



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. 1000 PAR. (4) OF THE PUBLIC OFFERING OF SECURITIES ACT (POSA) AND ART. 12 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 SERVICES GROUP AD (the Company), guided by our commitment to manage the Company in the best interest of its shareholders and in accordance with the provisions of art. 100o of the POSA and art. 12 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 this Management Report (the Report). The Report presents commentary and analysis of key financial and non-financial indicators and an objective review, providing a true and fair representation of the development and operating results of the Company, as well as of its condition, together with a description of the main risks thereto.



I GENERAL COMPANY INFORMATION

I.1 Business profile

Telelink Business Services Group AD (TBSG, the Company, the Issuer) was established in 2019 with the purpose of consolidating, forming and managing 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 Company’s main commercial activities comprise 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 operations in the field of ICT or other areas involving end customers outside the Group.

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

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

- Hans van Houvelingen – Chairman of the Supervisory Board;
- Ivo Evgeniev – member of the SB;
- Boris Nemšić – member of the SB (elected in replacement of Bernard Jean-Luc Moscheni by resolution of the GMS from June 29 2022).

I.3 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, whereby three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock Exchange (the 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 in accordance with a resolution of the MB for the purchase 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%.



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1.4 Investment portfolio

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 Service Montenegro DOO (TBS 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.

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

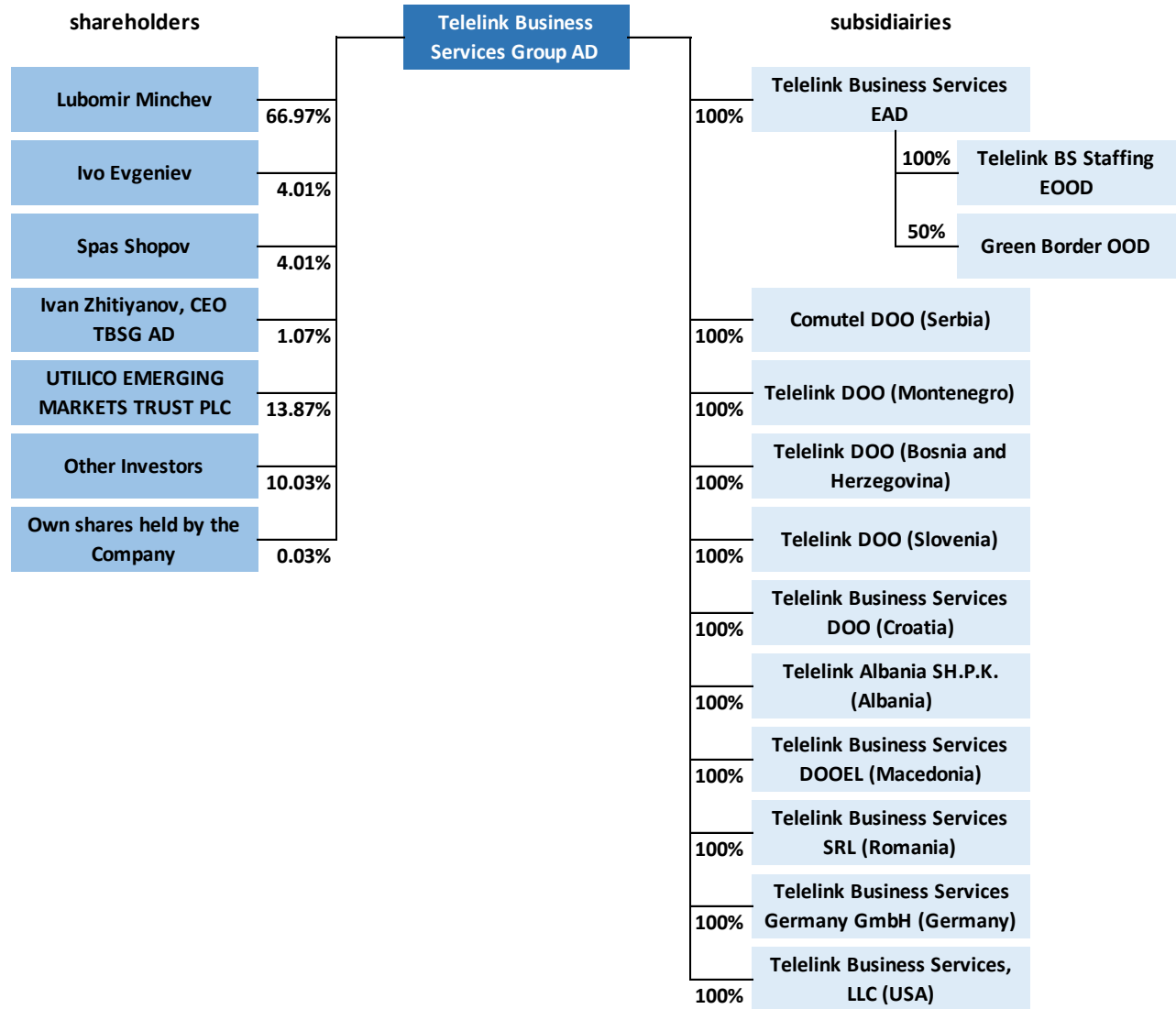
As of June 30 2022, all direct subsidiaries except for the recently established TBS Germany carried out active commercial operations.

