CONSOLIDATED INTERIM MANAGEMENT REPORT

of

TELELINK BUSINESS SERVICES GROUP AD

for the

FIRST SIX MONTHS OF 2022

THIS MANAGEMENT REPORT IS PREPARED IN ACCORDANCE WITH PROVISIONS OF ART. 100O, PAR. (5) OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA) AND ART. 13 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)

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. (5) of the POSA and art. 13 of Ordinance 2 from November 09 2021 regarding the initial and subsequent disclosure of information upon the public offering of securities and the admission to trading on a regulated market, 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 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 June 30 2022, the products and services offered by the Group cover a broad range of technologies organized in 10 technology groups – Service Provider Solutions, Enterprise Connectivity, Private Cloud, Public Cloud, Modern Workplace, Computers and Peripherals, Application Services, Hyperautomation, Intenet of Things ("IoT") and Information Security.

To assure comparability to the classification used in the period 2020-2021, section II.2.1 of this Report also provides references of the above groups to the corresponding ones applied during the above period.

I.2 Governance

The Company has a two-tier board system.

As of June 30 2022, The Company's Managing Board (the MB) features five members, including:

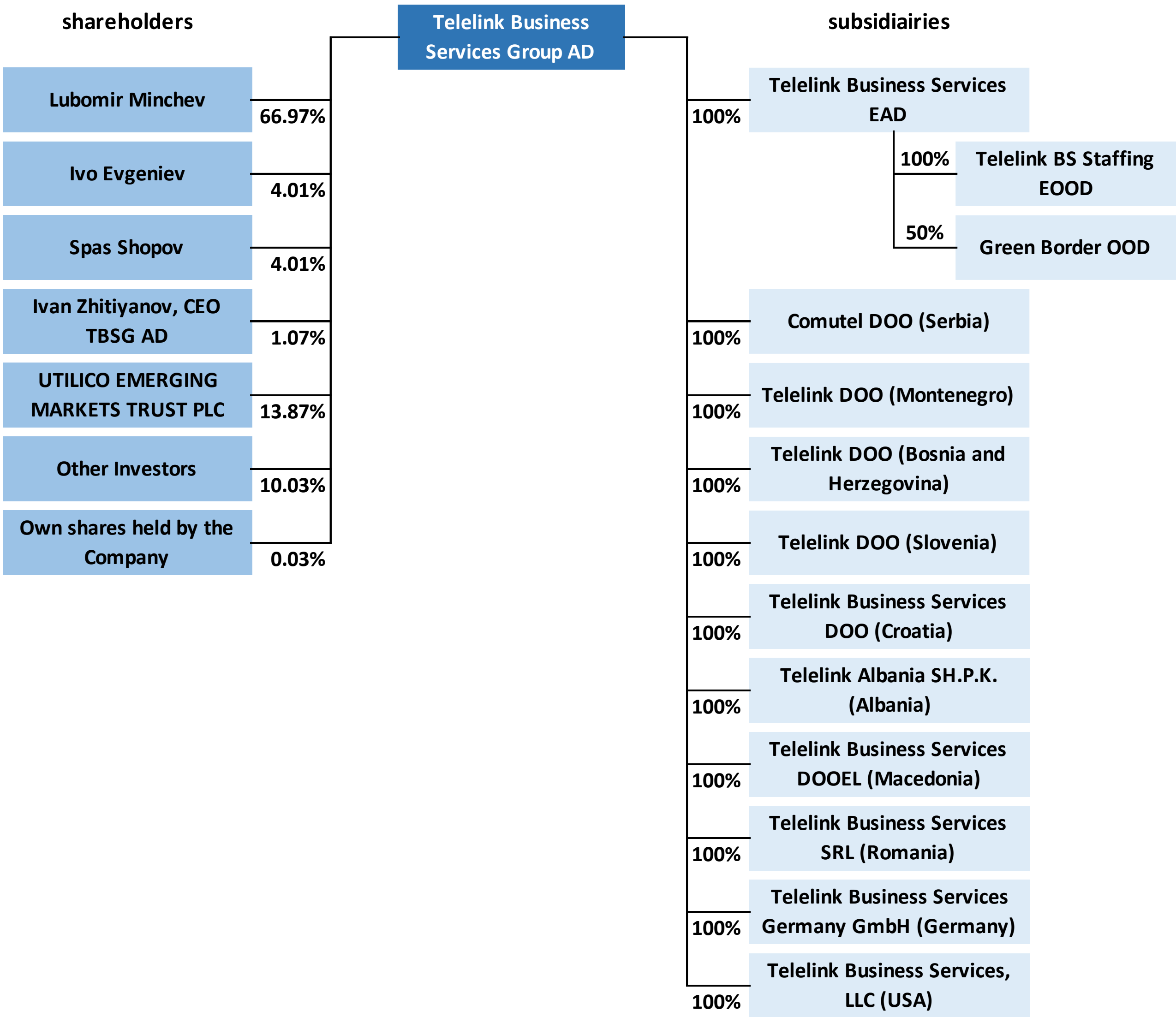
- Ivan Zhitianov – Chairman of the MB and Executive Director;
- Teodor Dobrev – member of the MB;

- Paun Ivanov – member of the MB;
- Nikoleta Stanailova – member of the MB;
- Gojko Martinovic – member of the MB.

As of June 30 2022, 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;
- Boris Nemsic – member of the SB (elected in replacement of Bernard Jean Luc Moscheni by GMS resolution from June 29 2022).

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 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, representing 21% of the Company's registered capital.

Pursuant to share buybacks for the purposes of employee incentive programs, as of June 30 2022, the Company held 4,230 own shares representing 0.03% of its registered capital, 3,874 of which were acquired in the second quarter of 2022 pursuant to an MB resolution for the buyback of up to 42,000 shares from May 25 2022.

As of June 30 2022, 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%.

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 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 Germany GmbH	Germany	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 2022, the Company held shares in eleven subsidiaries, including:

- Telelink Business Services EAD (Bulgaria) (TBS EAD), Comutel DOO (Serbia) ("Comutel"), Telelink Business Services Montenegro DOO ("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;
- Telelink Business Services Germany GmbH (Germany) ("TBS Germany"), established by the Company in January 2022.

As of June 30 2022, the Company was the 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.

As of June 30 2022, all direct subsidiaries except for the recently established TBS Germany carried out active commercial operations.

