the above change, current liabilities increased by BGN 5,411 thousand or 12% as a result of both trade and other payables growth in parallel with receivables in subsidiaries making part of the Mid-Western Balkans region and the utilization of additional credit line funds in Serbia with regard to the funding of the part of the above receivables growth not covered by trade payables and, to a lesser extent, of credit facility funds in Albania. A of period end, consolidated interest-bearing loans and borrowings reached BGN 4,338 thousand, and current obligations from finance lease contracts – BGN 528 thousand, with the Group also continuing to report pursuant to the application of IFRS 16 substantial current liabilities from rental and operating lease contracts in the amount of BGN 959 thousand, which do not represent financial debt. In total, consolidated current liabilities as of June 30 2021 amounted to BGN 52,026 thousand and continued to account for a predominant share of 83% of total liabilities, equivalent to 61% of the Group's total assets.

Amounting to BGN 5,024 thousand or 86%, the increase in consolidated non-current liabilities from the end of 2020 came entirely as a result of growth in long-term deferred income arising from equipment support contracts with a term of more than 1 year, in parallel with the corresponding prepayments included in consolidated assets. In total, non-current liabilities as of June 30 2021 reached BGN 10,899 thousand or 17% of total liabilities and 13% of the Group's total assets and continued to also include substantial long-term lease liabilities arising from both finance lease agreements for equipment provided as a service and long-term rental and operating lease contracts. As of period end, the total balance sheet value of the non-current part of finance lease contract obligations amounted to BGN 386 thousand, and that of rental and operating lease contract obligations – to BGN 1,844 thousand, the latter of which do not represent financial debt.

II.4.2.1 Financial debt

Summing the above-mentioned interest-bearing loan obligations in the amount of BGN 4,338 thousand and finance leases in the total amount of BGN 914 thousand, the consolidated financial debt of BGN 5,252 thousand established as of June 30 2021 exhibited an increase of BGN 1,890 thousand or 56% from previous year end, with the attained ratios of 6% of total assets and 8% of total liabilities remaining nevertheless close to the corresponding values of 5% and 6% measured as of December 31 2020.

In spite of the above increase, taking into account faster growth in cash and cash equivalents by BGN 7,517 thousand or 64% and up to BGN 19,279 thousand, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) decreased by BGN 5,627 thousand from the end of 2020, ending the reporting period with a negative value (surplus of cash and cash equivalents over financial debt) of BGN -14,027 thousand.

The lease obligations accounted under the IFRS 16 in force since January 01 2019 with regard to right-of-use assets arising from long-term rental and operating lease contracts do not represent actual credit relationships and should not be considered as a part of the Group's financial debt.

II.4.3 Liquidity

As of period end, the Group recorded an increasingly substantial surplus of current assets and assets held for sale over current liabilities in the amount of BGN 17,151 thousand, as compared to BGN 7,070 thousand as of the end of 2020.

Reflecting the faster growth in current assets as compared to current liabilities, including significant increases in trade and other receivables and cash and cash equivalents, improvements were observed both on the general level of current liquidity, which increased from 1.15 as of the end of 2020 to 1.33 as of June 30 2021, and in the quick and cash liquidity ratios, showing respective improvements from 0.85 and 0.25 as of December 31 2020 to 1.03 and 0.37 as of reporting period end.

II.4.4 Equity

Funding 44% of growth in total assets over the reporting period, the consolidated net assets (equity) of BGN 22,584 thousand reported as of June 30 2021 exhibited an increase by BGN 8,132 thousand or 56% from the end of 2020.

The above increase was entirely attributable to consolidated net profit for the first half of 2021, carried to equity in full amount in the absence of dividend distributions to the Company's shareholders during the period. Together with retained earnings as of the end of 2020 after the below-mentioned allocation towards the Company's Reserve Fund, accumulated earnings from the current and previous periods making part of equity as of June 30 2021 reached BGN 23,404 thousand.

