

EXPLANATORY NOTES

BY “TELELINK BUSINESS SERVICES GROUP” AD

as of the end of the FOURTH QUARTER OF 2021 as per art. 100o¹, par. 2, with regard to art. 100o¹, par. 4, p. 2 and par. 5 of the POSA and art.15, with regard to art. 14, of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission of securities to trading on a regulated market (Ordinance 2)

I GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

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 December 31 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.

1.2 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 the period 2020-2021, 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 2021), representing 21% of the Company's registered capital (of which 7% realized in 2021).

Pursuant to share buybacks for the purposes of employee incentive programs, as of December 31 2021, the Company held 356 own shares acquired in 2020. No further share buybacks were carried out in 2021.

As of December 31 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 1,733,837 shares or 13.78%.

1.3 Governance

The Company has a two-tier board system.

As of December 31 2021, the Company's Managing Board (the MB) features five members, including:

- Ivan Zhitianov – Executive Director and Chairman of the MB;
- Teodor Dobrev – member of the MB;
- Orlin Rusev – member of the MB;
- Nikoleta Stanailova – member of the MB;
- Gojko Martinovic – member of the MB.

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

- Hans van Houvelingen – Chairman of the Supervisory Board;

- Ivo Evgeniev – member of the SB;
- Bernard Jean-Luc Moscheni – member of the SB.

I.4 Public Information

In accordance with the requirements of art. 27 and the subsequent provisions of Ordinance 2 of the FSC, with regard to art. 100t, par. 3 of the POSA, the Company discloses regulated information to the public through a selected media service. All of the information provided to that media, is available in full and unedited form on <http://www.x3news.com/>. The required information is presented to the FSC through the unified e-Register system for the electronic presentation of information, developed and maintained by the FSC.

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

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

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

II INVESTMENT PORTFOLIO

As of December 31 2021, the Company held shares in ten 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;
- Telelink Business Services SRL (Romania) (TBS Romania), established by the Company in November 2021.

As of December 31 2021, the Company was a sole owner of all of the above subsidiaries and held indirect interests in two more companies controlled by TBS EAD. All directly and indirectly owned subsidiaries are governed in their respective countries of incorporation.

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

As of December 31 2021, all direct subsidiaries except for the recently established TBS USA and TBS Romania carried out active commercial operations.

As of December 31 2021, the indirectly owned Telelink BS Staffing EOOD, established with a view to potential cooperation with a leading financial advisory firm, was yet to deploy material business activities, while joint venture Green Border EOOD has exhausted its purpose with the completion of the project it was established for and is not expected to have a material impact on the Group's future results and financial position.

III CORPORATE EVENTS AS OF DECEMBER 31 2021

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

The above decisions were approved by the SB on a meeting held on January 07 2021.

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

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

Implementing the resolution adopted on January 06 2021, the Company established in its capacity of sole owner a new subsidiary, limited liability company Telelink Business Services, LLC (USA) with a registered share

capital of USD 10 thousand. As of the date of this Notification, the new subsidiary's share capital has been fully paid in.

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

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

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

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

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

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

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

On a meeting of the SB held on March 12 2021, a resolution was adopted for the determination of variable remuneration in the form shares for 2021 for the members of the MB, specifying the values of the ranges and the relative weights of the indicators of the Group's performance for the three-year period 2021-2023. The above and other parameters of the remuneration were approved by the GMS on September 14 2021.

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

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

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

On May 17 2021, the Company published an invitation to convene the GMS of TBS Group AD on June 21 2021.

On May 27 2021, a forthcoming tranche of public offering of TBS Group AD shares up to 7% of the Company’s capital at a price of BGN 13.50 per share was announced for the period between June 8 and 15 2021.

On May 28 2021, a cash loan agreement was signed between subsidiaries TBS EAD (lender) and Telelink Slovenia (borrower) with a limit of up to EUR 800 thousand, subject to revolving utilization and repayment, with a term until December 31 2021, bearing an interest rate of 2.5% p.a.

On May 31 2021, Annex No 5 to the Agreement for the undertaking of credit commitments under an overdraft credit line No 0018/730/10102019 dated 10th October 2019 was signed between UniCredit Bulbank AD and Telelink Business Services EAD as Borrower, Pledgor and Collateral provider within the meaning of the Financial Collateral Arrangements Act, under which Telelink Business Services Group AD is Guarantor and Pledgor, pursuant to which the drawdown period had been extended until 2nd June 2021.

On May 31 2021, Annex No 2 to the Suretyship Agreement dated 10th October 2019 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from 10th October 2019 between Telelink Business Services EAD as Borrower and UniCredit Bulbank AD, under which Telelink Business Services Group AD is Guarantor, was signed, pursuant to which the validity was extended until 2nd June 2021.

On June 02 2021 Annex No 6 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from 10th October 2019 was signed between UniCredit Bulbank AD and Telelink Business Services EAD as Borrower, Pledgor and Security provider within the meaning of the Financial Collateral Arrangements Act, under which Telelink Business Services Group AD is Guarantor and Pledgor. Pursuant to the Annex, the amounts of the sublimits within the Total credit limit of EUR 13,000,000 were amended as follows:

- Credit overdraft up to EUR 3 000 000 with a drawdown period until 31st May 2022 and repayment period until 31st July 2022;
- Revolving credit up to EUR 4 000 000 with a drawdown period until 31st May 2022 and repayment period until 31st May 2023;
- Contingent credit up to EUR 13 000 000 with a drawdown period not later than 30th June 2029;
- Extension of the period of the letters of credit until 15th May 2023.