As of June 30 2022, 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.

I.6 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 Report, are being traded on the Standard Equities Segment of the BSE under the ticker of 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 2022, the Group continued to conduct active commercial operations and had a positive net worth of BGN 21,831 thousand.

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

II.1 Key financial indicators

Financials (BGN thousand)	period	period	change
	30.06.2022	*30.06.2021*	
Net sales revenue	**71,810**	**98,309**	**-27%**
Cost of Sales	-59,077	-82,285	-28%
Gross Profit	**12,733**	**16,024**	**-21%**
Sales and Marketing Expenses	-4,300	-3,815	13%
General and Administrative Expenses	-3,300	-2,588	28%
Other Operating Income/(Expenses) (net)	151	73	107%
Operating Profit	**5,284**	**9,694**	**-45%**
Financial Income/(Expenses) (net)	522	-340	-254%
Income Tax Expense	-952	-1,240	-23%
Net Profit	**4,854**	**8,114**	**-40%**
Depreciation & Amortization Expenses	-1,538	-1,446	6%
Interest Income/(Expenses) (net)	-66	-104	-37%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	**7,410**	**10,904**	**-32%**
	30.06.2022	*31.12.2021*	**0%**
Total Assets	**77,496**	**69,943**	**11%**
Non-current Assets	19,230	15,578	23%
Current Assets and Assets Held for Sale	58,266	54,365	7%
Equity	**21,831**	**17,027**	**28%**
incl. Retained Earnings and Profit for the Period	22,014	17,429	26%
Total Liabilities	**55,665**	**52,916**	**5%**
Non-current Liabilities	12,492	9,636	30%
Current Liabilities	43,173	43,280	0%
Cash & Cash Equivalents	**11,315**	**12,815**	**-12%**
Total Financial Debt*	**661**	**2,290**	**-71%**
Net Financial Debt**	**-10,654**	**-10,525**	**-128**
	30.06.2022	*30.06.2021*	**0%**
Net Cash Flow from Operating Activities	**2,600**	**6,797**	**-4,197**
Net Cash Flow from Investment Activities	**-1,775**	**-547**	**-1,228**
Net Cash Flow from Financing Activities	**-2,325**	**1,267**	**-3,592**
	30.06.2022	*31.12.2021*	**0%**
Number of Employees as of Period End	**282**	**281**	**0%**

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

Ratios	period	period	change
	30.06.2022	*30.06.2021*	
Gross Margin	17.7%	16.3%	1.4%
Operating Margin	7.4%	9.9%	-2.5%
Net Margin	6.8%	8.3%	-1.5%
EBITDA margin	10.3%	11.1%	-0.8%
	30.06.2022	*31.12.2021*	
Current Ratio*	1.35	1.26	0.09
Equity / Total Assets	28%	24%	4%
Financial Debt / Total Assets	1%	3%	-2%
	30.06.2022	*30.06.2021*	
Annualized Average Return on Assets (ROA)	13.2%	21.3%	-8.1%
Annualized Average Return on Equity (ROE)	50.0%	87.6%	-37.7%

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

II.2 Revenues

Compared to the record level achieved in the same period of the previous year, consolidated net sales revenue for the first half of 2022 decreased by 27%, reaching BGN 71,810 thousand.

The main factor driver behind the registered drop was the 42%[1] lower amount of sales recorded by TBS EAD against the big projects in the Bulgarian public sector during the first half of 2021. In spite of this trend, the company continued to realize significant revenues from both the local market (including substantial new public procurement orders) and foreign customers and maintained its leading part in the formation of consolidated sales with a lower but nonetheless substantial share of 58% (as compared to 73% in the same period of 2021).

The absence of comparably sizeable revenues from public projects in Macedonia comparing to their early start in the previous year was also the main factor behind a significant drop in combined sales from the South-Western Balkans region (encompassing TBS Macedonia and Telelink Albania) by 68%[1] from the first half 2021. As a result, the two companies had a relatively insignificant 1% contribution to the formation of consolidated sales for the ended six months period (comparing to 2% for the same period of 2021).

Compensating in part the above trends, combined sales from subsidiaries in Serbia, Montenegro, Bosnia i Herzegovina, Slovenia and Croatia (region Mid-Western Balkans) exhibited 19%[1] of growth favoured by both continuing expansion in a telecom sector account in Croatia, which started in 2021, and growing sales to enterprise and public clients in Serbia. Reflecting this positive development and the interim drop across the rest of the Group, the region had a growing contribution to consolidated sales for the ended six months period with a share of 41% (as compared to 25% for the same period of 2021).

II.2.1 Revenues by main categories of products and services

Product Group	Technology Group 2020-2021	Net Sales Revenue (BGN thousand) 30.6.2022	30.6.2021	change	share 30.6.22	share 30.6.21
Service Provider Solutions	Service Provider Solutions	19,596	17,570	12%	27%	18%
Enterprise Connectivity	Enterprise Connectivity	12,819	9,535	34%	18%	10%
Private Cloud	Hybrid Cloud	14,983	24,603	-39%	21%	25%
Public Cloud	Modern Workplace	653	381	71%	1%	0%
Modern Workplace	Modern Workplace	7,866	11,337	-31%	11%	12%
Computers and Peripherals	Modern Workplace	562	29,303	-98%	1%	30%
Application Services	Application Services	10,915	2,820	3.9x	15%	3%
Hyperautomation	Hyperautomation	330	0	-	0.5%	0%
Information Security	Information Security	2,435	1,467	66%	3%	1%
IoT	Other	343	0	-	0.5%	0%
Other	Other	1,308	1,292	1%	2%	1%
Total		**71,810**	**98,309**	**-27%**	**100%**	**100%**

Reciprocally to the leading part in the growth achieved in the first half of 2021 with the implementation of big public projects in Bulgaria and Macedonia, sales in Computers and Peripherals (BGN 562 thousand) and Private Cloud (BGN 14,983 thousand) were the main factor behind the decrease in consolidated revenues observed in the current period, showings respective drops of 98% and 39%. Another significant factor were sales in Modern Workplace (BGN 7,866), which decreased by 31% against the significantly stronger revenues from the

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

Bulgarian public sector for the same period of the previous year. Unlike Private Cloud and Modern Workplace, which continued to have significant contributions to the formation of consolidated revenues with respective shares of 21% and 11% (comparable to the 25% and 12% in the first half of 2021), deliveries of Computers and Peripherals had an insignificant partipation of 1% in the product mix realized in the current period in contrast to their leading 10% contribution for the same period of the previous year.

