

**REPORTING PERIOD**

**30 SEPTEMBER 2022**

**CONSOLIDATED FINANCIAL STATEMENTS**



**ALLTERCO**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS OF 30 SEPTEMBER 2022**

Unless otherwise stated, all amounts are in BGN thousand.

ASSETS	Notes	September 30, 2022	December 31, 2021
<b><i>Non-current assets</i></b>			
Property, plant and equipment	3.01	4 692	4 798
Intangible assets	3.02	3 686	3 116
Advances for acquisition of assets		-	19
Assets with right of use	3.03	320	108
Goodwill	3.04	160	160
Investments in associated companies	3.05	88	40
Other long-term capital investments	3.06	758	2 624
Trade receivables	3.07	1 027	2 054
Deferred tax assets	3.08	57	72
<b><i>Total non-current assets</i></b>		<b>10 788</b>	<b>12 991</b>
<b><i>Current assets</i></b>			
Inventory	3.09	17 435	7 560
Trade receivables	3.10	23 978	19 167
Other receivables	3.11	3 428	1 912
Cash and cash equivalents	3.12	24 739	30 541
Prepaid expenses	3.13	362	234
<b><i>Total current assets</i></b>		<b>69 942</b>	<b>59 414</b>
<b>TOTAL ASSETS</b>		<b>80 730</b>	<b>72 405</b>

Date: 14 November 2022

Compiler of the financial statements:

/Albena Benkova Beneva/

Executive Director:

/Dimitar Stoyanov Dimitrov/

*The consolidated statement of financial position should be read in conjunction with the explanatory notes set out on pages from 7 to 61, which form an integral part of the financial statements attached.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**AS OF 30 SEPTEMBER 2022**

Unless otherwise stated, all amounts are in BGN thousand.

<b>LIABILITIES</b>	<b>Notes</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<i>Non-current liabilities</i>			
Bank loans	3.14	1 619	2 007
Lease liabilities	3.15	173	80
<b>Total non-current liabilities</b>		<b>1 792</b>	<b>2 087</b>
<i>Current liabilities</i>			
Current share of bank loans	3.14	670	572
Current share of lease liabilities	3.15	74	58
Trade payables	3.16	1 455	1 487
Payables to employees	3.17	520	173
Social security liabilities	3.17	212	115
Tax liabilities	3.18	2 300	1 315
Other liabilities	3.19	748	1 026
<b>Total current liabilities</b>		<b>5 979</b>	<b>4 746</b>
<b>TOTAL LIABILITIES</b>		<b>7 771</b>	<b>6 833</b>
<b>EQUITY</b>			
Registered capital	3.20	18 000	18 000
Treasury shares		(780)	-
Retained earnings	3.21	49 341	39 394
Reserves	3.22	1 800	1 800
Reserve from issue of shares	3.23	5 403	5 403
Other comprehensive income	3.24	(782)	1 036
Foreign exchange rate differences from translation of financial statements of foreign operations		(23)	(61)
<b>TOTAL EQUITY</b>		<b>72 959</b>	<b>65 572</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>80 730</b>	<b>72 405</b>

Date: 14 November 2022

Compiler of the financial statements:

/Albena Benkova Beneva/

Executive Director:

/Dimitar Stoyanov Dimitrov/

*The consolidated statement of financial position should be read in conjunction with the explanatory notes set out on pages from 7 to 61, which form an integral part of the financial statements attached.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDING 30 SEPTEMBER 2022**

Unless otherwise stated, all amounts are in BGN thousand.