On June 02 2021 Annex No3 to the Suretyship Agreement dated 10th October 2019 to the Agreement for the undertaking of credit commitments under an overdraft credit line No 0018/730/10102019 dated 10th October 2019 between Telelink Business Services EAD as Borrower and UniCredit Bulbank AD, under which Telelink Business Services Group AD is Guarantor, was signed in accordance with the amendments set forth in Annex No. 6 to the Agreement for the undertaking of credit commitments under an overdraft credit line No. 0018/730/10102019 dated 10th October 2019.

On June 04 2021, the Managing Board of TBS Group AD approved the annual financial statements and management report of TBS EAD for 2020 and adopted a resolution on the distribution of dividends from the subsidiary’s profit for 2020 in the among of BGN 11,441,605.50.

On June 08 2021, the sale quota set for the third tranche of public offering was realized in its full volume of 875,000 existing shares or 7% of TBS Group AD's share capital at a price of BGN 13.50 per share.

On June 21 2021, the Company's regular annual GMS was held, adopting the following resolutions:

1. Adoption of the Annual management report on the activities of the Company in 2020;
2. Adoption of the Audit Report on the audit of the Annual Financial Statement of the Company for 2020;
3. Approval of the audited Annual financial statement of the Company for 2020;
4. Adoption of the Report on the implementation of the Remuneration Policy for the members of the Supervisory and Managing Board of the Company for 2020;
5. Adoption of the Consolidated annual management report on the activities of the Company in 2020;
6. Adoption of the Audit report on the audit of the consolidated Annual financial statement of the Company for 2020;
7. Approval of the audited consolidated Annual financial statement of the Company for 2020;
8. Approval of the proposal of the Managing board, as approved by the Supervisory Board, for the net profit of the Company realized in 2020 in the amount of BGN 7 419 763.69 (seven million four hundred and nineteen thousand seven hundred sixty-three levs and sixty-nine stotinki) to be distributed as follows: amount of BGN 741 976.27 (seven hundred forty-one thousand nine hundred seventy-six levs and twenty-seven stotinki) to be set apart to the Reserve Fund of the Company pursuant to Article 246, para 1 CA, in connection with the requirement of art. 246 para 2 CA until reaching 1/10 of the capital of the Company; the rest, after deduction of the 6-month dividend already distributed by the Company in the amount of BGN 6 000 000 (six million) from the net profit for 2020, according to the prepared 6-month financial report for the first half of 2020, in the amount of BGN 677 786.42 (six hundred and seventy-seven thousand seven hundred and eighty-six leva and forty-two stotinki) to be allocated as retained earnings;
9. Adoption of a resolution on the replenishment of the Reserve Fund of the Company on the grounds of Art. 246 para. 2 item 4 of the CA with the Reserves from reorganization of the Company in the amount of BGN 216 897.62;
10. Adoption of a decision to release from liability the members of the Managing and Supervisory boards of the Company for their activities in 2020;
11. Adoption of the annual report on the activities of the Investor Relations Director in 2020;
12. Adoption of the report on the activities of the Audit committee in 2020;
13. Determining the remuneration of the members of the Audit committee on annual basis, as from July 1, 2021;
14. Adoption of a resolution on the amendment of the decision taken by the Extraordinary General Meeting of Shareholders of Telelink Business Services Group AD, held on 10.12.2020, regarding the buyback of own shares.

On June 28 2021, the Company's Managing Board approved the annual financial statements of all other Group subsidiaries and adopted a resolution on the distribution of dividends towards TBS Group AD in the total amount of EUR 1,030,000.00, as follows: EUR 430,000.00 from Telelink Slovenia, EUR 400,000.00 from Telelink Bosnia I Herzegovina and EUR 200,000.00 from Comutel (Serbia).

On July 01 2021, TBS EAD signed a Frame agreement with German airway carrier Deutsche Lufthansa 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 11 2021, the Company posted an invitation and materials, and, on September 14 2021, it held an extraordinary GMS with the following agenda:

1. Adoption of the 6-month financial statements for the first half of 2021;
2. Adopting a resolution under art. 41 para. 2 of the Articles of Association of the Company for distribution of the profit and payment of a 6-month dividend on the basis of the adopted 6-mnth financial statements;
3. Election of a registered auditor to perform independent financial audit for 2021;
4. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 2 of the POSA;
5. Amendments and supplements to the Remuneration Policy of the members of the Supervisory and Managing Boards of the Company;
6. Adoption of a resolution on the provision to the members of the Managing board of remuneration based on shares of the Company for 2021;
7. Approval of a scheme for remuneration based on shares of the Company to the members of the Managing board for 2021.

The total amount of the dividends proposed and approved for payout in 2021 as per item 2 of the above agenda was BGN 10,250,000 or BGN 0.82 per share, including BGN 677,786.42 from the individual profit of the Company for 2020 and BGN 9,572,213.58 of the profit for the first half of 2021.