At the same time, the Bulgarian public sector was also a major driver of the significant acceleration of sales in the Application Services (BGN 10,915 thousand) and Information Security (2,435 thousand) groups, which exhibited respective increases by 3.9 times and 66%, as well as of revenues recorded in the developing new categories Hyperautomation (BGN 330 thousand) and IoT (BGN 343 thousand). With a share of 15% (comparing to 3% for the first six months of 2021), revenues from Application Services were among the significant factors of the realized product mix and stood out as the Group's fastest growing technology group in the ended six months period.

Positive changes were also registered in the sales of Enterprise Connectivity (growing by 34% up to BGN 12,819 thousand mainly as a result of realized deliveries to new non-telecom accounts in Serbia), Service Provider Solutions (growing 12% up to BGN 19,596 thousand mainly as a result of accelerating sales to traditional clients of TBS EAD and in TBS Croatia), as well Public Cloud solutions (reaching BGN 653 thousand mainly in relation to enterprise clients in TBS EAD). With shares of 27% and 18% (comparing to 18% and 10% for the same period of 2021), the traditionally significant Service Provider Solutions and Enterprise Connectivity stood out with growing contributions to the product mix realized in the ended first six months period.

Similar in size to the first quarter of 2021, sales reported outside the above product categories (BGN 1,308 thousand) remained of typically low importance to the Group.

II.2.2 Revenues by geographic markets

Country/Region*	Net Sales Revenue (BGN thousand)				
	30.6.2022	30.6.2021	change	share 30.6.2022	share 30.6.2021
Bulgaria	38,288	68,834	-44%	53%	70%
Serbia	15,017	9,280	62%	21%	9%
Slovenia	4,909	6,539	-25%	7%	7%
Bosnia and Herzegovina	3,478	2,680	30%	5%	3%
Croatia	2,472	1,130	119%	3%	1%
North Macedonia	381	1,932	-80%	1%	2%
Albania	258	148	74%	0%	0%
Montenegro	48	56	-14%	0%	0%
Other	6,959	7,710	-10%	10%	8%
Bulgaria	38,288	68,834	-44%	53%	70%
Mid-Western Balkans	25,924	19,685	32%	36%	20%
South-Western Balkans	639	2,080	-69%	1%	2%
Other Balkan Markets	3,976	5,208	-24%	6%	5%
Central & Eastern Europe	2,074	2,195	-6%	3%	2%
Other Markets	908	306	197%	1.3%	0.3%
Total	**71,810**	**98,309**	**-27%**	**100%**	**100%**

** By registration of the client.*

As a main factor of the interim trend in the revenues of TBS EAD referred to in section II.2 above, deliveries made on the territory of Bulgaria (BGN 38,288 thousand) recorded a similar decrease by 44% from the first half of 2021. In spite of its comparatively lower relative weight (53%, as compared to 70% for the first half of 2021), the Bulgarian market maintained its leading position in the geographical structure of consolidated sales.

With growing revenues from Serbia, Bosnia and Herzegovina and Croatia, the Group realized 22% stronger combined local sales in region Mid-Western Balkans as compared to the first half or 2021. Totaling BGN 25,924 thousand, revenues from the region also accounted for a growing part of consolidated sales (36%, as compared to 20% for the same period of the previous year).

Comparing to the intense initial deliveries to a new client from the Greek telecom sector in the first half of 2021, total sales to Other Balkan Markets (BGN 3,976 thousand) decreased by 24%, but nevertheless continued to account for a substantial part of 6% of consolidated revenues for the ended six months period (comparable to the 5% share for the same period of 2021).

Reflecting the interim trend in revenues from the Macedonian public sector referred to in section II.2 above, sales to the South-Western Balkans region (BGN 639 thousand) declined by 69% from the first half of 2021 in spite of the relative increase recorded in Albania and contributed just 1% of consolidated sales for the ended six months period (as compared to 2% for the same period of the previous year).

Maintaining a similar size of BGN 2,074 thousand with a slight 6% decrease from the first half of 2021, recorded sales for the ended six months period in Central and Western Europe reached a share of 3% of consolidated revenues (comparing to 2% for the same period of the previous year) and continued to consist mostly of cross-border and multinational clients serviced by TBS EAD.

Increasing nearly three times from the first half of 2021, sales to Other markets outside Europe reached BGN 908 thousand or 1.3% of consolidated revenues (comparing to 0.3% for the first half of 2021) and continued to reflect mostly the growing revenues from USA-based units of multinational accounts of TBS EAD.

II.3 Expenses and profitability

II.3.1 Gross profit

Reflecting the substantially higher consolidated gross margin (17.7%, as compared to 16.3 for the first half of 2021), consolidated gross profit (BGN 12,733 thousand) exhibited a substantially lower (as compared to revenues), but nonetheless significant decrease by 21%.

The main factor for both the higher relative profitability and the lower amount of gross profit was TBS EAD, which registered both a significant gross margin improvement and significantly lower revenues against the large projects with a high share of computer equipment and software license resale bearing typically lower added value realized in the first half of 2021.

II.3.2 Sales and marketing expenses

Compared to the same period of 2021, the consolidated sales and marketing expenses for the ended six months period (BGN 4,300 thousand) increased by 13% and implied a growing ratio of 6.0% of the consolidated revenues for the period (comparing to 3.9% for the first half of 2021).

Besides growing remuneration levels reflecting the inflation observed over the last 12 months, the main factors behind the observed increase included the allocation of further activities and human resources in Bulgaria towards the assurance of planned growth in local market sales and the strategic market development goals of the Group as a whole, as well as the deployment of a sales and marketing team in TBS Croatia with regard to the adopted goals for positioning and expansion on the Croatian market.

II.3.3 General and administrative expenses

The consolidated general and administrative expenses recorded in the first half of 2022 (BGN 3,300 thousand exhibited a substantial increase by 28% over the same period of 2021, representing an increasing proportion of 4.6% of consolidated revenues (as compared to 2.6% for the same period of the previous year).

Similarly to sales and marketing expenses, the observed increase also related to both growing remuneration levels and the assurance of the Group's current and strategic goals with the expansion of respective management and supporting functions and expenses in Bulgaria and the launch of locally based activities in Croatia and Romania.