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.

1.5 Combined shareholding structure of the Company and the Group



1.6 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, telephone number: +359 2 9882413, e-mail address: IR-TBS@TBS.TECH.

II KEY FINANCIAL INDICATORS

Financials (BGN thousand)	(period end)		change
	30.6.2022	30.6.2021	
Net sales revenue	762	940	-19%
Cost of Sales	-721	-912	-21%
Gross Profit	41	28	46%
Sales and Marketing Expenses	-39	-11	255%
General and Administrative Expenses	-329	-408	-19%
Other Operating Income/(Expenses) (net)	1	4	-75%
Operating Profit	-326	-387	-16%
Financial Income/(Expenses) (net)	13,337	13,435	-1%
incl. Dividend Income	13,343	13,456	-1%
Income Tax Expense	-127	-77	65%
Net Profit	12,884	12,971	-1%
Depreciation & Amortization Expenses	-23	-31	-26%
Interest Income/(Expenses) (net)	2	-19	-111%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)	13,032	13,098	-1%
	30.6.2022	31.12.2021	
Total Assets	30,384	17,622	72%
Non-current Assets	16,310	16,275	0%
Current Assets	14,074	1,347	945%
Equity	29,655	16,822	76%
incl. Retained Earnings and Profit for the Year	15,314	2,699	467%
Total Liabilities	729	800	-9%
Non-current Liabilities	0	0	-
Current Liabilities	729	800	-9%
Cash & Cash Equivalents	829	901	-8%
Total Financial Debt*	0	0	-
Net Financial Debt**	-829	-901	72
	30.6.2022	30.6.2021	
Net Cash Flow from Operating Activities	-935	-822	-113
Net Cash Flow from Investment Activities	917	2,510	-1,593
incl. Dividends Received	1,500	2,500	-1,000
Net Cash Flow from Financing Activities	-54	-1,128	1,074
	30.6.2022	31.12.2021	
Number of Employees as of Period End	30	31	-3%

* Incl. loans and finance lease contracts

** Total Financial Debt - Cash & Cash Equivalents

Ratios	(period end)		change
	30.6.2022	31.12.2021	
Current Ratio	19.3	1.7	17.6
Equity / Total Assets	98%	95%	2%
Financial Debt / Total Assets	0%	0%	0%
Non-current Assets / Total Assets	54%	92%	-39%
Equity and Non-current Liabilities / Non-current Assets	1.8	1.0	0.8

III REVIEW OF THE COMPANY'S ACTIVITIES AND FINANCIAL POSITION

As of June 30 2022, the Company conducts active operations and reports positive net assets in the amount of BGN 29,655 thousand.

Results and cash flows from the Company's activities are presented in the Income Statement and Cash Flow Statement and analyzed in sections III.1 and III.3 below.

The financial position, factors of the formation and observed changes in the value of the Company's assets, liabilities and equity are presented in the Statement of Financial Position and analyzed in section III.2 below.

III.1 Revenue, expenses and profitability

The Company's net sales revenue for the first six months of 2022 amounted to BGN 762 thousand.

Reflecting with the profile of its activities, the above revenues are derived entirely from administrative and financial services and such relative to the support and management of business development, marketing and sales, provided to Group subsidiaries. The predominant part continued to be formed of services relative to business development, sales and marketing, accounting for 67% of total revenues for the period and 77% for the same period of the 2021.

The observed overall decrease in sales by 19% between the two periods was mainly the result of the lower volume of services provided to TBS EAD, reflecting the transfer to the latter of a substantial part of the Company's personnel and activities related to the technological development and product management of the Group in the second quarter of 2021. Nevertheless, TBS EAD remained the predominant source of the Company's revenues with a share of 93% for the period and 97% for the first half of 2021.