On September 21 2021 a loan agreement was signed between TBS Group AD as lender and TBS Croatia as borrower, with a total limit up to EUR 200,000, subject to revolving utilization and repayment, for a period of 12 months, bearing an interest rate of 2.5% p.a.

On September 30 2021, the Company published an announcement for the payout of dividends, including:

- starting dividend payout date: October 11 2021;
- final dividend payout date: October 11 2022;
- financial institution through which dividends will be paid to the shareholders as per art. 64 of Ordinance № 8/03.09.2020: Unicredit Bulbank AD.

By resolution of the sole owner, effective from October 01 2021, Iordan Popov and Teodor Dobrev were released as members of the Managing board of TBS EAD and replaced in that capacity by Ivo Rusev and Iordanka Klenovksa.

On October 08 2021 a resolution of the Company's SB from October 01 2021 was registered in the CRRNPLE with the Registry Agency, whereby Paun Ivanov was replaced in its capacity of a member of the Company's Managing Board by Orlin Rusev.

On November 08 2021, TBS Group AD received a Letter of Intent for the acquisition of a majority stake of at least 51% of the Company's shares by Slovenia Broadband S.a.r.l., a company established and existing under the laws of the Great Duchy of Luxemburg. The Letter of Intent does not represent a binding offer, with the purchase being subject, among others, to the approval of the competition authorities. With regard to regulatory and legal compliance, the Company agreed for Slovenia Broadband S.a.r.l. to conduct business, financial and legal due diligence in accordance with the applicable Bulgarian and European law.

On November 11 2021, an official entry was made in the national trade register of the Republic of Romania for the establishment of new subsidiary Telelink Business Services SRL represented by Orlin Rusev.

On December 30 2021, the MB of TBS Group AD resolved upon the preliminary approval of the following agreements between subsidiaries:

- Annex to the Cash loan agreement between TBS EAD as lender and Telelink Albania as borrower, extending the agreement's term until December 31 2022;
- Annex to the Cash loan agreement between TBS EAD as lender and TBS Macedonia as borrower, extending the agreement's term until December 31 2022.

IV RISKS FACED BY THE COMPANY AND 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).

IV.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.

IV.1.1 Political risk

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

IV.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.

IV.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.

IV.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.

IV.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.

IV.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.

IV.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.

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

IV.2.1 Risks relative to the business strategy and growth

IV.2.1.1 Inappropriate business strategy

The choice of an inappropriate business strategy, as well as a failure to adapt it in a timely manner to the changing conditions of the environment can lead to losses and missed benefits for the Group. The management of strategic risk through the constant supervision and periodic tracking of fluctuations in the market environment and key performance indicators and the interaction among all levels in the organization in order to identify potential problems and implement the appropriate measures in a timely manner are of essential importance. Although this process has been recognized as of high priority and importance, it is

possible that the Group's management and employees prove limited in the implementation of the above practices due to a lack of experience, timely information or insufficiency of human resources.

IV.2.1.2 Insufficient management capacity and increased growth management costs

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

IV.2.1.3 Insufficient capacity and increased costs for the 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.

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

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

IV.2.2 Risks relative to human resources and managerial staff

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

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

The Group's operational management and business development depend to a large extent on the contribution of a limited number of individuals managing key subsidiaries and the Group as a whole, playing key roles in the administration, sales and operations and/or possessing key certifications, experience and other knowledge essential to these functions that could be difficult to replace with similarly qualified personnel. A possible withdrawal of those persons from the relevant structures or their inability to fulfil their obligations over a long period of time could have adverse effects on the operating performance depending on the time of their absence or the time needed for their substitution and the training of their substitutes, their adequate

familiarization with the organization and the specifics of the business and their full functional deployment. Possible retention measures could result in the increase of respective costs relative to their motivation through raises in base salaries, bonuses, fringe and other benefits, at the expense of the Group.

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

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

IV.2.3 Risks relative to the market environment and competition

IV.2.3.1 Slowdown or unfavourable trends in demand

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

IV.2.3.2 Regulatory changes unfavourable to market demand

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

IV.2.3.3 Intense competition

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

segments and markets, as well as any possible adverse reaction against the entry of the Group into new segments and markets, could result in decline in the performance and delays or failure of the planned expansion of operations.

IV.2.3.4 Unfair competition

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

IV.2.4 Risks relative to public procurement

IV.2.4.1 Delayed tendering and implementation

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

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

IV.2.4.2 Competition for public procurement

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

IV.2.5 Concentration risks

IV.2.5.1 Adverse changes in key client relationships

By virtue of its specialization in high-grade technological solutions and professional services targeted mostly at large and medium organizations and projects, the Group is inherently exposed to a concentration risk with regard to key clients and client groups. Such counterparties with substantial portions of the Group's revenues for the past three financial years and/or with potential significance to future development include telecommunication operators, public organizations, banks, multinational clients and other private enterprises. In spite of the Group's progress towards growing revenue diversification, the potential loss, a drastic decrease

in sales or a deterioration in the terms of cooperation with such clients could have an adverse effect on the volume and results from operations in the short term, as well as a potentially negative reputational effect on the Group in perspective.