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

In the context of decreasing gross profit, the increase in sales and marketing and general and administrative expenses in relation to the economic environment and the Group's strategy resulted in a reduction of consolidated operating profit to BGN 5,284 thousand. i.e. by 45% as compared to the first half of 2021, and a decrease in the operating profit margin from 9.9% in the latter to 7.4 for the current period.

In spite of the positive effect of the net gain from foreign currency operations (BGN 705 thousand, comparing to a net loss of (-) 81 thousand in the first half of 2021), consolidated EBITDA for the ended six months period (BGN 7,410 thousand) also exhibited a substantial decrease by 32% from the same period of 2021 and a contraction of the corresponding margin from 11.1% to 10.3%.

II.3.5 Financial income and expenses

Reflecting both the above-mentioned positive effect from foreign currency operations and reductions in net interest and other financial expenses, the net finance income BGN 522 thousand recorded in the current period represented a substantial positive change of BGN 862 thousand from the net financial expenses for the first half of 2021 (BGN (-) 340 thousand).

II.3.6 Net profit

In spite of the substantial positive effects of changes in financial income and expenses and corporate income tax, the contraction of operating profit led to a similar decrease in net profit to BGN 4,854 thousand, i.e. by 40% or BGN 1,698 thousand from the first half of 2021, and a decrease in the net profit margin from 8.3% in the latter to 6.3% for the current period.

II.4 Assets, liabilities and equity

II.4.1 Assets

Reaching a total of BGN 77,496 thousand, consolidated assets reported as of June 30 2022 exhibited an increase by BGN 7,553 thousand or 11% from the end of 2021 as a result of similarly sizeable increases in the Group's current and non-current assets.

The BGN 3,901 thousand or 7% increase registered in current assets (totaling BGN 58,266 thousand or 75% of the Group's total assets) was mainly the result of the accumulation of inventories in the form of goods and work in progress in Bulgaria and, to lesser extent, Slovenia, in relation to forthcoming deliveries and projects in the process of implementation as of period end.

In spite of their decrease by BGN 1,500 thousand analyzed in section II.5 below, the Group's cash and cash equivalents maintained a significant balance of BGN 11,315 thousand, accounting for 15% of consolidated total assets as of period end.

The BGN 3,652 thousand or 23% increase registered in non-current assets (reaching BGN 19,230 thousand or 25% of the Group's total assets) was mainly the 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.

An increase (by BGN 558 thousand or 8%) was also observed in long-term assets making part of Property, plant and equipment, which reached BGN 7,247 thousand as a result of accelerating investments in equipment provided by TBS EAD as a service to clients under long-term managed service contracts and continued to also include substantial 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

Comparing to assets, consolidated liabilities exhibited a substantially lezz sizeable increase by BGN 2,749 thousand or 5% from December 31 2021, ending the period at BGN 55,665 thousand.

The observed increase was entirely attributable to consolidated non-current liabilities (BGN 12,492 thousand, equivalent to 16% of total assets and 22% of total liabilities, increased by BGN 2,856 thousand or 30% from December 31 2021 as a result of growing long-term deferred income arising from equipment support contracts with a term of more than 1 year, relative to the corresponding prepayments included in consolidated assets.

Reported non-current liabilities also continued to include substantial long-term lease liabilities arising from both finance lease agreements for equipment provided as a service and other tangible assets 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 55 thousand, and that of rental and operating lease contract obligations – to BGN 947 thousand, the latter of which do not represent financial debt.

Balanced between the increase in trade and other payables and the reduction of contract liabilities and short-term financial debt (all stemming predominantly from region Mid-Western Balkans), consolidated current liabilities remained substantially unchanged from December 31 2021, ending the period at BGN 43,173 thousand, equivalent to 56% of consolidated assets and 78% the Group's total liabilities.

Decreasing by BGN 1,451 thousand or 84% as a result of the repayment of most funds utilized under a revolving bank credit facility in Serbia as of December 31 2021, the components of short-term financial debt reported as of June 30 2022 included outstanding obligations under the same facility in the amount of BGN 274 thousand and BGN 332 thousand of current obligations from finance lease contracts. Pursuant to the application of IFRS 16, the Group also continued to report substantial current liabilities from rental and operating lease contracts in the amount of BGN 1,023 thousand, which do not represent financial debt.

II.4.2.1 Financial debt

Summing the above loan (BGN 274 thousand) and finance lease obligations (totaling BGN 387 thousand), the consolidated financial debt of BGN 661 thousand measured as of June 30 2022 registered a significant decrease by 71% or BGN 1,628 thousand from December 31 2021, amounting to just 1% of total assets and total liabilities identical (comparing to respective ratios of 3% and 4% as of the end of 2021).

Accounting for the less sizeable decrease in cash and cash equivalents noted in section II.4.1, consolidated net financial debt (the difference between financial debt and cash and cash equivalents) decreased by BGN 128 thousand from December 31 2021, ending the period with a negative value (surplus of cash and cash equivalents over financial debt) of BGN 10,654 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.

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 15,093 thousand, as compared to BGN 11,085 thousand as of the end of 2021.

Accounting for growth in current assets along the lines of inventories in parallel with decreasing cash and cash equivalents and maintaining substantially unchanged current liabilities as of period end, the Group increased its current liquidity from 1.26 at the end of 2021 to 1.35 as of June 30 2022, while maintaining an unchanged quick ratio of 0.94 and registering a slight decrease in cash liquidity from 0.30 to 0.26.

II.4.4 Equity

In the absence of dividend distributions outside the Group, the consolidated equity of BGN 21,831 thousand recorded as of June 30 2022 exhibited an increase by BGN 4,804 thousand or 28% from the end of 2021 corresponding almost entirely to profit for the ended six months period.

Together with retained earnings as of December 31 2021 after the below-mentioned fulfillment of the Company's Reserve Fund, accumulated earnings from the current and previous periods making part of equity as of June 30 2022 reached BGN 22,014 thousand.

By GMS resolution from June 29 2022, the Company's legal reserves were increased by the allocation of BGN 269 thousand of its net profit for 2021 towards the fulfilment of its Reserve Fund up to 10% of its registered capital or BGN 1,250 thousand, by the attaining of which the Company has definitively fulfilled its obligation as per art. 246 of the Commercial Code. Except for the latter increase, consolidated capital reserves remained substantially unchanged and continued to include, besides the above legal reserves, currency translation reserves in the amount of BGN -557 thousand, 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 and the cumulative positive effect of long-term share incentive plans enacted by the end of 2021) and other components of equity recognized in relation to the buyback of shares for the purposes of the latter programs.