	Notes	<b>9 months of 2022</b>	<b>9 months of 2021</b>
Revenue from sale	4.01	57 829	38 521
Cost price of sales	4.01	(28 901)	(18 507)
<b>Gross profit</b>		<b>28 928</b>	<b>20 014</b>
Other operating income	4.02	2 718	555
Sales expenses		(2 078)	(1 830)
Administrative expenses	4.03	(13 962)	(7 215)
Other operating expenses	4.04	(1 829)	(311)
<b>Profit from operating activities</b>		<b>13 777</b>	<b>11 213</b>
Financial income		-	250
Financial expenses	4.05	(236)	(104)
Share in the profit of associated companies	3.05	48	-
<b>Profit from the ordinary activities</b>		<b>13 589</b>	<b>11 359</b>
<b>Profit before tax on profit</b>		<b>13 589</b>	<b>11 359</b>
Corporate profit tax income (expense)	4.06	(1 842)	(1 313)
<b>Profit for the period from continuing operations</b>		<b>11 747</b>	<b>10 608</b>
<b>Profit/(loss) for the period from discontinued operations</b>		<b>-</b>	<b>(562)</b>
<b>Net profit</b>		<b>11 747</b>	<b>10 046</b>
<b>Other comprehensive income:</b>			
<b>Items that can be reclassified to the profit or loss</b>			
From other long-term capital instruments		(1 511)	(1 894)
Foreign exchange rate differences from translation of statements of foreign operations		38	20
Foreign exchange rate differences from written-off investments		(160)	-
<b>Other comprehensive income for the period, after taxation</b>		<b>(1 633)</b>	<b>(1 874)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>10 114</b>	<b>8 172</b>
<b>Net profit attributable to:</b>			
Owners of the Parent-company		11 747	10 046
Minority interests		-	-
<b>Other comprehensive income attributable to:</b>			
Owners of the Parent-company		(1 633)	(1 894)
Minority interests		-	-
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent-company		10 114	8 172
Minority interests		-	-
Net income per share		<b>0.65</b>	<b>0.57</b>

Date: 14 November 2022

Compiler of the financial statements:

/Albena Benkova Beneva/

Executive Director:

/Dimitar Stoyanov Dimitrov/

The consolidated statement of comprehensive income should be read in conjunction with the explanatory notes set out on pages from 7 to 61, which form an integral part of the financial statements attached.

**CONSOLIDATED FINANCIAL STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
ENDING ON 30 SEPTEMBER 2022**

Unless otherwise stated, all amounts are in BGN thousand.

	Registered capital	Retained earnings	Other comprehensive income	Share premium reserves	Reserves	Treasury shares	Foreign exchange rate differences from translation of fin. Stat. of foreign operations	Total	Minority interest	Total equity
<b>Balance as of January 1, 2021</b>	<b>18 000</b>	<b>26 938</b>	<b>4 849</b>	<b>5 703</b>	<b>1 500</b>	<b>(138)</b>	<b>280</b>	<b>57 132</b>	<b>(296)</b>	<b>56 836</b>
Transfer to reserves	-	-	-	(300)	300	-	-	-	-	-
Net Profit	-	15 962	-	-	-	-	-	15 962	-	15 962
Other comprehensive income	-	-	(3 573)	-	-	-	(341)	(3 914)	-	(3 914)
Other movements	-	-	(240)	-	-	-	-	(240)	-	(240)
Dividend distribution	-	(3 600)	-	-	-	-	-	(3 600)	-	(3 600)
Sale of treasury shares	-	-	-	-	-	138	-	138	-	138
Change in minority interest	-	(296)	-	-	-	-	-	(296)	296	-
Effect from sale of subsidiaries	-	390	-	-	-	-	-	390	-	390
<b>Balance as of December 31, 2021</b>	<b>18 000</b>	<b>39 394</b>	<b>1 036</b>	<b>5 403</b>	<b>1 800</b>	<b>-</b>	<b>(61)</b>	<b>65 572</b>	<b>-</b>	<b>65 572</b>
<b>Balance as of January 1, 2022</b>	<b>18 000</b>	<b>39 394</b>	<b>1 036</b>	<b>5 403</b>	<b>1 800</b>	<b>-</b>	<b>(61)</b>	<b>65 572</b>	<b>-</b>	<b>65 572</b>
Net Profit	-	11 747	-	-	-	-	-	11 747	-	11 747
Other comprehensive income	-	-	(1 808)	-	-	-	38	(1 780)	-	(1 780)
Treasury shares	-	-	-	-	-	(780)	-	(780)	-	(780)
Reserves	-	(1 800)	-	-	-	-	-	(1 800)	-	(1 800)
Other variations	-	-	(10)	-	-	-	-	-	-	-
<b>Balance as of September 30, 2022</b>	<b>18 000</b>	<b>48 559</b>	<b>(782)</b>	<b>5 403</b>	<b>1 800</b>	<b>(780)</b>	<b>(23)</b>	<b>72 959</b>	<b>-</b>	<b>72 959</b>