IV.2.5.2 Adverse changes in relationships with key technological partners

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

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

IV.2.6.1 Time and cost of adapting to new technologies

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

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

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

IV.2.6.3 Delayed adoption of new technologies by the clients

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

IV.2.6.4 Delayed or unsuccessful positioning of proprietary products and services

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

IV.2.7 Risks relative to long-term contracts

IV.2.7.1 Cost of commitments for regular service and support

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

IV.2.7.2 Early termination

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

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

Depending on changes in the IT policies of respective clients or other factors, the long-term contracts signed by the Group for managed services including the provision of equipment-as-a-service can be terminated unilaterally and prior to their expiry. Despite the provisions 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.

IV.2.8 Financial risks

IV.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.

IV.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.

IV.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.

IV.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.

IV.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.

IV.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.

IV.2.9 Operational risks

IV.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.

IV.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.

IV.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.

IV.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.

IV.2.10 Other risks

IV.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.

IV.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.

IV.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.

IV.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.

IV.3 COVID-19 coronavirus epidemic

As of the date of this Notification, Bulgaria and other countries where Group companies and/or clients and suppliers thereof are established have experienced a new escalation and continue to apply various measures against the spread of COVID-19 affecting the work environment 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 digitalization, safe workplace, 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 Notification, governments in the countries of relevance to the Group maintain active positions in the sense of supporting private businesses and assuring premises for the ongoing process of public procurement tendering, funding and execution.

As of the date of this Notification, 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 opportunities driven by the balancing role of public expenditures and expectations for a significant acceleration of investments by key client groups in technologies related to their digitalization.

Considering the growing demand for digital devices and equipment in the context of the epidemic and the temporary lagging production of chips and components, in the second half of 2021 there have been indications for actual or potential shipping delays in key equipment vendors to the Group from the USA, China and other countries, with a corresponding impact on deliveries to Group clients.

The potential impact of the above factors on the Group's sales and financial results has been counted among the current and future factors of the economic environment in the Group's current budgets and mid-term development plans. In that sense, as of the date of this Notification, the latter 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 actual and potential adverse effects and the undertaking of all possible measures towards the limitation of their impact in due course.

V PRESENTED INFORMATION ON THE GROUP'S ACTIVITIES WITH AN IMPACT ON FINANCIAL RESULTS AS OF DECEMBER 31 2021

Financials (BGN thousand)	(period end)		change
	31.12.2021	31.12.2020	
Net sales revenue	165,736	135,562	22%
Operating Expenses	-151,134	-121,319	25%
Other Operating Income/(Expenses) (net)	30	437	-93%
Operating Profit	14,632	14,680	0%
Financial Income/(Expenses) (net)	-574	-457	26%
Income Tax Expense	-1,826	-1,623	13%
Net Profit	12,232	12,600	-3%
Depreciation & Amortization Expenses	-2,946	-2,631	12%
Interest Income/(Expenses) (net)	-222	-239	-7%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	17,226	17,093	1%
One-off and Extraordinary Income/(Expenses) (net)	-84	-297	-72%
Normalized EBITDA	17,310	17,390	0%
	31.12.2021	31.12.2020	
Total Assets	69,905	66,942	4%
Non-current Assets	15,571	13,257	17%
Current Assets	54,334	53,685	1%
Equity	16,842	14,452	17%
incl. Retained Earnings and Profit for the Year	17,254	16,014	8%
Total Liabilities	53,063	52,490	1%
Non-current Liabilities	9,640	5,875	64%
Current Liabilities	43,423	46,615	-7%
Cash & Cash Equivalents	12,817	11,762	9%
Total Financial Debt*	2,289	3,363	-32%
Net Financial Debt**	-10,528	-8,399	-2,129
	31.12.2021	31.12.2020	
Net Cash Flow from Operating Activities	14,256	21,625	-7,369
incl. Withholding Tax on Distributed Dividends	-414	-271	-143
Net Cash Flow from Investment Activities	-1,227	-1,283	56
Net Cash Flow from Financing Activities	-11,974	-10,779	-1,195
incl. Dividends Paid	-9,535	-5,924	-3,611

* Incl. loans and finance lease contracts

** Total Financial Debt - Cash & Cash Equivalents

*** Net, after withholding taxes

Ratios	(period end)		change
	31.12.2021	31.12.2020	
Operating Margin	8.8%	10.8%	-2.0%
Net Margin	7.4%	9.3%	-1.9%
EBITDA margin	10.4%	12.6%	-2.2%
	31.12.2021	31.12.2020	
Current Ratio	1.25	1.15	0.10
Equity / Total Assets	24%	22%	3%
Financial Debt / Total Assets	3%	5%	-2%
Non-current Assets / Total Assets	22%	20%	2%
Equity and Non-current Liabilities / Non-current Assets	1.7	1.5	0.2

V.1 Revenue, costs and profitability

V.1.1 Revenues

In total, consolidated net sales revenue for 2021 increased by 22% over the same period of 2020, reaching BGN 165,736 thousand.

The main driver behind registered growth was the 20%¹ increase achieved in Bulgaria, where TBS EAD continued to record growing sales both on the local market and to cross-border clients (with the predominant contribution of globally serviced multinational companies). With a share of 64%, the Company continued to play a leading part in the formation of Group revenues, maintaining a similar contribution as compared to 66% in 2020.