By GMS resolution from June 21 2021, the Company's legal reserves were increased by the allocation of 10% of its net profit for 2020 or BGN 742 thousand towards the fulfilment of its Reserve Fund as per art. 246 of the Commercial Code. Except for the latter increase, consolidated capital reserves as of June 30 2021 remained substantially unchanged and, besides the attained legal reserves of BGN 1,083 thousand, continued to include specialized currency translation reserves in the amount of BGN -560 thousand and other reserves in the amount of BGN -13,883 thousand, including the negative effect of BGN -14,127 thousand accounted according to the rules of reporting business combinations under common control upon the Reorganization from August

14 2019 and positive other reserves and components of equity accounted in connection with share incentive programs in 2020.

As of period end, the Company maintained an unchanged registered share capital of BGN 12,500 thousand. The nominal value of own shares bought back in previous periods and held by the Company as of June 30 2021 amounted to BGN 356.

Reflecting the faster growth in equity as compared to assets, the Group registered a growing level of balance sheet capitalization (ratio of equity to total assets) of 26%, comparing to a corresponding ratio of 22% as of the end of 2020.

II.5 Cash flows

II.5.1 Cash flow from operating activities

Taking into account the significant surplus of operating profit before depreciation and amortization over the negative adjustment for the increase in net working capital driven by the faster growth in trade and other receivables, contract assets and inventories over trade and other payables and contract liabilities in the Mid-Western Balkans region and Macedonia, the Group ended the first half of 2021 with a positive net cash flow from operating activities in the amount of BGN 6,797 thousand, comparing to a negative amount of BGN 6,863 thousand for the same period of 2020.

In relative terms, realized net proceeds from operating activities amounted to 62% of cash-adjusted operating profit as compared 80% for the first half of 2020.

II.5.2 Cash flow from investing activities

While the Group continued to invest in equipment provided to clients under long-term managed service contracts and other tangible and intangible non-current assets, respective capital expenditures and moderate cash outflows from loans granted during the reporting period resulted in a substantially lower negative consolidated net cash flows from investing activities of BGN -547 thousand, as compared to the BGN -1,064 thousand reported in the first half of 2020.

II.5.3 Cash flow from financing activities

In the absence of dividend payout to the Company's shareholders, share buybacks and capital increases during the reporting period, the surplus of proceeds from newly utilized debt under credit lines in Serbia and Albania over the Group's payments for interest on credit facilities and the service of finance lease contracts resulted in a positive consolidated net cash flow from investing activities of BGN 1,267 thousand, representing a substantial increase over the negative value of BGN -1,950 thousand reported in the first half of 2020.

II.5.4 Net cash flow

Summarizing the above factors, growing operating profit before depreciation and amortization and the balanced funding of the increase in net operating working capital with debt and own funds allowed for a significant increase in cash and cash equivalents over the reporting period by BGN 7,517 thousand, exceeding substantially the net cash flow of BGN 3,847 thousand recorded in the first half of 2020.

III MAIN RISKS FACED BY THE GROUP

The risks associated with the Company and the Group's activities can be generally divided into systemic (common) and non-systemic (related specifically to their activities and the sector, in which they operate).

III.1 Systemic Risks

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

III.1.1 Political risk

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

The international political risks for Bulgaria and the Western Balkans include the challenges related to undertaken commitments to implement major structural reforms, improve social stability and the reduce inefficient expenses, in their capacity of candidate members or members of the EU, as well as to the acute destabilization of countries in the Middle East, the increasing threats of terrorist attacks in Europe, refugee waves and instability of key countries, neighbouring the Balkans.

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

III.1.2 Macroeconomic risk

The general macroeconomic risk is the probability of various economic factors and trends, including, but not limited to recession, trade barriers, currency changes, inflation, deflation and other factors, affecting negatively demand and purchasing power in the countries where Group companies carry out their activities, as well as in the countries where cross-border counterparties thereof operate.

Presently, the expectations of many independent market analysts and institutions continue to point out risks of slowdown in growth and even contraction of the economies of developed Western European countries, as well as in Bulgaria and Western Balkan countries, which may lead to limitations in private sector spending and remain insufficiently compensated with countercyclical measures by national and supranational authorities.

III.1.3 Currency risk

The systemic currency risk is the probability of changes in the currency regimes or exchange rates of foreign to the local currencies in the countries where Group companies operate affecting adversely the costs, profitability, international competitiveness and general stability of economic agents and the local and regional economy as a whole.