Date: 14 November 2022

Compiler of the financial statements:

/Albena Benkova Beneva/

Executive Director:

/Dimitar Stoyanov Dimitrov/

*The consolidated statement of changes in equity should be read in conjunction with the explanatory notes set out on pages from 7 to 61, which form an integral part of the financial statements attached.*

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOW  
 FOR THE PERIOD ENDING 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

	<u>Notes</u>	<u>9 months of 2022</u>	<u>9 months of 2021</u>
<b><u>Cash flows from operating activity</u></b>			
Proceeds from clients		49 865	35 750
Payments to suppliers		(41 402)	(24 261)
Payments of taxes		(3 355)	(1 735)
Payments of corporate tax		(1 089)	(418)
Payments to employees and social security		(8 888)	(4 576)
Other proceeds/payments, net		(68)	(88)
<b><i>Net cash flows from operating activities</i></b>		<b><u>(4 937)</u></b>	<b><u>4 672</u></b>
<b><u>Cash flow from investment activities</u></b>			
Cash flows related to non-current tangible and intangible assets		(1 403)	(841)
Cash flows from sales of tangible assets		-	42
Results (Profit and Losses) from investing activities		2 798	-
Purchase of investments		(100)	(8)
<b><i>Net cash flows from investment activities</i></b>		<b><u>1 295</u></b>	<b><u>(807)</u></b>
<b><u>Cash flow from financing activities</u></b>			
Treasury shares		(780)	-
Financial leasing payments		(61)	(54)
Loans paid		(382)	(375)
Cash flows related to interest and commissions		(45)	(54)
Dividend paid		(1 719)	(3 436)
Other income / payments, net		(68)	(42)
<b><i>Net cash flow from financing activities</i></b>		<b><u>(3 055)</u></b>	<b><u>(3 961)</u></b>
<b><i>Net increase (decrease) in available cash and cash equivalents for the period</i></b>		<b><u>(6 697)</u></b>	<b><u>(96)</u></b>
<b><i>Net positive (negative) exchange rate differences</i></b>		<b><u>895</u></b>	<b><u>70</u></b>
Available cash and cash equivalents in the beginning of the period		30 541	26 050
<b><i>Available cash and equivalents at the end of the period</i></b>	3.12	<b><u>24 739</u></b>	<b><u>26 024</u></b>

Date: 14 November 2022

Compiler of the financial statements:

/Albena Benkova Beneva/

Executive Director:

/Dimitar Stoyanov Dimitrov/

The consolidated statement of cash flow should be read in conjunction with the explanatory notes set out on pages from 7 to 61, which form an integral part of the financial statements attached.

Unless otherwise stated, all amounts are in BGN thousand.

## TABLE OF CONTENT

1.	Information about the Group .....	10
1.1.	Legal status .....	10
1.2.	Ownership and Management .....	10
1.3.	Scope of Activities.....	11
1.4.	Group structure .....	11
2.	Basics of preparation of financial statements and accounting policies .....	12
2.1.	General framework of financial reporting .....	12
2.2.	Initial application of new and amended IFRSs in force for the current accounting period.....	13
2.3.	Accounting principles .....	14
2.4.	Functional currency and recognition of currency exchange rate differences .....	14
2.5.	Transactions and balances .....	15
2.6.	Assumptions .....	16
2.7.	Subsidiaries and associated companies.....	16
2.8.	Minority interest .....	17
2.9.	Consolidation.....	17
2.10.	Definition and assessment of the items in the consolidated financial statements .....	17
2.10.1.	Revenues.....	17
2.10.2.	Expenses .....	20
2.10.3.	Property, plant and equipment .....	20
2.10.4.	Intangible assets.....	22
2.10.5.	Goodwill.....	23
2.10.6.	Other long-term capital investments .....	23
2.10.7.	Investments in Associated companies.....	24
2.10.8.	Non-current assets held for sale .....	24
2.10.9.	Inventories .....	25
2.10.10.	Financial instruments.....	25
2.10.11.	Cash and cash equivalent.....	29
2.10.12.	Leasing.....	29
2.10.13.	Provisions .....	30
2.10.14.	Liabilities to employees .....	31