With more than twofold combined growth of 114%¹, combined sales from the South-Western Balkans region, encompassing subsidiaries in Macedonia and Albania, stood out as the Group's fastest evolving territorial division mostly on the strength of TBS's expanding project portfolio in Macedonian public sector. While the two companies still had a comparatively limited relative weight of 7% of consolidated revenues, this represented a nonetheless significant increase over the 4% contribution recorded in 2020.

A positive trend was also observed in combined sales from Serbia, Montenegro, Bosnia i Hercegovina, Slovenia and Croatia (region Mid-Western Balkans), where the Group recorded 15%¹ of annual growth after launching deliveries to new clients from the Balkan telecom sector and resuming its participation in public infrastructure projects in Serbia. Altogether, the region continued to play a significant part in the formation of consolidated revenues with a share of 29%, close to the 30% recorded in 2020.

V.1.1.1 Revenues by main categories of products and services

Technology Group		Net Sales Revenue (BGN thousand)				
		31.12.2021	31.12.2020	change	share 31.12.21	share 31.12.20
Service Provider Solutions	(1)	35,665	42,460	-16%	22%	31%
Enterprise Connectivity	(2)	24,288	34,979	-31%	15%	26%
Hybrid Cloud	(3)	40,027	29,527	36%	24%	22%
Application Services	(4)	3,777	324	11.7x	2%	0.2%
Modern Workplace	(5)	54,744	22,187	147%	33%	16%
Information Security	(6)	3,748	5,077	-26%	2%	4%
Other	(7)	3,487	1,007	246%	2%	1%
Data Networks	(1+2)	59,953	77,440	-23%	36%	57%
Data Center	(3+4)	43,804	29,851	47%	26%	22%
Office Productivity	(5)	54,744	22,187	147%	33%	16%
Information Security	(6)	3,748	5,077	-26%	2%	4%
Others	(7)	3,487	1,007	246%	2%	1%
Total		165,736	135,562	22%	100%	100%

The leading driver of growth in consolidated revenues were sales in the Modern Workplace technology group, which increased by 147% from 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 the business line in 2021 reached BGN 54,744 thousand or 33% of Group sales, as compared to 16% in 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 registered a 36% increase from 2020 and were the second major growth driver for the Group in 2021, reaching BGN 40,027 thousand and coming second in consolidated sales with a share of 24%, as compared to 22% in 2020.

Relating mostly to the customized developments, which complemented technologies from third-party suppliers within one of the big projects implemented by TBS EAD in the Bulgarian educational sector, the Group also recorded substantial sales of Application Services in the amount of BGN 3,777 thousand or 2% of consolidated revenue for the period, representing a more than twelvefold increase from 2020.

Reflecting the decrease in revenues from the telecom sector and public projects featuring carrier-grade network infrastructure in Bulgaria, as well as the growing share of other technology groups in sales to telecom accounts realized by the Mid-Western Balkans region, the Group recorded 16% lower sales of Service Provider Solutions from 2020. Nevertheless, the BGN 35,665 thousand of revenues recorded in this technology group remained significant and continued to play a substantial role in the formation of consolidated sales with a decreasing, yet significant share of 22%, comparing to 31% in 2020.

A similar trend was observed in Enterprise Connectivity, where the Group registered a 31% drop as a result of substantially lower revenues from the public sector and an overall decrease in the average size of the projects implemented in Bulgaria and Macedonia, but continued to record nonetheless significant revenues. Amounting to BGN 24,288 thousand, the latter accounted for 15% of consolidated sales as compared to 26% in 2020.

Registering an annual drop of 26%, also as a result of the smaller number and size of projects in the Bulgarian public sector, Information Security sales continued to consist mainly of small and medium projects in Bulgaria and Macedonia with a relatively limited impact of BGN 3,748 thousand or 2% of consolidated revenues, comparing to 4% in 2020.

While showing a more than threefold increase from 2020, reflecting mostly some complementary services and deliveries within public sector projects implemented in Bulgaria and Serbia, reported sales outside the above main product groups in the amount of up to BGN 3,487 thousand remained of typically marginal importance to the Group with a share of 2% of consolidated revenues.

V.1.1.2 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)			share	
	31.12.2021	31.12.2020	change	31.12.2021	31.12.2020
Bulgaria	98,808	81,859	21%	60%	60%
Mid-Western Balkans	39,883	41,260	-3%	24%	30%
South-Western Balkans	9,099	5,359	70%	5%	4%
Other Balkan Markets	10,308	225	45.8x	6%	0%
Central & Eastern Europe	6,559	5,489	19%	4%	4%
Other Markets	1,079	1,369	-21%	1%	1%
Total	165,736	135,562	22%	100%	100%

*By receiving country.

As a main factor behind revenue growth in TBS EAD, deliveries made on the territory of Bulgaria recorded 21% of annual growth, reaching BGN 98,808 thousand and maintaining a majority share of 60% in consolidated Group revenues.