Presently, Bulgaria maintains a currency board system, based on a fixed Euro / Lev exchange rate. The Euro has also been adopted as a fixing base or local currency in Bosnia and Herzegovina, Montenegro and Slovenia. The above factors limit substantially the systemic currency risk relevant to the Group. However, the countries in which it operates, as well as European economies as a whole remain exposed to the effects of the exchange rate dynamics of other leading global currencies, including mostly the US dollar.

III.1.4 Interest risk

The Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions in the countries where Group companies operate, as well as by international institutions and markets, affecting adversely the accessibility of financing, funding costs, investment returns and economic growth.

At this point, major financial institutions in Bulgaria, leading global economies and the EU maintain policies of low or negative base interest rates, targeted at catalyzing financing and investing activities in the economy.

III.1.5 Credit risk

Systemic credit risk is the probability lowering the credit ratings of the countries in which Group companies or key counterparties thereof operate, or other countries important to their economies, affecting adversely the accessibility and cost of debt financing, the stability and attractiveness of their economies. This risk is determined and measured by specialized international credit agencies.

III.1.6 Tax risk

Changes in tax legislation towards increasing tax rates, the adoption of new taxes or adverse changes in double tax treaties may lead to increased or unforeseen costs of the economic agents.

The tax system in Bulgaria is still evolving, which may lead to controversial tax practices. Similar risks also apply to other countries, in which Group companies operate.

III.1.7 Risks related to imperfections of the legal system

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

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

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

III.2.1 Risks relative to the business strategy and growth

III.2.1.1 Inappropriate business strategy

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

III.2.1.2 Insufficient management capacity and increased growth management costs

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

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

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

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

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

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

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

III.2.2 Risks relative to human resources and managerial staff

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

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

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

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

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

III.2.3 Risks relative to the market environment and competition

III.2.3.1 Slowdown or unfavourable trends in demand

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

III.2.3.2 Regulatory changes unfavourable to market demand

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

III.2.3.3 Intense competition

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

III.2.3.4 Unfair competition

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

III.2.4 Risks relative to public procurement

III.2.4.1 Delayed tendering and implementation

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

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

III.2.4.2 Competition for public procurement

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

III.2.5 Concentration risks

III.2.5.1 Adverse changes in key client relationships

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

III.2.5.2 Adverse changes in relationships with key technological partners

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

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

III.2.6.1 Time and cost of adpating to new technologies

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

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

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

III.2.6.3 Delayed adoption of new technologies by the clients

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

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

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

III.2.7 Risks relative to long-term contracts

III.2.7.1 Cost of commitments for regular service and support

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

III.2.7.2 Early termination

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

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

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

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

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

III.2.8 Financial risks

III.2.8.1 Currency risk

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

III.2.8.2 Liquidity risk

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

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

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

III.2.8.4 Credit risk

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

III.2.8.5 Asset impairment risk

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

III.2.8.6 Interest rate risk

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

III.2.9 Operational risks

III.2.9.1 Deviations in processes and quality of service

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

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

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

III.2.9.3 Assuring compliance with standards and norms

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

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

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

III.2.10 Other risks

III.2.10.1 Litigation risk

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

III.2.10.2 Risks relative transactions with related parties

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

III.2.10.3 Cyber attacks

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

III.2.10.4 Force majeure

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

III.3 COVID-19 coronavirus epidemic

As of the date of this Report, Bulgaria and other countries where Group companies and/or clients and suppliers thereof are established continue to apply measures against the spread of COVID-19 affecting the regime of work in private and public organizations and the freedom of movement in the country and abroad.

As companies specializing in information and communication technologies, Group subsidiaries continue to function successfully in a mode of process digitalization, workplace safety, remote subcontractor backup and teleworking, allowing for the safe and uninterrupted provision of external and internal services and processes without compromising the Group's productivity.

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

As of the date of this Report, governments in the countries of relevance to the Group and the EU as a whole maintain active positions towards supporting private businesses and utilizing optimally available national and supranational funds.