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 and held by the Company as of March 31 2022 amounted to BGN 4 thousand.

Accounting for the faster growth in equity as compared to total assets for the period, the Group increased its balance sheet capitalization (the ratio of equity to total assets) up to 28% (comparing to 24% as of the end of 2021).

II.5 Cash flows

II.5.1 Cash flow from operating activities

In spite of its relative decrease from the first half of 2021, realized profit before tax, depreciation and other reconciliations to net cash flow still exceeded substantially the interim increase in net working capital registered with regard the accumulation of inventories towards period end. As a result, the Group ended the first half of 2022 with a lower but nonetheless positive net cash flow from operating activities of BGN 2,600 thousand (as compared to BGN 6,797 thousand for the same period of 2021).

II.5.2 Cash flow from investing activities

During the first half of 2022, the Group accelerated substantially its investments in equipment to be provided to clients under existing and new long-term managed service contracts and orders. Accounting for the respective increase in the purchase of fixed assets, the typically negative consolidated net cash flow from investing activities increased substantially, reaching BGN (-) 1,775 thousand (as compared to BGN (-) 547 thousand for the first half of 2021).

II.5.3 Cash flow from financing activities

In the absence of dividend payments outside the Group during the reporting period, the registered significant decrease in the consolidated net cash flow from investing activities to BGN (-) 2,325 thousand (comparing to its positive value of BGN 1,267 thousand for the first half of 2021) reflected mostly the net repayment of financial debt (revolving credit and finance leases) during the ended six month (against its net increase in the same period of 2021).

II.5.4 Net cash flow

Summarizing the above factors, during the end six months period, the Group registered a net decrease in cash and cash equivalents by BGN 1,500 thousand (comparing to their increase by 7,517 thousand in the same period of 2021) mainly as a result of growing investments in fixed assets related directly to the sale of services and the net repayment of financial debt, while maintaining nonetheless significant available own funds and remaining in a net cash position (surplus of cash and cash equivalents over financial debt) as pf period end (as detailed in section II.4 above).

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 threats of terrorist attacks in Europe, the acute destabilization of countries in the Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves driven by these factors and the potential instability of other key countries near 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, inflation remains high and 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 the developed Western European countries and the USA, 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 limited floating benchmark, fixing base or local currency in Croatia, 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 markets and institutions in the countries where Group companies operate, leading global economies and the EU, affecting adversely the accessibility of financing, funding costs, investment returns and economic growth.

Although base interest rates quoted by the Bulgarian National Bank and the European Central Bank maintained zero, and EURIBOR indexes up to 3 months – negative levels as of period end, the second quarter of 2022 saw a general trend of increases in all leading local and international interest rates, with EURIBOR indexes from 6 months up, as well as all indexes of the USD LIBOR group, respectively SOFR, reaching substantial positive values as of period end, which can be regarded as an indication of an increased level of systemic interest risk.

III.1.5 Credit risk

Systemic credit risk is the probability of lowering the credit ratings of the countries in which Group companies or key counterparties thereof operate or other countries playing an important part in their economies with potential adversely effect on 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 Risk of adverse changes in tax legislation and practices

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 give rise 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, a risk of legal infrastructure deficiencies can be identified, which 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.

Typical 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 announced tendering procedures or the results thereof. Regardless of their merits, as per 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 a limited floating benchmark in Croatia, the Group is exposed to a translation risk relative mainly to the floating Serbian Dinar, the Macedonian Denar and the Albanian Lek, as well as to the exchange rates of the Romanian Lei and the US dollar, in the perspective of the targeted positioning and expansion on these markets.

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 mainly in connection with the use of overdraft limits and revolving credit lines in Bulgaria, Serbia and Slovenia based on the base interest rate (BIR) of the Bulgarian National Bank, EURIBOR and USD LIBOR indexes and the reference interest rate of a lending bank based on the variable yields on retail deposits in Bulgaria, as well as 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, the predominantly low or negative levels of such indexes observed in recent years and the low effective variability of BIR and EURIBOR determined by the application of fixed minimum total interest rates by financing banks, the Group considers interest rate risk as relatively insignificant and has no current hedging practices. Consequently, a potential sharp rise in market indexes could have a negative impact on its results.

III.2.9 Operational risks

III.2.9.1 Deviations in processes and quality of service

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

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

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

III.2.9.3 Assuring compliance with standards and norms

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

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

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

III.2.10 Other risks

III.2.10.1 Litigation risk

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

III.2.10.2 Risks relative transactions with related parties

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

III.2.10.3 Cyber attacks

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

III.2.10.4 Force majeure

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

III.3 COVID-19 coronavirus epidemic

In spite of the pandemic's general tendency towards subsiding and the relaxation or discontinuation of most anti-epidemic measures, incidence remains unstable and the Group remains exposed both to the risk of new escalations and to the various repercussions COVID-19, such as accelerated inflation, the extension of the production and delivery cycle of electronic components and equipment and the slowdown in the investments of some private sector industries in certain types of information and communication technologies.

At the same time, there also remain significant factors counter-balancing the above risks, including the acceleration of public spending on technological development and modernization and support of the economy as a whole, as well as a tendency of significant acceleration of private sector investments in digitalization and digital transformation.

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 Report, the latter are not deemed exposed to significant risks arising from a continuing development of the epidemic and/or its repercussions. Nevertheless, the Company's management will continue to monitor the situation's development on a day-to-day basis, 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.

III.4 Military conflict between Russia and the Ukraine

Consequent to the military conflict between Russia and Ukraine, which escalated in February 2022, the first half of the year was marked by both increasing geopolitical tension and various economic repercussions, including restrictions or halt on the activities of many Ukrainian and Russian companies as a result of the military action and sanctions against Russia, accelerated inflation as a result of the growing prices of energy and key agricultural goods and increased instability on the stock and currency markets, having direct or indirect potential or actual impact on the activities of many companies and industries in the European Union and the USA as well.

The Issuer and its subsidiaries have no direct exposure to related parties, clients and/or suppliers from the countries involved in the conflict. Therefore, the Group is not deemed to be directly exposed to risks arising from the above events.