With the launch of deliveries from subsidiaries in the Mid-Western Balkans region to clients from the Greek telecom sector and the implementation of a sizeable public project in Kosovo by TBS Macedonia, the Group also recorded significant growth in sales to Other Balkan Markets. Together with clients registered in Romania, these accounted for BGN 10,308 thousand or 6% of consolidated revenues as compared to their negligible contribution in 2020 and stood out as the second major growth driver for the Group in 2021.

Significant growth was also achieved in sales to the South-Western Balkans region, wherein the impact of newly launched and/or implemented projects in Macedonia outbalanced by far the decrease in revenues from the Group's main Albanian client to date. In total, respective sales for 2021 increased by 70% year on year, reaching BGN 9,099 thousand or 5% of consolidated sales as compared to 4% in 2020.

Maintaining a share of 4% of consolidated revenues, the BGN 6,559 thousand of sales in Central and Western Europe attained in 2021 also exhibited substantial 19% growth and continued to consist mostly of cross-border and multinational clients serviced by TBS EAD.

At the same time, the Group registered a certain slowdown of combined local sales in the Mid-Western Balkans region, wherein accelerating revenues in Croatia compensated only in part observed decreases in Bosnia and Herzegovina and Serbia. Totaling BGN 39,883 thousand, revenues from the region exhibited a slight 3% drop from 2020 but remained of a nonetheless high importance to the generation of Group revenues with a declining yet substantial share of 24%, comparing to 30% for the same period 2020.

In spite of their relative decrease by 21%, sales on Other markets outside Europe continued to include growing revenues from USA-based units of multinational accounts of TBS EAD's, whereas the observed decline occurred mostly on the background of significant one-time deliveries made to another international client in Armenia and the UAE in 2020.

V.1.2 Expenses and profitability

In parallel with revenue growth, the consolidated operating expenses of BGN 151,134 thousand recorded in 2021 increased by 25% from 2020. For the most part, this increase related to the achieved growth in sales revenue, leading to an increase in both the balance sheet value of assets sold and the direct costs of provided services representing a substantial part of the cost of externally sourced services. Logical growth in the context of expanding activities was also observed in salary and social security expenses reflecting continuing growth in personnel employed.

In spite of the lagging growth rate in revenues, their increase in absolute figures compensated almost entirely the increase in operating expenses and the decrease in net other income, as a result of which the consolidated operating profit of BGN 14,632 thousand reported for 2021 remained substantially unchanged from 2020. Relative to the growing amount of revenues, this result was reflected in the decrease of the Group's operating margin from 10.8% in 2020 to 8.8% in 2021.

A similar trend was observed in the reported consolidated profit before interest, tax depreciation and amortization (EBITDA) of BGN 17,226 thousand, which exhibited a minimal annual increase by 1% while the corresponding margin decreased from 12.6% in to 10.4% in 2021. Adjusted for the extraordinary non-interest financial expenses from the currency revaluation of a previously impaired loan granted by TBS EAD, the Group's normalized EBITDA reached BGN 17,310 thousand and exhibited a minor 0.5% decrease from 2020.

While showing a 26% increase as a result of the above-mentioned extraordinary expenses, the net finance costs of BGN 574 thousand recorded in 2021 remained of a typically low impact on the formation of the

Group's financial results with a ratio of just 0.3% of consolidated revenues and 4% of consolidated operating profit.

Taking into account the moderate growth in net finance costs and the increase of the consolidated effective tax rate from 11.4% to 13.0% in the context of substantially unchanged operating profit, the consolidated net profit of BGN 12,232 thousand recorded in 2021 exhibited an annual drop of 3%, while net margin decreased from 9.3% in 2020 to 7.4% in 2021.

V.2 Assets, liabilities and equity

V.2.1 Assets

Amounting at BGN 69,905 thousand, consolidated assets reported as of December 31 2021 exhibited an overall increase by BGN 2,963 thousand or 4% from the end of 2020.

Reaching a total value of BGN 15,571 thousand or 22% of total Group assets as of period end, consolidated non-current assets increased by BGN 2,314 thousand or 17% from December 31 2020 as a result of growing long-term prepaid expenses, which continued to stem predominantly from equipment support commitments over 1 year in Bulgaria and the Mid-Western Balkans region.

In spite of their decrease by 15% from December 31 2020, reflecting the prevalence of depreciation and amortization over new capital expenditures made during the period, long-term assets making part of Property, plant and equipment maintained a significant value of BGN 6,691 thousand 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. A similar decrease by 24% occurred in non-tangible non-current assets, wherein costs capitalized during the year from development activities in the field of information security remained inferior to the amortization of similar and other assets acquired in previous periods.

Balanced between the decrease in inventories and trade and other receivables and significant growth in short-term prepayments stemming from equipment support commitments up to 1 year and cash and cash equivalents, consolidated current assets exhibited only a slight decrease by BGN 649 thousand or 1%, reaching BGN 54,334 thousand and continued to account for a predominant part of 78% of total Group assets.

V.2.2 Liabilities

In spite of their parallel growth, the consolidated liabilities of BGN 53,063 thousand reported as of December 31 2021 exhibited a substantially lower increase by BGN 573 thousand or 1% from the end of 2020.