As of the date of this Report, the development of the epidemic remains dynamic and difficult to predict, while independent market sources and the observations of the Company's management point out both risks of a general slowdown in economic growth and temporary limitations of the investment potential in certain private sector industries, and expectations for a significant acceleration of investments by key client groups in technologies related to their digitalization, virtualization and collaboration capacity in a teleworking environment, including various products, services and complex solutions offered by the Group.

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

IV DISCLOSURE OF INTERNAL INFORMATION, AS REQUIRED BY ART. 33, PAR. (1) – 5 PURSUANT TO ART. 33A OF ORDINANCE 2 OF THE FSC

Internal information as per art. 7 of Regulation (EC) 596/2014 of the European Parliament and the Council from April 16 2014 regarding market abuse, regarding circumstances arising over the last six months is presented in appendix to the Company's interim financial statements as of June 30 2021, together with this Report.

V ADDITIONAL INFORMATION AS PER ART. 33, PAR. (1) – 7 PURSUANT TO ART. 33A OF ORDINANCE 2 OF THE FSC

V.1 Changes in the accounting policy during the reporting period, reasons therefor and effects thereof on the Issuer's equity and financial results

No changes were made to the accounting policies of the Issuer and the Group during the first six months of the year.

V.2 Changes in the Issuer's group of companies under the terms of the Accountancy act

On a session held on January 6 2021, the MB resolved upon the establishment of new Company subsidiaries on the territories of the USA, with a registered capital of up to USD 10 thousand, and Germany, with a registered capital of up to EUR 30 thousand. On a subsequent MB session held on January 07 2021, a resolution was passed on the election of Ivan Krasimirov Zhitiyanov as executive director of the new subsidiary in the USA, and of Silviya Marinova Marinova – as director of the new subsidiary in Germany. The above decisions were approved by the SB on a meeting held on January 07 2021.

In accordance with the resolution from January 06 2021, on January 29 2021, the Company established in its capacity of sole owner a new subsidiary – limited liability company Telelink Business Services, LLC (USA) with a registered share capital of USD 10 thousand. As of the date of this Report, the new subsidiary's share capital has not been paid in.

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

As of the date of this Report, the new subsidiaries in Germany and Romania were yet to be registered and, except for the above-mentioned establishment of TBS USA, there were no other changes in shareholdings of the Issuer in, or mutual shareholdings among subsidiaries and associates.

V.3 Results from organizational changes within the Issuer, such as reorganization, disposal of subsidiaries, contributions in kind, leased-out assets, long-term investments and discontinued operations

Over the first six months of the year, the Issuer has not participated in any reorganization, nor has it made any disposals of shares in subsidiaries or contributions in kind to the capital of subsidiaries and other companies, nor has it leased out any of its assets or discontinued, in part or in full, any of its activities.

Except for the changes described in V.2 above, during the reporting period, the Issuer did not make any investments in shareholdings in other companies and had no significant investments in tangible or intangible non-current assets.

Over the first six months of the year, none of the Group's subsidiaries participated in any reorganization, nor made any disposals of shares in subsidiaries, contributions in kind to the capital of subsidiaries and other companies, or discontinued, in part or in full, any of its activities.

During the period, Comutel continued to lease its investment property, consisting of an office building, to a third party outside the Group. Revenue realized from the latter contract for the period amounted to BGN 13 thousand.

Material investments of Group subsidiaries in non-current tangible and intangible assets are referred to in section II of this Report.

V.4 Opinion on the feasibility of published forecasts for the current financial year, taking into account results from the first six months and factors and circumstances relevant to the achievement of projected results

On March 23 2021 the Issuer disclosed as a part of a digital event "Financial Outlook and Strategy 2021" и and published on its web page a presentation, featuring the budgeted consolidated results for the full financial year 2021 shown in column "Budget 2021" of the table below ("Budget 2021").

The ratios of achieved consolidated results as of June 30 2021 to Budget 2021 are shown in section "Results as of June 30 2021" of the same table.