Country	Region	Net Sales Revenue (BGN thousand)				
		30.6.2022	30.6.2021	change	share 30.6.2022	share 30.6.2021
Bulgaria	Bulgaria	709	911	0.8x	93%	97%
Serbia	Mid-Western Balkans	20	11	1.7x	3%	1%
Montenegro	Mid-Western Balkans	4	2	2.0x	1%	0%
Bosnia and Herzegovina	Mid-Western Balkans	4	2	2.0x	1%	0%
Slovenia	Mid-Western Balkans	4	2	2.0x	1%	0%
Macedonia	South-Western Balkans	5	7	0.7x	1%	1%
Albania	South-Western Balkans	5	5	0.9x	1%	1%
Croatia	Mid-Western Balkans	4	0	-	1%	0%
Romania	Other Balkan Markets	6	0	-	1%	0%
Total	Bulgaria	709	911	0.8x	93%	97%
Total	Mid-Western Balkans	36	17	2.1x	5%	2%
Total	South-Western Balkans	10	12	0.8x	1%	1%
Total	Other Balkan Markets	6	0	-	1%	0%
Total	Total	762	940	0.8x	100%	100%

In accordance with the adopted pricing policy regarding services provided to subsidiaries and with regard to the avoidance of deviations from market terms, the Company avoids charging significant markups upon its internal costs for the provision of such services and does not charge any upon the part of respective cost of sales arising from externally sourced services. Reflecting the above policy, the Company recorded a typically low gross profit

of BGN 41 thousand at a gross margin of 5%, comparable to the corresponding ratio of 3% for the first half of 2021.

Reported marketing, general and administrative expenses for the period in the amount of BGN 329 thousand included mostly the cost of the Company's internal administrative units, including among others the remuneration of the Managing and Supervisory Boards, as well as expenses for externally sourced marketing, financial, legal and administrative services, which, in their essence and purpose, are of a general nature and are not attributable to the cost of realized sales. The observed 19% decrease in the above expenses as compared to the first half of 2021 reflected mostly the optimization of expenses for external services related directly or indirectly to the Company's public status.

Reflecting the negative gap between marketing, general and administrative costs and realized gross profit, which is generally typical of its activity profile, the Company ended the first six months of 2022 with an operating loss of BGN -326 thousand. Nevertheless, the slightly higher gross margin and reduction of general and administrative expenses resulted in the relative improvement (reduction) of result from operating activities by 16% as compared to the first half of 2021.

At the same time, the Company also continued to record far more sizeable net financial income in the amount of BGN 13,337 thousand, comparable to the corresponding amount of BGN 13,435 thousand for the first half of 2021.

The major source of financial income included in the above indicator were dividends distributed to the Company from directly controlled subsidiaries in the total amount of BGN 13,343 thousand, including 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	рѝст/ (спад)	share 30.6.2022	share 30.6.2021
TBS EAD	Bulgaria	10,366	11,442	-9%	78%	85%
Comutel	Mid-Western Balkans	1,410	391	260%	11%	3%
Telelink Bosnia	Mid-Western Balkans	0	782	-100%	0%	6%
Telelink Slovenia	Mid-Western Balkans	1,371	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	2,781	2,015	38%	21%	15%
Total	South-Western Balkans	196	0	-	1%	0%
Total	Total	13,343	13,456	-1%	100%	100%

Consisting mostly of bank fees and interest expenses under the Cash Loan Agreement with TBS EAD described in section VI.8.3 of this Report, financial expenses remained relatively immaterial, amounting to BGN 13 thousand as compared to BGN 21 thousand for the same period of 2021.

Reflecting the significant surplus of net financial income over recorded operating loss, the Company ended the period with a pre-tax profit of BGN 13,011 thousand, comparable to the corresponding result of BGN 13,048 thousand exhibiting 59% for the first half of 2021.



According to the tax regime of dividend income from EU member countries, the above profit consisted mainly of non-taxable income from Bulgaria and Slovenia, resulting in a relatively limited effective tax rate of just 1.0%, comparable to the corresponding value of 0.6% recorded for the first half of 2021.

Summing the above factors, the Company ended the first half of 2022 with a net profit of BGN 12,884 thousand, similar to the corresponding result of BGN 12,971 thousand for the first half of 2021.

III.2 Assets, liabilities and equity

As of June 30 2022, the Company reported total assets in the amount of BGN 30,384 thousand, exhibiting a significant increase by 72% over December 31 2021.