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

2.10.15.	Share capital.....	31
2.10.16.	Income tax expenses .....	33
2.10.17.	Earnings per share.....	34
2.10.18.	Judgments that are crucial in applying accounting policies of the Group.....	34
2.10.19.	Fair values.....	35
3.	Notes to the consolidated statement of financial position.....	37
3.01.	Property, plant and equipment .....	37
3.02.	Intangible assets .....	38
3.03.	Assets with right of use.....	39
3.04.	Goodwill .....	39
3.05.	Investments in associated companies.....	39
3.06.	Other long-term capital investments .....	40
3.07.	Long-term trade receivables .....	40
3.08.	Deferred tax assets .....	40
3.09.	Inventories .....	41
3.10.	Trade receivables .....	41
3.11.	Other receivables .....	42
3.12.	Cash and cash equivalents .....	42
3.13.	Prepaid expenses.....	43
3.14.	Bank loans .....	43
3.15.	Lease.....	44
3.16.	Trade payables .....	45
3.17.	Payables to employees .....	45
3.18.	Tax liabilities .....	45
3.19.	Other liabilities .....	45
3.20.	Registered capital.....	46
3.21.	Retained earnings.....	47
3.22.	Reserves .....	47
3.23.	Reserve from issue of shares.....	47
3.24.	Other comprehensive income .....	48
4.	Notes to the consolidated statement of comprehensive income.....	48
4.01.	Sales revenue and cost price of sales .....	48
4.02.	Other operating income .....	48

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

4.03.	Administrative expenses .....	49
4.04.	Other operating expenses .....	49
4.05.	Financial expenses .....	49
4.06.	Tax Expense/Savings .....	49
5.	Contingent liabilities and commitments .....	50
6.	Transactions with related parties .....	50
7.	Financial instruments by category .....	51
8.	Financial risk management .....	52
9.	Fair value .....	58
10.	Events after the end of reporting period.....	60

Unless otherwise stated, all amounts are in BGN thousand.

## 1. Information about the Group

### 1.1. Legal status

Allterco JSCo (the mother company), Sofia, is entered in the Commercial Register of the Registry Agency with UIC as per Bulstat (Unified Identification Code as per the Bulgarian Statistical Register): 201047670 and LEI code 8945007IDGKD0KZ4HD95. The company is with registered office and address of management in Bulgaria, Sofia 1407, 103, Cherni Vrah Blvd. No changes in the seat, address or the name of the company were made during the reporting period. The initial registered capital was BGN 5,488,000 (five million four hundred and eighty-eight thousand), distributed in 5,488,000 ordinary registered voting shares with nominal value of BGN 1.00 each. At the end of 2015, the capital was increased to BGN 13,500 thousand through cash and non-cash contributions. At the end of 2016, the capital was increased to BGN 15,000 thousand after the successful Initial Public Offering on the Bulgarian Stock Exchange. In 2020, the capital was increased to BGN 18,000 thousand as a result of a procedure for Secondary Public Offering of a new issue of shares. The public offering of shares was carried out in the period September 28, 2020 – October 30, 2020 on the basis of a Prospectus, together with the supplements to it, confirmed by the Financial Supervision Commission with Decision № 148-F of February 18, 2020, Decision № 405-E of June 11, 2020, Decision № 601-E of August 13, 2020 and Decision № 791-E of October 29, 2020.