Financials	Budget 2021		Results as of June 30 2021		
	EUR'000	BGN'000	EUR'000	BGN'000	% of Budget 2021
Net sales revenue	**88.2**	**172,504**	**50.3**	**98,324**	**57%**
Gross Profit	**17.3**	**33,836**	**8.2**	**16,042**	**47%**
Sales and Marketing Expenses	-5.5	-10,757	-2.0	-3,814	35%
General and Administrative Expenses	-3.3	-6,454	-1.3	-2,588	40%
EBITDA	**10.1**	**19,754**	**5.6**	**10,925**	**55%**
Operating Profit	**8.7**	**17,016**	**5.0**	**9,713**	**57%**
Net Profit	**7.5**	**14,669**	**4.2**	**8,132**	**55%**
Revenue by Invoicing Country/Region:					
Bulgaria	57.4	112,265	36.5	71,292	64%
Mid-Western Balkans	22.3	43,615	12.8	24,951	57%
South-Western Balkans	8.0	15,647	1.1	2,080	13%
Romania	0.5	978	0.0	0	0%
Revenue by Technology Group					
Service Provider Solutions	21.8	42,637	8.9	17,484	41%
Enterprise Connectivity	15.9	31,098	4.9	9,594	31%
Hybrid Cloud	19.0	37,161	12.6	24,636	66%
Application Services	3.1	6,063	1.4	2,820	47%
Modern Workplace	21.4	41,855	21.0	41,074	98%
Information Security	4.3	8,410	0.7	1,420	17%
Other	2.7	5,281	0.7	1,295	25%

As evidenced by the above ratios, consolidated total revenue, EBITDA, operating and net profit for the furst half of the year amounted to more than 50% of the respective budgeted results for the full 2021, with the lower ratio of interim to targeted gross profit for the full year compensated by the significantly lower interim ratio of budgeted full-year sales and marketing expenses.

Regarding the structure of consolidated revenues, as of June 30 2021, the Group realized over 50% of its targets for the full 2021 for sales invoiced from Bulgaria and the Mid-Western Balkans region, as well as for the Modern Workplace and Hybrid Cloud technology groups. These ratios, as well as the observed lower ones in the other territorial and technological categories of Budget 2021, were generally consistent with the expected rollout of contracted and new projects and activities in the course of the year.

The Company's management monitors the current performance and analyzes the factors and circumstances relevant to the achievement of projected results for 2021 and remains ready to adopt and disclose a potential revision of the latter, if and when such revision may be deemed justified by the established probability and significance of the respective factors and facts.

V.5 Persons owning directly and/or indirectly at least 5% of the votes in the General Meeting of Shareholders as of the end of the first six months of the year and changes in the number of votes held over the reporting period

By virtue of the ordinary voting shares in the Company's capital held thereby, as designated in section I.3I.4 of this Report, the persons owning directly or indirectly at least 5% of the votes in the GMS as of June 30 2021 include majority shareholder and founder of the former economic group of Telelink Lubomir Minchev and foreign investment fund Utilico Emerging Markets Trust PLC (UK).

Pursuant to Tranche 3 of the public offering of existing Company shares on the BSE made in June 2021, the number of vtong shares held by the above persons changed as follows:

- Lubomir Minchev – decrease by 5.56% (694,750 shares) from 72.53% (9,066,428 shares) as of December 31 2020 to 66.97% (8,371,678 shares) June 30 2021;
- Utilico Emerging Markets Trust PLC (Великобритания) – increase by 3.78% (473,099 shares) from 10.00% (1,250,000 shares) as of December 31 2020 г. to 13.78% (1,723,099 shares) June 30 2021.

As of the date this Report, the Company has not issued preferred or other shares without voting rights.

V.6 Shares owned by the Issuer's managing and controlling bodies towards the end of the first six months of the year and changes therein over the reporting period

As of June 30 2021, the members of the MB continued to hold a total of 267,640 shares representing 2.14% of the Company registered capital, distributed as follows:

Number of shares held by the members of the MB	Owned as of				Change	%*
	30.6.2021	%*	31.12.2020	%*		
Ivan Zhtiyanov	133,258	1.07%	133,258	1.07%	0	0.00%
Teodor Dobrev	4,996	0.04%	4,996	0.04%	0	0.00%
Paun Ivanov	125,000	1.00%	125,000	1.00%	0	0.00%
Nikoleta Stanailova	3,352	0.03%	3,352	0.03%	0	0.00%
Gojko Martinovic	1,034	0.01%	1,034	0.01%	0	0.00%
Total	**267,640**	**2.14%**	**267,640**	**2.14%**	**0**	**0.00%**