Considering the uncertainty of the inherently dynamic development of the conflict and its repercussions, the Company's management is of the opinion that it still lacks the premises and conditions to a reliable quantitative assessment of the potential indirect impact of respective changes in the micro- and macroeconomic environment on the Group's financial position and results. Nevertheless, it remains committed to the ongoing monitoring of the situation and analysis of the possible future consequences of the conflict results, with a view to the timely identification of potential and actual negative effects and the undertaking of all possible measures towards limiting their effect.

IV DISCLOSURE OF INTERNAL INFORMATION, AS REQUIRED BY ART. 12, PAR. (1), ITEM 2, PURSUANT TO ART. 13, PAR. (1) OF ORDINANCE 2 OF THE FSC

The Company publishes insider information as per art. 7 от Regulation (EC) № 596/2014 regarding the circumstances having occurred in the first six months of 2022 on its web site: https://www.tbs.tech/bg/za-investitorite/.

All of the information has also been disclosed to the public via the selected media service available on the web address: http://www.x3news.com/.

V ADDITIONAL INFORMATION AS PER ART. 12, PAR. (1), ITEM 4, PURSUANT TO ART. 13, PAR. (1) 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 January 24 2022, Telelink Business Services GmbH, a subsidiary represented by Silviya Marinova, was officially entered into 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. The resolution to establish the company had been made on an MB meeting held on January 06 2021.

Except for the above-mentioned, there were no other changes in shareholdings of the Issuer or mutual participations in the capital of its 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

During the first six months of the year, the Issuer has not participated in any reorganization, made any disposals of shares in subsidiaries or contributions in kind to the capital of subsidiaries and other companies, 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.

During the first six months of the year, none of the Group's subsidiaries participated in any reorganization, made any disposals of shares in subsidiaries or contributions in kind to the capital of subsidiaries and other companies, leased out any of its assets 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 24 2022 the Issuer disclosed as a part of a digital event "Financial Outlook and Strategic Highlights 2022-2026" and published on its web page a presentation, featuring the budgeted consolidated financial results for the full financial year 2022 shown in column "Budget 2022" of the table below ("Budget 2022").

Financials	Budget 2022		Results as of June 30 2022		
	EUR'000	BGN'000	EUR'000	BGN'000	% of Budget 2022
Net sales revenue	**95.5**	**186,782**	**36.7**	**71,810**	**38%**
Gross Profit	**16.9**	**33,054**	**6.5**	**12,733**	**39%**
Sales and Marketing Expenses	-6.4	-12,517	-2.2	-4,300	34%
General and Administrative Expenses	-4.1	-8,019	-1.7	-3,300	41%
EBITDA	**8.0**	**15,647**	**3.8**	**7,410**	**47%**
Operating Profit	**6.4**	**12,517**	**2.7**	**5,284**	**42%**
Net Profit	**5.4**	**10,561**	**2.5**	**4,854**	**46%**
Revenue by Invoicing Country/Region:					
Bulgaria	61.9	121,193	21.2	41,477	34%
Mid-Western Balkans	27.2	53,254	15.2	29,663	56%
South-Western Balkans	5.9	11,551	0.3	671	6%
Romania	0.3	587	0.0	0	0%
Germany and USA	0.1	196	0.0	0	0%
Revenue by Technology Group					
Service Provider Solutions	20.5	40,137	10.0	19,596	49%
Enterprise Connectivity	27.4	53,646	6.6	12,819	24%
Private Cloud	24.6	48,164	7.7	14,983	31%
Public Cloud	0.4	783	0.3	653	83%
Modern Workplace	6.2	12,139	4.0	7,866	65%
Computers and Peripherals	0.4	783	0.3	562	72%
Application Services	5.9	11,551	5.6	10,915	94%
Hyperautomation	0.2	392	0.2	330	84%
Information Security	6.9	13,509	1.2	2,435	18%
IoT	0.3	587	0.2	343	58%
Other	2.6	5,090	0.7	1,308	26%

The ratios of achieved consolidated results as of June 30 2022 towards Budget 2022 are shown in section "Results as of June 30 2022" of the same table.

As evidenced by the above calculations, consolidated total revenue and gross profit amounted to 38% and 38% of Budget 2022 at a margin consistent with the one budgeted for the full year, while, as result of the lower ratio on the level of sales and marketing expenses and the realized positive net foreign exchange differences, consolidated EBITDA, operating and net profit for the first half of the year attained higher ratios of 47%, 42% и 46% of the corresponding budgeted results for the full 2022.

In territorial aspect, as of June 30 2022, the Group realized more than half of sales budgeted for the full 2022 from region Mid-Western Balkans and more than one third of the revenues expected to be invoiced from Bulgaria, but only 6% of those expected from region South-Western Balkans.

In a product regard, the sales attained in the first months amounted to more than 50% in Public Cloud, Modern Workplace, Computers and Peripherals, Application Services, Hyperautomation and IoT and more than 20% in all remaining groups except Information Security (18%).

Overall, these ratios were generally consistent with the expected distribution of activities in the course of the year, the main factor of which is the higher concentration of targeted projects in the public sector (including, but not limited to the areas of Enterprise Connectivity and Information Security) in Bulgaria and Macedonia in the second half of 2022.

The Company's management monitors the current performance and analyzes the factors and circumstances relevant to the achievement of projected results for 2022, remaining ready to adopt and disclose a potential revision of the latter, if and when such revision may be deemed justified by the established degree of 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 as of the end of the first six months of the year and changes in the number of votes held during 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 2022 included majority shareholder and founder of the former economic group of Telelink Lubomir Minchev and foreign investment fund Utilico Emerging Markets Trust PLC (UK).

During the reporting period there have been no changes in the shares held by the above persons I there have been no other persons owning directly or indirectly at least 5% of the votes in the GMS.