The observed increase was entirely attributable to the Group's non-current liabilities, which grew by BGN 3,765 thousand or 64% along the lines of 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 December 31 2021 reached BGN 9,640 thousand or 18% of total liabilities and 14% 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 216 thousand, and that of rental and operating lease contract obligations – to BGN 1,262 thousand, the latter of which do not represent financial debt.

Accounting for the significant decrease in trade and other payables, which was compensated only in part by the increase in current deferred income, consolidated current liabilities were reduced by 7% of BGN 3,192

thousand from the end of 2020, ending 2021 with a balance of BGN 43,423 thousand or 82% of total liabilities and 62% of total assets. Components of the Group's financial debt reported as of the same date included outstanding loans and borrowings received in the amount of BGN 1,724 thousand, formed entirely of the current balance of drawn credit line funds in Serbia, and current obligations on finance lease contracts of BGN 349 thousand. In parallel, the Group also continued to report, pursuant to the application of IFRS 16, substantial current liabilities from rental and operating lease contracts in the amount of BGN 1,107 thousand, which do not represent financial debt.

V.2.2.1 Financial Debt

Summing the above loan obligations in the amount of BGN 1,724 thousand and finance leases in the total amount of BGN 565 thousand, the consolidated financial debt of BGN 2,289 thousand measured as of December 31 2021 exhibited a reduction by 32% or BGN 1,074 thousand from previous year end, declining to 3% of total assets and 4% of total liabilities as compared to the corresponding ratios of 5% and 6% as of December 31 2020.

Adding to the above decrease, the increase in cash and cash equivalents by BGN 1,055 thousand or 9% up to BGN 12,817 thousand contributed to the total reduction of consolidated net financial debt (the difference between financial debt and cash and cash equivalents) by BGN 2,129 thousand from the end of 2020. As a result of the above changes, as of December 31 2021, the Group registered negative financial debt (a surplus of cash and cash equivalents over financial debt) of BGN (-) 10,528 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 financial debt.

V.2.3 Equity

Taking into account the distribution of dividends for 2020 and the first half of 2021 in a total amount of BGN 10,250 thousand equivalent to 84% of the total net profit realized in 2021, the consolidated net assets (equity) of BGN 16,842 thousand recorded as of December 31 2021 exhibited a moderate increase by BGN 2,390 thousand or 17% from the end of 2020, assuring 82% of the increase in total assets over the period.

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. Accounting for the above allocation and distributed dividends, accumulated earnings from the current and previous periods exhibited a net decrease by BGN 1,240 thousand, ending the year at BGN 17,254 thousand.

As a result of the aforementioned increase under the Commercial Code and the formation of additional other reserves of BGN 391 thousand, pursuant to the approval of new share-based incentive plans for the period 2021-2023, consolidated capital reserves exhibited an overall increase by 1,150 from the end of 2020. Besides the attained legal (common) reserves of BGN 1,083 thousand, total reserves reported as of December 31 2021 continued to include specialized currency translation one-off stock award reserves in the amount of BGN (-) 528 thousand and other reserves in the amount of BGN (-) 13,467 thousand reflecting 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 the cumulative positive effect of long-term share incentive plans enacted by the end of 2021.

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 December 31 2021 amounted to BGN 356.

Reflecting the faster growth in equity as compared to total assets, the Group registered an improving level of balance sheet capitalization (ratio of equity to total assets) of 24%, comparing to a corresponding ratio of 22% as of the end of 2020.

VI IMPORTANT EVENTS DURING THE REPORTING PERIOD

Information about the important events which occurred during the reporting period is presented in Appendix 4 as per Ordinance 2 to this Notification.

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

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

As of December 31 2021, the Group has made the following transactions with related parties outside the Group:

Operating Activities (BGN thousand)	Sales to related parties	Purchases from related parties
Other related parties (under common control)	1,377	2,612
Total	1,377	2,612
Operating Activities (BGN thousand)	Receivables from related parties	Payables to related parties
Other related parties (under common control)	801	146
Total	801	146

Joint operations

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

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

Operating Activities (BGN thousand)	Sales	Purchases
Participation in joint operations (consortia)	12,010	0
Operating Activities (BGN thousand)	Receivables	Payables
Participation in joint operations (consortia)	370	0

VIII INFORMATION ABOUT SUBSTANTIAL RECEIVABLES AND PAYABLES FOR THE REPORTING PERIOD

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

Pursuant to an annex for the extension of the term of a bank loan in the amount of USD 4,200 thousand between Comutel and Raiffeisen Bank AD, Belgrade until January 27 2020, on February 15 2021 a suretyship agreement was signed, whereby TBS EAD guaranteed the due performance of respective obligations by Comutel.

On March 16, TBS EAD extended a counter-guarantee securing a performance guarantee on behalf of TBS Macedonia with regard to a contract with the Ministry of Economy and Environment of the Republic of Kosovo with a subject matter "Hardware and cooperation for national research networks" in the amount of EUR 69,246.29, valid through October 15 2024.

On March 23, TBS EAD extended a counter-guarantee securing an advanced payment guarantee on behalf of TBS Macedonia with regard to a contract with the Ministry of Economy and Environment of the Republic of Kosovo with a subject matter "Hardware and cooperation for national research networks" in the amount of EUR 69,246.29, valid through October 15 2021.