** % of the registered share capital*

As of June 30 2021, the members of the SB continued to hold a total of 502,561 shares representing 4.02% of the Company registered capital, distributed as follows:

Number of shares held by the members of the SB	Owned as of					
	30.6.2021	%*	31.12.2020	%*	Change	%*
Hans van Houvelingen	900	0.01%	900	0.01%	0	0.00%
Ivo Evgeniev	501,661	4.01%	591,786	4.73%	-90,125	-0.72%
Bernard Moscheni	0	0.00%	0	0.00%	0	0.00%
Total	**502,561**	**4.02%**	**592,686**	**4.74%**	**-90,125**	**-0.72%**

** % of the registered share capital*

The change in shares held by Ivo Evgeniev came as a result of the sale of shares during Tranche 3 of the public offering of existing Company shares on the BSE made in June 2021 and was in compliance with the limitations established by the Agreement for the restriction of the disposal of shares from December 17 2019 and the annexes thereto.

V.7 Information on pending court cases, administrative and arbitration proceedings concerning receivables or payables equal or greater than 10% of the Issuer's equity

As of June 30 2021 and the date of this Report, there are no pending court cases, administrative or arbitrary proceedings to which the Company is party and/or concerning receivables or payables thereof equal or greater than 10% of its equity.

V.8 Loans granted by the Issuer or a subsidiary thereof, provided guarantees or undertaking of obligations towards a person or a subsidiary thereof, including related parties

V.8.1 Loans granted by the Company

As of June 30 2021 and during the reporting period as a whole, the Company did not have any loans granted to subsidiaries, related or other third parties.

V.8.2 Provided guarantees and undertaking of liabilities by the Company

As of June 30 2020 and during the reporting period as a whole, the Issuer maintained its capacity of a guarantor, respectively pledgor under the following contracts signed to secure TBS EAD's obligations under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit in the form of cash funds and/or contingent commitments of up to EUR 13,000 thousand, wherein, pursuant to an annex to the credit agreement from June 02 2021, the amount of secured utilization in the form of cash funds was amended from up to EUR 13,000 thousand to up to EUR 7,000 thousand;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement

and annexes thereto until their final repayment, with a designated total credit limit as of the agreement's date of up to EUR 13,000 thousand.

As of June 30 2021, the Company maintained the corporate guarantee issued in accordance with a resolution of the GMS from June 30 2020 in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-value equipment purchases under contracts with Cisco Systems International B.V. on deferred payment up to the amount of USD 5,100 thousand.

As of period end, the Company also maintained the corporate guarantee issued on December 29 2020 in favour of TBS Macedonia in the amount of USD 730 thousand securing future obligations towards TS Europe BVBA, Belgium with regard to the supply of high-value equipment on deferred payment terms.

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

V.8.3 Loans granted by subsidiaries

During the reporting period and as of June 30 2020 there were the following agreements for loans granted by subsidiaries of the Issuer:

- a Cash loan agreement from September 02 2019 between TBS EAD (lender) and TBS Group (borrower) with a revolving limit of up to BGN 4,000 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2021, bearing an interest rate of 2.25% p.a. on the utilized part of the limit, with no outstanding receivables for principal or accrued interest as of June 30 2021;
- a Cash loan agreement from September 02 2019 between TBS EAD (lender) and Telelink Albania (borrower) with a revolving limit of up to EUR 800 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2021, bearing an interest rate of 2.5% p.a. on the utilized part of the limit, replaced by a corresponding contract from February 15 2021 with a limit of EUR 500 thousand, with outstanding receivables for principal and accrued interest as of June 30 2021 amounting to EUR 135 thousand;
- a Cash loan agreement from November 06 2019 between TBS EAD (lender) and TBS Macedonia (borrower) with a revolving limit of up to EUR 500 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2021, bearing an interest rate of 2.5% p.a. on the utilized part of the limit, replaced by a corresponding contract from February 15 2021 with a limit of EUR 2,000 thousand, with outstanding receivables for principal and accrued interest as of June 30 2021 amounting to EUR 844 thousand;
- a Cash loan agreement from May 28 2021 between TBS EAD (lender) and Telelink Slovenia (borrower) with a revolving limit of up to EUR 800 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2021, bearing an interest rate of 2.5% p.a. on the utilized part of the limit, with outstanding receivables for principal and accrued interest as of June 30 2021 amounting to EUR 801 thousand.