The main factor behind above change was the multiple increase in current assets up to BGN 14,074 thousand, resulting from the formation of significant other receivables in the total amount of BGN 11,843 thousand for dividends distributed by subsidiaries TBS EAD, Comutel, Telelink Slovenia and TBS Macedonia and unpaid as of June 30 2021, as, due to the short time between their distribution in June 2021, only the dividend from TBS EAD was partly paid. In accordance with the Company's revenue profile, trade and other receivables in the amount of BGN 678 thousand were also formed entirely of counterparties making part of the Group. To another extent, growth in current assets also related to loans granted to subsidiaries with the purpose of financing recently launched activities in Croatia and Romania, which reached BGN 684 thousand. In spite of their slight decrease, cash and cash equivalents maintained a substantial value of BGN 829 thousand.

Showing a minor decrease from the end of 2021, the Company's non-current assets continued to consist mostly of its investments in subsidiaries. As of June 30 2022, the later amounted to BGN 15,846 thousand, BGN 49 thousand of which were formed in the past six months pursuant to the establishment of a new subsidiary in Germany.

Opposite to assets, total liabilities registered a moderate 9% decrease from December 31 2021, ending the period at BGN 729 thousand and continuing to consist entirely of current liabilities.

Typical for the period, changes by liability types included decreasing payables to the personnel from previous year end as a result of the payment of annual bonuses, balanced in part by deferred tax liabilities on dividends, received from subsidiaries outside the EU. As of June 30 2022, the Company had repaid in full the funds utilized during the period under the Cash Loan Agreement with TBS EAD and did not have any financial debt.

Reflecting the significant net profit for the current period, the Company's equity increased by 76% over December 31 2021, reaching BGN 29,655 thousand or 98% of total assets.

Besides the attained cumulative amount of retained earnings from the current and previous periods (BGN 15,314 thousand) and the registered share capital of BGN 12,500 thousand formed in 2019, equity as of June 30 2022 comprised reserves in the total amount of BGN 1,841 thousand, including a Reserve Fund in the amount of BGN 1,250 thousand or 10% of the registered equity, with the attaining of which the Company has fulfilled entirely its obligation as per art. 246 of the Commercial Code. Reduced by expenditures on the buyback of shares held by the Company as of period end, other reserves and components of equity continued to include mostly reserves recorded with regard to share-based incentive schedules in 2020 and 2021.



III.3 Cash Flows

Exceeding substantially the sum of loans granted during the period, the paid-in equity of the newly established TBS Germany and relatively immaterial payments on the acquisition of fixed assets, the partial dividend payment of BGN 1,500 thousand received from TBS EAD allowed for the generation of a positive net cash flow from investing activities in the amount of BGN 917 thousand.

The latter covered almost entirely the negative net cash flow from operating activities of BGN -935 thousand, which reflected both the typical operating loss and the negative changes in net working capital arising from growing receivables and decreasing trade and other payables during the period.

As funds utilized during the period under the Cash Loan Agreement with TBS EAD were fully repaid, the Company recorded a relatively insignificant negative net cash flow from financing activities of BGN -54 thousand reflecting mostly the expenditure on the buyback of own shares acquired during the period.

Summing the above factors, the Company recorded a moderate net decrease in cash and cash equivalents by BGN 72 thousand, comparing to their increase by BGN 560 thousand in the same period of 2021, when it received a partial dividend payment from TBS EAD in the amount of BGN 2,500 thousand.

IV MAIN RISKS FACED BY THE COMPANY

The risks associated with the Company's business can generally be divided into systemic (general) and non-systemic (related specifically to its activities).

Insofar as Group subsidiaries are the Company's main source of income and complementary funding, risks relevant to the Company also include those inherent to their business and the sector in which they operate, as described in the published financial notifications on a consolidated basis and management reports to the Company's consolidated interim and annual financial statements.

IV.1 Systemic risks

The common (systemic) risks are those that relate to all economic agents in the country and are the result of external factors that the Company cannot influence. The main methods for limiting the impact of these risks are the collection and analysis of current information and the formation of expectations for future developments by specific and common indicators.

IV.1.1 Political risk

Political risk is the probability 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 economic agents operate may change adversely, and investors may suffer losses.

In international perspective, political risks for Bulgaria and the Western Balkans also include the challenges related to undertaken commitments to implement major structural reforms, improve social stability and reduce inefficient expenditures, in their capacity of actual or candidate 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 determinants of political risk include possible legislative changes, and particularly such affecting the business and investment climate in the region.