On May 31 2021 Annex No5 was signed to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between Unicredit Bulbank AD and TBS EAD as borrower, pledgor and security provider under the terms of the LFSC, to which TBS Group AD is Guarantor and Pledgor, whereby the utilization term was extended until June 02 2021.

On May 31 2021 Annex No2 was signed to the Suretyship agreement from October 10 2019 regarding the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between TBS EAD as borrower and Unicredit Bulbank AD, to which TBS Group AD is Guarantor, whereby the term was extended until June 02 2021.

On June 02 2021 Annex No6 was signed to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between Unicredit Bulbank AD and TBS EAD as borrower, pledgor and security provider under the terms of the LFSC, to which TBS Group AD is Guarantor and Pledgor, whereby the sublimits of the Total credit limit of EUR 13,000,000 were changed as follows:

- Overdraft credit up to EUR, 3,000,000 with a utilization term until May 31 2022 and a repayment term until July 31 2022;
- Revolving credit up to EUR 4,000,000 with a utilization term until May 31 2022 and a repayment term until July 31 2023;
- Contingent bank financing up to EUR 13,000,000 with a utilization term until June 30 2029;
- Letters of credit term extension until May 15 2023.

On June 02 2021 Annex No3 was signed to the Suretyship agreement from October 10 2019 regarding the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 between TBS EAD as borrower and Unicredit Bulbank AD, to which TBS Group AD is

Guarantor, reflecting the changes introduced with Annex No6 to the Agreement for the undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019.

Significant transactions during the period which are internal to the Group and do not participate in the formation of its consolidated assets and liabilities include:

- A cash loan agreement from February 15 2021 and an Annex thereto from December 31 2021 between subsidiaries TBS EAD (lender) and TBS Macedonia (borrower) with a limit of up to EUR 2,000 thousand, subject to utilization and repayment in parts, with a term until December 31 2022, bearing an interest rate of 2.5% p.a. over the utilized part of the loan;
- A cash loan agreement from February 15 2021 and an Annex thereto from December 31 2021 between subsidiaries TBS EAD (lender) and Telelink Albania (borrower) with a limit of up to EUR 500 thousand, subject to utilization and repayment in parts, with a term until December 31 2021, bearing an interest rate of 2.5% p.a. over the utilized part of the loan;
- A cash loan agreement from May 28 2021 between subsidiaries TBS EAD (lender) and Telelink Slovenia (borrower) with a limit of up to EUR 800 thousand, subject to revolving utilization and repayment, with a term until December 31 2021, bearing an interest rate of 2.5% p.a. over the utilized part of the loan;
- A cash loan agreement from September 21 2021 between TBS Group AD (lender) and TBS Croatia (borrower) with a limit of up to EUR 200 thousand, subject to revolving utilization and repayment, with a term of 12 months, bearing an interest rate of 2.5% p.a..

On December 10 2021, the Company extended a corporate guarantee securing the obligations of Telelink Albania as a client, with regard to the delivery of equipment by Veracomp Croatia in the amount of USD 145,435.43 and a validity term until March 31 2022.

IX IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On a meeting held on January 18 2022, the Company's MB adopted a preliminary resolution on extending the term of the suretyship agreement whereby TBS EAD has provided security in favour of Raiffeisen Bank AD Beograd, Serbia, for the due fulfillment of the obligations of Comutel thereto.

On January 21 2022, the suretyship commitment of TBS EAD was extended with regard to an annex to the credit agreement between Comutel and Raiffeisen Bank AD Beograd, Serbia, in order to secure the due fulfillment of the respective obligations of Comutel.

On January 24 2022, subsidiary Telelink Business Services GmbH represented by Silviya Marinove was entered in the Trade register of the Federal Republic of Germany. The company's capital in the amount of EUR 25,000 has been fully paid in.

On February 10 2022, the Company's MB resolved upon entering into an Overdraft Agreement with Raiffeisenbank (Bulgaria) EAD, signed on February 15 2022, with the following parameters:

- Overdraft credit with a limit of up to EUR 2,000,000, with a repayment term until February 02 2026;
- Contingent bank credit with a limit of up to EUR 2,000,000, with a utilization term until January 01 2026.

On February 11 2022, the Company's MB resolved upon the extension of a corporate guarantee by the Company for securing the obligations of TBS Croatia under operating lease agreements with Unicredit Leasing Croatia d.o.o. On February 15 2022, the Company issued a corporate guarantee for EUR 56,554.95.

On February 14 2022, the Company published a statement of CEO Ivan Zhytiyanov on the successful completion of due diligence and the subsequent termination of the consultations with Slovenia Broadband S.a.r.l. with regard to the potential acquisition of the Company due to diverging strategic views on key areas of business development and growth. Without prejudice to the above, Mr. Zhytiyanov also stated his maintained solidarity with the selling shareholders' intention to offer a majority stake in case of further interest from strategic investors matching the Company's goals.

On February 25 2022, in accordance with a preliminary resolution of the Company's MB from February 23 2022, TBS Group AD signed contracts for the provision of corporate and business development services with subsidiaries TBS EAD, Comutel, TBS Montenegro, Telelink Bosnia, Telelink Slovenia, TBS Macedonia, Telelink Albania and TBS Croatia.

March 01 2022

Sofia