V.8.4 Provided guarantees and undertaking of liabilities by subsidiaries

With regard to the annual renewal of a Loan agreement between Comutel and Raiffeisen Banka AD, Serbia with a credit limit of USD 5,000 thousand, on February 15 2021, a suretyship agreement was signed whereby TBS EAD guaranteed the due performance of respective obligations of Comutel.

As of June 30 2021 TBS EAD had extended the following guarantees securing third-parties with regard to project implementations and tax liabilities of Group subsidiaries:

Gurantee securing:	Guarantee type	Guarantee amount (BGN)	Validity
Consortium Telelink Group DZZD	performance	111,391.77	31.8.2021
TBS Macedonia	counter-guarantee	135,433.97	15.10.2021
TBS Macedonia	counter-guarantee	78,214.40	15.10.2021
Consortium Systel DZZD	performance	494,949.49	29.10.2021
Consortium ATP Services DZZD	performance	38,057.32	1.2.2022
TBS Macedonia	counter-guarantee	20,634.01	10.3.2022
Consortium Green Border DZZD	performance	135,000.00	8.9.2022
TBS Macedonia	performance	378,453.12	31.3.2023
TBS Macedonia	advance	1,513,812.50	31.3.2023
Consortium Technolink DZZD	performance	28,834.89	31.8.2023
Consortium Systel DZZD	performance	212,121.21	29.10.2023
TBS Macedonia	counter-guarantee	43,419.43	10.11.2023
Consortium Telelink Group DZZD	performance	66,238.86	17.6.2024
TBS Macedonia	counter-guarantee	135,433.97	15.10.2024

VI INFORMATION ON LARGE TRANSACTIONS WITH RELATED PARTIES AS PER ART. 33, PAR. (3) PURSUANT TO ART. 33A OF ORDINANCE 2 OF THE FSC

VI.1 Transactions with related parties singed during the reporting period with a substantial impact on the Company's and the Group's financial condition or operating results for that period

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

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

- Agreement from August 15 2019 between the Company and TBS EAD, with provided services for the reporting period amounting to BGN 910 thousand;
- Agreement from August 15 2019 between the Company and Comutel, with provided services for the reporting period amounting to BGN 11 thousand;
- Agreement from August 15 2019 between the Company and Telelink Montenegro, with provided services for the reporting period amounting to BGN 2 thousand;
- Agreement from August 15 2019 between the Company and Telelink Bosnia, with provided services for the reporting period amounting to BGN 2 thousand;
- Agreement from August 15 2019 between the Company and Telelink Slovenia, with provided services for the reporting period amounting to BGN 2 thousand;

- Agreement from August 15 2019 between the Company and Telelink Albania, with provided services for the reporting period amounting to BGN 5 thousand;
- Agreement from August 15 2019 between the Company and TBS Macedonia, with provided services for the reporting period amounting to BGN 8 thousand.

During the reporting period, the Company and TBS EAD maintained their contract for the rental of equipped workplaces signed on November 1 2019. The Company's corresponding expenses for the period amounted to BGN 78 thousand.

During the reporting period, the Company (as borrower) and TBS EAD (as lender) maintained their Cash loan agreement from September 02 2019 with a limit of up to BGB 4,000 thousand, repayment deadline until December 31 2021 and an interest rate of 2.25% p.a. over utilized funds. The Company's corresponding interest expenses for the period amounted to BGN 19 thousand.

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

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

VI.2 Changes in signed transactions with related parties reported in the annual financial statements with a substantial impact on the Company's and the Group's financial condition or operating results during the reporting period

During the reporting period, there were no changes in the contracts signed between the Company and related parties reported as of December 31 2020 with substantial impact on the Company or the Group's financial position or operating results for the reporting period.