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 half of the year and changes thereto over the reporting period

As of June 30 2022, the members of the MB continued to hold a total of 142,924 shares representing 1.14% of the Company registered capital, distributed as follows:

Number of shares held by the members of the	Owned as of			
	30.6.2022	%*	31.12.2021	%*
Ivan Zhtiyanov	133,258	1.07%	133,258	1.07%
Teodor Dobrev	4,996	0.04%	4,996	0.04%
Orlin Rusev	284	0.00%	284	0.00%
Nikoleta Stanailova	3,352	0.03%	3,352	0.03%
Gojko Martinovic	1,034	0.01%	1,034	0.01%
Total	**142,924**	**1.14%**	**142,924**	**1.14%**

** % of the registered share capital*

As of June 30 2022, the members of the SB continued to hold a total of 502,561 shares representing 4.02% of the Company's registered capital, distributed as follows:

Number of shares held by the members of the	Owned as of			
	30.6.2022	%*	31.12.2021	%*
Hans van Houvelingen	900	0.01%	900	0.01%
Ivo Evgeniev	501,661	4.01%	501,661	4.01%
Boris Nemsic**	0	0.00%	-	-
Bernard Moscheni***	-	-	0	0.00%
Total	**502,561**	**4.02%**	**502,561**	**4.02%**

** % of the registered share capital*

*** not a member as of 31.12.2021*

**** not a member as of 30.06.2022*

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 2022 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

During the reporting period, the Company remained party (lender) to a Cash loan agreement with TBS Croatia (UIN 081341811) (borrower) from September 21 2021 with an initial maximum amount of EUR 200 thousand, subject to revolving utilization and repayment, an initial tenor of 12 months and an annual interest rate of 2.5%. On March 29 2022, an annex was signed, whereby the limit was extended to EUR 500 thousand and the term – until December 21 2022. As of June 30 2022, outstanding receivables for principal and accrued interest amounted to EUR 270 thousand.

On February 21 2022, TBSG (lender) signed with TBS Romania (UIN J40/19800/2021) (borrower) a loan agreement with a maximum amount of EUR 200 thousand, subject to revolving utilization and repayment, a initial tenor of 12 months and an annual interest rate of 2.5%. As of June 30 2022, outstanding receivables for principal and accrued interest amounted to EUR 80 thousand.

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

As of June 30 2022 and during the reporting period as a whole, the Issuer maintained its commitments as a guarantor, respectively pledgor under the following contracts signed in 2019 as security to the obligations of TBS EAD (UIN 130545438) under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD from October 10 2019, extended with an annex from May 31 2022 with a total amount of the limits subject to utilization in cash of EUR 7 million and a total amount of all limits, including contingent bank credit for the issuance of guarantees, of EUR 13 million and a utilization period until May 31 2023:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and the annexes thereto until their full repayment;
- 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 full repayment.

As of June 30 2022, the Company also maintained:

- a corporate guarantee issued on July 01 2020 in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel (UIN 07554133) and Telelink Slovenia (UIN 6596240000) to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment terms, up to the amount of USD 5,100 thousand;
- a counter-guarantee issued on October 26 2020 in favour of TBS Macedonia (UIN 7385986) in the amount of EUR 22,000 with regard to a contract with Operator Electrical Distribution Systems, North Macedonia, valid until November 10 2023;
- a corporate guarantee issued on December 10 2021 for the amount of EUR 145,435.43, securing the obligations of TBS Albania (UIN L91803017J) from a purchase agreement with Veracomp D.O.O.;
- a corporate guarantee issued on February 15 2022 for the amount of EUR 56,554.95, securing the obligations of TBS Croatia (UIN 081341811) from operating lease agreements with Unicredit Leasing Croatia d.o.o.;
- a corporate guarantee issued on March 16 2022, securing the obligations of Telelink Slovenia (UIN 6596240000) under Framework Credit Agreement №. 5074/2022 with Unicredit Banka Slovenia d.d. for the amount of EUR 1,500,000;
- a corporate guarantee issued on June 28 2022, securing the obligations of TBS Croatia (UIN 081341811) under Framework Agreement for Bank Guarantees №. 0200126236 from 27.06.2022 with Zagrebacka Banka d.d. for the amount of HRK 1,500,000.

V.8.3 Loans granted by subsidiaries

As of June 30 2022, the following agreements for loans granted by subsidiaries of the Issuer were in force:

- a Cash loan agreement from March 23 2022 between TBS EAD (lender) and TBS Group (UIN 205744019) (borrower) with a revolving limit of BGN 1,000 thousand, granted under the terms of partial utilization and repayment, with an initial full repayment deadline until March 23 2023 and an interest rate of 2.25% p.a. on the utilized part of the limit, whereunder, as of June 30 2022, corresponding obligations were fully repaid;
- a Cash loan agreement from February 15 2021 and an Annex thereto from December 31 2021 between TBS EAD (lender) and Telelink Albania (UIN L91803017J) (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 2022, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of June 30 2022 in the amount of EUR 481 thousand;
- a Cash loan agreement from February 15 2021 and an Annex thereto from December 31 2021 between TBS EAD (lender) and TBS Macedonia (UIN 7385986) (borrower) with a revolving limit of up to EUR 2,000 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2022, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of June 30 2022 in the amount of EUR 227 thousand;

- a Cash loan agreement from April 28 2022 between TBS EAD (lender) and TBS USA (EIN 87-3192431) (borrower) with a revolving limit of up to USD 1,000 thousand, granted under the terms of partial utilization and repayment, with a full repayment deadline until December 31 2022, interest rate of 2.5% p.a. on the utilized part of the limit and outstanding receivables for principal and accrued interest as of June 30 2022 in the amount of USD 60 thousand.

V.8.4 Provided security 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 January 21 2022, the suretyship agreement, whereby TBS EAD has guaranteed the due performance of the respective obligations of Comutel, was extended until January 31 2023.

As of June 30 2022, TBS EAD had extended the following guarantees securing third-parties with regard to the implementation of projects by the Group:

Gurantee securing obligations of:	UIN	Guarantee type	Guarantee amount (BGN)	Validity
Consortium Green border	177273169	performance	135,000.00	8.9.2022
Consortium Technolink	177359593	performance	28,834.89	31.8.2023
Consortium SYSTEL DZZD	177424500	performance	212,121.21	29.10.2023
Consortium Safe Borders TELESEC DZZD	177158206	performance	66,359.75	30.12.2024
Consortium Telelink Group DZZD	177239104	performance	66,238.86	17.6.2024
Consortium	180705429	performance	258,368.81	30.9.2024
Consortium	180705429	performance	183,441.86	30.11.2022
TBS Macedonia	7385986	counter-guarantee	135,433.97	15.10.2024
TBS Macedonia	7385986	performance	378,453.12	31.3.2023
TBS Romania	205744019	performance	122,743.98	11.10.2022
TBS Croatia	081341811	performance	260,777.35	1.2.2023