Since December 2016 the shares of Allterco JSCo are traded on Bulgarian Stock Exchange and from 22.11.2021 company's shares are also traded on the Frankfurt Stock Exchange.

As of 30 September 2022 the Group is managed and represented by Svetlin Todorov, Wolfgang Kirsch and Dimitar Dimitrov.

### 1.2. Ownership and Management

The Allterco Group includes Allterco JSCo. (the parent-company) and its subsidiaries, in which the parent-company has a direct or indirect controlling interest. Allterco JSCo. is a public company in Bulgaria under the Public Offering of Securities Act.

The distribution of the share capital of the company Allterco JSCo. as of 30 September 2022, is as follows:

Name	Number of shares:	% in the capital
Svetlin Todorov	5 847 120	32.48%
Dimitar Dimitrov	5 847 120	32.48%

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

Persons holding less than 5% of the capital		
Other physical persons and legal entities	6 305 759	35.04%
<b>Total</b>	<b>17 999 999</b>	<b>100.00%</b>

As of 30 September 2022, the Company announced its intention to acquire 40,000 shares representing 0.22% of the capital.

As of 30 September 2022 members of the Board of Directors are:

- Gregor Bieler - Chairman;
- Nikolay Martinov - Deputy Chairman;
- Dimitar Dimitrov - Executive Director and Representative;
- Wolfgang Kirsch - Executive Director and Representative;
- Svetlin Todorov - Member of the Board of Directors and Representative;

The representatives represent the Company together or individually.

### 1.3. Scope of Activities

The scope of activities of Allterco JSCo includes the acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, assignment of licenses for use of patents to companies in which the Company participates; financing of companies in which the Company participates.

The scope of activities of group companies includes development, production and trade with IoT (Internet of Things) devices and management of real estate owned by the Group.

### 1.4. Group structure

As of 30 September 2022 the Group included Allterco JSCo. and the following subsidiaries:

Name of the company	September 30 2022	December 31 2021
	Percentage of participation	Percentage of participation
<i><b>In the country</b></i>		
ALLTERCO TRADING OOD (Ltd.)	100%	100%
ALLTERCO ROBOTICS EOOD (Solely-owned LLC)	100%	100%
ALLTERCO PROPERTIES EOOD (Solely-owned LLC)	100%	100%

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

Name of the company	September 30 2021	December 31 2020
	Percentage of participation	Percentage of participation
<i>Abroad</i>		
ALLTERCO ROBOTICS INC, USA	100%	100%
ALLTERCO EUROPE GMBH, GERMANY	100%	100%

In the beginning of 2021 Allterco JSCo. acquired a stake in newly established (associated) company in China – Allterco Asia Ltd., with a seat and office in Shenzhen. The registered share capital of the newly registered company is CNY 100 000. Allterco acquired 30% (8 thousand BGN) stake and holds an option to acquire additional up to 50% extending its total shareholding up to 80%.

In September 2021 Allterco sold its participation in the capital of 3 Asian subsidiaries.

In December 2021 Allterco JSCo. established a new subsidiary in Germany. The name of the new subsidiary is Allterco Europe GmbH and its registered capital is EUR 500 000 and it is 100% owned by Allterco JSCo. In the first quarter of 2022 Allterco JSCo increased the capital of its wholly owned subsidiary Allterco Robotics Ltd. The goal of the capital increase is to accelerate the development of new products, to increase the production capabilities and finance the entrance to new markets. The registered capital of Allterco Robotics was increased from BGN 1 500 000 to BGN 7 000 000 by issuing new 5 500 000 shares at par value of BGN 1,00 each.

During the reporting period the Board of Directors of Allterco JSCo has approved to increase the capital of the subsidiary Allterco Robotics Inc USA with 1.5 million USD, part of which will be an increase in capital and an additional cash contribution.

At the end of the reporting period Allterco JSCo has made an additional cash contribution of 1 million USD (2 006 thousand BGN) to its subsidiary, which is provided for a period of one year against an annual interest rate of 1.0%. At the date of this statement, the increase in the capital of the subsidiary by 500 thousand USD has not been finalised.