VII IMPORTANT EVENTS AFTER THE DATE OF THE INTERIM FINANCIAL STATEMENTS

On July 01 2021, TBS EAD signed a Frame agreement with German airway carrier Deutsche Lufhansa AG for the provision of LAN and WiFi services in different locations, where the latter owns subsidiaries, maintains and/or operates. The scope of the services, as well as terms and parameters, whereunder they will be provided by TBS EAD are described in detail in the Appendix "SOW to the Frame Agreement" making integral part of the Frame agreement. The agreement's term is 5 years.

On August 07 2020, the Issuer posted an invitation and materials for an Extraordinary General Meeting of Shareholders (EGMS) to be held on September 14 2021 from 10.00 am in Sofia-1766, 6 Panorama Sofia Str., Richhill Business Center, with the following agenda:

1. Adoption of the 6-months financial statements for the first half of 2021;
2. Making a decision under art. 41 para. 2 of the Company's Articles of Association for the distribution of profit and payment of 6-month dividend on the basis of the adopted 6-months financial statements;
3. Election of a registered auditor to perform an independent financial audit for 2021;
4. Authorization of the Company's Managing board for concluding transactions from the scope of art. 114, para. 1, item 2 POSA;

5. Amendments and supplements to the Remuneration Policy for the members of the Company's Supervisory and Managing Boards;
6. Making a decision to provide the members of the Managing board with remuneration based on Company shares for 2021;
7. Approval of a scheme for remuneration based on Company shares to the members of the Managing board for 2021.

The total amount of dividends proposed for distribution in 2021 as per art. 2 of the above agenda is BGN 10,250,000 or BGN 0.82 per share, including BGN 677,786.42 from the Company's individual profit for 2020 and BGN 9,572,213.58 лв. of the same result for the first half of 2021.

Together with the interim dividend of BGN 6,000,000 distributed in 2020, the dividend proposed for distribution in 2021 from the individual profit for 2020, which amounted to BGN 8,165 thousand reached 100% of the distributable part of the latter after allocation to the Reserve Fund as per art. 246 of the Commercial Code.

The interim dividend proposed for distribution in 2021 represents 74% of the individual profit for the first half of 2021, which amounted to BGN 12,971 thousand.

The main source of the latter was financial income from dividends received from directly controlled subsidiaries in the total amount of BGN 13,456 thousand, which included distributions made in June 2021 out of 4 subsidiaries from Bulgaria and the Mid-Western Balkans region with the main contribution of TBS EAD. The Company's dividend income from subsidiaries for the first half of 2021 and the same period of 2020 are summarized as follows:

Country	Region	Dividend Income (BGN thousand)				
		30.6.2021	30.6.2020	ръст/ (спад)	share 30.6.2021	share 30.6.2020
TBS EAD	Bulgaria	11,442	7,002	63%	85%	82%
Comutel	Mid-Western Balkans	391	450	-13%	3%	5%
Telelink Montenegro	Mid-Western Balkans	0	160	-100%	0%	2%
Telelink Bosnia	Mid-Western Balkans	782	270	190%	6%	3%
Telelink Slovenia	Mid-Western Balkans	841	606	39%	6%	7%
Total	Bulgaria	11,442	7,002	63%	85%	82%
Total	Mid-Western Balkans	2,015	1,486	36%	15%	18%
Total	**Total**	**13,456**	**8,488**	**59%**	**100%**	**100%**

With the proposed distributions, the Company fulfills the commitment as per its Articles of Association to distribute as dividend no less than 50% of the distributable profit for the respective year or 6-month period in accordance with the provisions of the Articles and applicable law.

The amount of the proposed distributions exceeds by 65% the total of BGN 6,195,559.94 paid out as dividends in 2020.

The complete information and materials related to the forthcoming GMS are available at http://www.x3news.com/ and on the Issuer's website: https://www.tbs.tech/documents/general-meetings/.

IVAN KRASIMIROV ZHITIYANOV

Digitally signed by IVAN KRASIMIROV ZHITIYANOV
Date: 2021.08.30 20:08:09 +03'00'

August 30 2021

Sofia

Ivan Zhitiyanov, TELELINK BUSINESS SERVICES GROUP AD