IV.1.2 Common macroeconomic risk

Common 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 country and the countries where cross-border counterparties of local companies 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 developed Western European countries, as well as in Bulgaria and Western Balkan countries, which may lead to limitations in private sector spending and remain insufficiently compensated with countercyclical measures by national and supranational authorities.

IV.1.3 Interest rate risk

Systemic interest risk relates to possible changes in the interest rate levels, established by the financial institutions of the Republic of Bulgaria, leading global economies and the EU affecting adversely access to financing, funding costs, investment returns and economic growth.

While base interest rates quoted by the Bulgarian National Bank and the European Central Bank maintain zero, and EURIBOR indexes up to 3 months – negative levels as of period end, in the second quarter of 2022, there has been a general tendency of increase in all leading local and international interest rates, with EURBOR indexes from 6 months and all USD LIBOR, respectively SOFR, ending the period in substantially positive territory, which can be regarded as an indication of growing systemic interest risk.

IV.1.4 Currency risk

Systemic currency risk is the probability of changes in the currency regimes or exchange rates of foreign currencies to the Bulgarian lev 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 and a course of accession to the Eurozone, which eliminate or minimize the currency risks from transactions denominated in Euro, which constitute most of the Company's currency operations.

IV.1.5 Tax risk

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

The tax system in Bulgaria is still evolving, in the course of which evolution controversial tax practices may arise. Similar risks also apply to the other countries of operation of Group subsidiaries, which represent the Company's main counterparties.



IV.2 Risks specific to the Company

IV.2.1 Risks relative to business strategy and growth

IV.2.1.1 Inappropriate business strategy

The choice of an inappropriate business strategy for the development of the Company's investments, 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. The management of strategic risk through the constant supervision and periodic tracking of changes in the market environment and key performance indicators of managed subsidiaries in order to identify potential problems and implement the appropriate measures in a timely manner are of essential importance. In spite of the awareness of the necessity and importance of this process, it is possible that the Group's management and employees prove limited in the implementation of the above practices due to a lack of experience, timely information or insufficiency of human resources.

IV.2.1.2 Insufficient management capacity and increased growth management costs

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

IV.2.2 Risks relative to human resources and managerial staff

The Group's operational management and business development depend to a large extent on the contribution of a limited number of individuals contributing to the management of the Company and its investments, that could be difficult to replace with similarly prepared personnel. A potential withdrawal of such persons from the respective structures or impossibility to fulfil their obligations over a substantial period of time could have adverse effects on results from operations, stemming from the time of their absence or the time needed for their substitution and the training, adequate familiarization with the organization and business specifics and full functional deployment of their substitutes. 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.

IV.2.3 Concentration of revenues and cash inflows

Given its narrow specialization in investments the provision of management and assistance services to subsidiaries, the Company derives its revenues and receivables from a limited number of counterparties with the predominant part of largest subsidiary TBS EAD.

Nevertheless, the control exercised by the Company over its subsidiaries, the successful development and good financial standing of TBS EAD and other main Group companies are a premise for minimal credit and liquidity risk with regard to the formation and timely collection of receivables from these companies.



IV.2.4 Financial risks

IV.2.4.1 Liquidity risk

Due to the typically negative gap between revenues from recurring subsidiary management and assistance services and total operating expenses and the formation of most of its proceeds from dividends, the Company is inherently exposed to the risk of impossibility to meet its obligations in due course in case dividend proceeds from subsidiaries happen to lag costs and related payments.

The Company manages the above risk through the systematic tracking of the maturities of its receivables and payables and the timely planning of its cash inflows and outflows. In case of expected cash deficits over a certain period of time and with regard to unforeseen deviations, the Company provides for their funding through appropriately structured loans or revolving facilities from leading Group subsidiaries and/or banks and/or the formation of reserves through decisions for timely and sufficient dividend distributions from its subsidiaries.

The above sources are expected to be sufficient to cover the Company's needs. Nevertheless, the Company's management maintains its readiness for the timely negotiation of additional or supplementary external sources of funding with a view to diversifying the sources of liquid funds.

IV.2.4.2 Interest rate risk

Under the terms of the Cash loan agreement with TBS EAD, interest due by the Company is based on a fixed interest rate, which does not entail any interest risk.