VI INFORMATION ON LARGE TRANSACTIONS WITH RELATED PARTIES AS PER ART. 12, PAR. (3), PURSUANT TO ART. 13, PAR. (1) 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

On February 25 2022, the following contracts were signed between the Company and its subsidiaries for the provision of services related to the respective subsidiary's corporate and business development, including but not limited to product positioning, consultancy on business planning, financial reporting and audit, legal consultancy and consulting and services related to PR and marketing activities and the popularization of their activities, valid until March 31 2022:

- Agreement between the Company and TBS EAD, whereunder services provided for the reporting period amounted to BGN 117 thousand;
- Agreement between the Company and Comutel, whereunder services provided for the reporting period amounted to BGN 20 thousand;

- Agreement between the Company and TBS Montenegro, whereunder services provided for the reporting period amounted to BGN 4 thousand;
- Agreement between the Company and Telelink Bosnia, whereunder services provided for the reporting period amounted to BGN 4 thousand;
- Agreement between the Company and Telelink Slovenia, whereunder services provided for the reporting period amounted to BGN 4 thousand;
- Agreement between the Company and Telelink Albania, whereunder services provided for the reporting period amounted to BGN 4 thousand;
- Agreement between the Company and TBS Macedonia, whereunder services provided for the reporting period amounted to BGN 4 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 63 thousand.

On March 23 2022, a Cash loan agreement from was signed between the Company (borrower) and TBS EAD (lender), with a limit of up to BGN 1,000 thousand, tenor until December 31 2021 and an interest rate of 2.25% p.a. over the utilized part of the loan. The Company's corresponding interest expenses for the period amounted to BGN 3 thousand.

In accordance with a GMS resolution from April 12 2022, on the same date, the following contracts were signed between the Company and its subsidiaries for the provision of business services, including but not limited to assistance in the implementation and maintenance of ISO standards and Regulations (GDPR), the establishment of contacts and partnerships with key distributors and suppliers, business development, product positioning, PR and marketing activities and the popularization of their activities, valid until December 31 2024:

- Agreement between the Company and TBS EAD, whereunder services provided for the reporting period amounted to BGN 592 thousand;
- Agreement between the Company and Comutel, whereunder services provided for the reporting period amounted to BGN 0.3 thousand;
- Agreement between the Company and Telelink Albania, whereunder services provided for the reporting period amounted to BGN 1 thousand;
- Agreement between the Company and TBS Macedonia, whereunder services provided for the reporting period amounted to BGN 1 thousand;
- Agreement between the Company and TBS Croatia, whereunder services provided for the reporting period amounted to BGN 0.4 thousand;
- Agreement between the Company and TBS Romania, whereunder services provided for the reporting period amounted to BGN 6 thousand;
- Agreements between the Company and Telelink Slovenia, Telelink Bosnia and TBS Montenegro, whereunder there were no services provided during the reporting period.

On June 17 2022, the MB approved the annual financial statements and report on the activities of TBS EAD for 2021 and resolved upon the distribution of a dividend from the subsidiary's profit for 2021 I the amount of BGN 10,365,899.00.

On June 30 2022, the MB approved the annual financial statements for 2021 of Comutel, Telelinik Bosnia, TBS Montenegro, Telelink Slovenia, TBS Macedonia and TBS Croatia and resolved upon the distribution of dividends towards TBSG in the total amount of EUR 1,520,000.00, including EUR 720,000.00 from Comutel, EUR 700,000.00 from Telelink Slovenia and EUR 100,000.00 from TBS Macedonia.

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 position 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 2021, other than those referred to in this Report.

VII IMPORTANT EVENTS AFTER THE DATE OF THE INTERIM FINANCIAL STATEMENTS

On August 17 2022, the Issuer posted an invitation and materials for an Extraordinary General Meeting of Shareholders (EGMS) to be held on September 21 2022 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 2022;
2. Resolution as per art. 41 para. 2 of the Company's Articles of Association upon 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 2022;
4. Extension of the term of office of the current members of the Company's Supervisory Board;
5. Determination of the remuneration and the amount of the management guarantee for the members of the Supervisory Board;
6. Resolution to provide the members of the Managing Board with remuneration based on shares of the Company for 2022 and approval of a schedule for providing remuneration based on shares of the Company to the members of the Managing Board for 2022.

The total amount of dividends proposed for distribution in 2022 as per art. 2 of the above agenda is BGN 10,125,000 or BGN 0.81 per share, including BGN 2,429,535.15 from the Company's individual profit for 2021 and BGN 7,695,464.85 of the same for the first half of 2022.

Together with the interim dividend of BGN 9,572 thousand distributed in 2021, the dividend of BGN 2,430 thousand proposed for distribution in 2022 from the Company's individual profit for 2021 (BGN 12,271 thousand) reached 100% of the distributable part of the latter after the allocation of BGN 269 thousand to the Reserve Fund as per art. 246 of the Commercial Code.

The interim dividend of BGN 7,695 thousand proposed for distribution in 2022 represents 60% of the Company's individual profit for the first half of 2022 (BGN 12,884 thousand).

The main source of the latter was financial income from dividends received from directly controlled subsidiaries in the total amount of BGN 13,339 thousand, which included distributions made in June 2022 out of 4 subsidiaries with the main contribution of TBS EAD.

Company	Region	Dividend Income (BGN thousand) 30.6.2022	30.6.2021	ръст/ (спад)	share 30.6.2022	share 30.6.2021
TBS EAD	Bulgaria	10,366	11,442	-9%	78%	85%
Comutel	Mid-Western Balkans	1,408	391	260%	11%	3%
Telelink Bosnia	Mid-Western Balkans	0	782	-100%	0%	6%
Telelink Slovenia	Mid-Western Balkans	1,369	841	63%	10%	6%
TBS Macedonia	South-Western Balkans	196	0	-	1%	0%
Total	Bulgaria	10,366	11,442	-9%	78%	85%
Total	Mid-Western Balkans	2,777	2,015	38%	21%	15%
Total	South-Western Balkans	196	0	-	1%	0%
Total	**Total**	**13,339**	**13,456**	**-1%**	**100%**	**100%**

With the proposed distributions, the Company fulfilled 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 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: 2022.08.30 11:49:11 +03'00'

August 29 2022 ____

Sofia Ivan Zhitiyanov, TELELINK BUSINESS SERVICES GROUP AD