Pursuant to the overdraft agreement signed with Raiffeisenbank (Bulgaria) EAD, the Company has assumed the risk of changes in floating interest indexes, i.e. the bank's reference interest rate based on the variable yields on retail deposits in Bulgaria and 3-month EURIBOR. In spite of the trends referred to in section IV.1.3, as of the date of this Report, these interest rates remain at low and/or negative levels.

IV.2.4.3 Currency risk

Owing to the formation of its revenues and costs predominantly or entirely in local currency (leva) or Euro under a currency board regime, the Company is not exposed to substantial currency risk.

IV.2.5 Other risks

IV.2.5.1 Litigation risk

The Company is generally exposed to the risk of litigation, including claims filed against it by employees, shareholders, etc. through 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 Company's assets and business 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 may seek refunds of large or undetermined amounts or other damages that could significantly deteriorate significantly the Company's financial position. The defense costs in future court cases can also prove significant. Their public disclosure or negative business impact may affect adversely the Company's reputation, regardless of whether or not the underlying claims and negative rulings are justified. The potential financial and other consequences of such proceedings may remain unknown for an extensive period of time.



IV.2.5.2 Risks relative transactions with related parties

In the course of its operations, the Company makes transactions and commitments to related parties. While the counterparties in such transactions comprise predominantly or entirely fully controlled subsidiaries and in spite of its endeavor to apply good practices and its commitment to comply with the applicable provisions of the POSA and other regulations, it is still possible that ignorance, employee negligence and other causes result in dealings deviating substantially from market terms, which could affect adversely the Company's business results and financial position.

IV.3 COVID-19 coronavirus epidemic

In spite of the general subsiding of the COVID-19 pandemic and the tendency towards the relaxation or discontinuation of anti-epidemic measures, the Issuer and its subsidiaries remain exposed to the ongoing repercussions of the epidemic, 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 economic 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 accounted for as a part of the current and future factors of the economic environment in the current budgets and mid-term development plans of the Issuer and its subsidiaries. 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.

IV.4 Military conflict between Russia and the Ukraine

Consequent to the escalation of the military conflict between Russia and Ukraine since February 2022, the first six months of the year was marked by growing geopolitical tension, as well as by various economic repercussions, including the restriction or stagnation of the activities of many Ukrainian and Russian companies as a result of military action and the sanctions imposed on Russia and Belarus, accelerated inflation as a result of the growing prices of fuels and basic agricultural goods and increased instability of the stock and currency markets, which also affected directly or indirectly many sectors and companies in the European Union and the USA.

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 Company 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 consequences thereof, the Company's management is of the opinion that the premises and requirements for the preparation of a reliable quantitative assessment of the potential indirect impact of corresponding changes in the micro- and macroenvironment on its current and future financial position and results have not been met. Nevertheless, it



remains committed to the ongoing monitoring of the situation and analysis of the possible future consequences of the conflict with a view to the timely identification of potential negative factors and undertaking all possible measures towards limiting their effect.

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

The Company publishes insider information as per art. 7 of 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/>.

VI ADDITIONAL INFORMATION AS PER ART. 12, PAR. (1), ITEM 4 OF ORDINANCE №2 OF THE FSC

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

During the first six months of the year, the Issuer has not made any changes to its accounting policy.

VI.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.

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.

VI.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 VI.2 above, the Issuer has not made any investments in shareholdings in other companies during the reporting period. As evidenced by sections 0 and III of this Report, during the ended first half of the year, the Company did not make any significant investments in tangible or intangible non-current assets.

VI.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

The Company has not published concrete quantitative forecasts of its individual results for 2022.

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

By virtue of the ordinary voting shares in the Company's capital held thereby, as designated in section I.3 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 | 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.

VI.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 2021, 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 Zhtyanov	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

VI.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.

VI.8 Loans granted by the Issuer, a subsidiary thereof or subsidiaries thereof, provided security or undertaken obligations as a whole towards a person or a subsidiary thereof, including related parties

VI.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.

VI.8.2 Provided security and liabilities undertaken 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.

VI.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.

VI.8.4 Provided security and liabilities undertaken 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:

Guarantee 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

VII INFORMATION ON LARGE TRANSACTIONS WITH RELATED PARTIES AS PER ART. 12, PAR. (3) OF ORDINANCE 2 OF THE fsc

VII.1 Transactions with related parties signed during the reporting period with a substantial impact on the Company's financial position 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 in 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.

VII.2 Changes in transactions with related parties reported in the annual financial statements with a substantial impact on the Company'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.

Ivan Zhitiyanov,

TELELINK BUSINESS SERVICES GROUP AD