## 2. Basics of preparation of financial statements and accounting policies

### 2.1. General framework of financial reporting

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

The Group maintains its current accounting and prepares its financial statements in accordance with the requirements of the Bulgarian commercial and accounting legislation.

These financial statements have been prepared in accordance with the requirements of the International Accounting Standards, published by the International Accounting Standards Board and adopted by the European Union. As of 30 September 2022, IASs include the International Accounting Standards (IASs), the International Financial Reporting Standards (IFRSs), the Interpretations of the Standing Interpretation Committee and the Interpretations of the IFRS Interpretation Committee, approved by the IAS Committee.

The IAS Committee issues every year the standards and their interpretations, which after the formal approval by the EC, are valid for the year in which they are issued. However, a big part of them is not applicable to the company's business because of the specific issues that are addressed in them.

## 2.2. Initial application of new and amended IFRSs in force for the current accounting period

### 2.2.1. Accounting standards applicable for the current reporting period

The management considered all standards and clarifications to the standards, which are applicable to the activities of the Company and which are officially adopted by the EU as of the date of preparation of the current financial statements.

The management reviewed the amendments in the existing accounting standards which are enforceable as of January 1, 2022 and assessed that no changes in the current accounting policy are necessary.

### 2.2.3. Standards and clarifications issued by IASC awaiting adoption by the EU Commission

<i>Standard or clarification, date of amendment and enforcement</i>	<i>Name of the standard or clarification</i>	<i>Adoption status by EU Commission</i>
Amendments to IAS 1 issued on 23 January 2020 and 15 July 2020, in effect for annual financial periods starting at or after 1 January 2023	Classification of liabilities as current or non-current and classification of assets as current and non-current – postponement of enforcement date	Waiting for a date of adoption
Amendments to IAS 1 issued on 12 February 2021, in effect for annual financial periods starting at or after 1 January 2023	Financial statements presentation and disclosure of accounting policies	Waiting for a date for adoption
Amendments to IAS 8 issued on 12 February 2021, in effect for annual financial periods starting at or after 1 January 2023	Accounting policies, Amendments in the accounting assessments and mistakes: Definition of accounting assessments	Waiting for a date for adoption

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

Amendments to IAS 12, issued on 7 May 2021, in effect for annual financial periods starting at on after 1 January 2023	Corporate profit tax: Deferred tax related to assets and liabilities arising from one deal	Waiting for a date for adoption
IFRS 17 issued on 9 December 2021, in effect for annual financial periods starting at or after 1 January 2023	Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparable data	Submitted for adoption by the Commission, expected to be adopted during the first quarter of 2022

### 2.3. Accounting principles

The consolidated financial statements of the Group have been prepared in accordance with the going concern principle. The latter assumes that the Group will continue to exist in the foreseeable future.

During the last reporting period the COVID-19 pandemic did not cause any negative effect on the business activities of the Group. The military conflict between Russia and Ukraine, which started in February 2022, at this stage, also do not have negative effect on the business of the Group.

The Management has no plans or intentions to sell the business or discontinue the operations, which could significantly change the book value or classification of the assets and liabilities recognized in the financial statements.

The valuation of assets and liabilities and the measurement of income and expenses are carried out in compliance with the principle of historical cost. This principle has been modified in certain cases by revaluing certain assets and / or liabilities to their fair value at December 31 of the current or previous year, as set out below.

### 2.4. Functional currency and recognition of currency exchange rate differences

#### Functional and Reporting Currency

The accounting currency for the presentation of the elements of the consolidated financial statements is the Bulgarian Lev (BGN), which is the functional currency of Allterco JSCo.

The data in the elements of the consolidated financial statements and the notes thereto are presented in thousands of BGN, unless explicitly stated otherwise. When presented in the financial statements and the explanatory notes, amounts over BGN 500 are rounded to BGN 1 thousand.

The Group's companies keep their accounting records in the functional currency of the country in which they operate. The effects of exchange rate differences related to the settlement of foreign currency transactions or the accounting of foreign exchange transactions at rates other than those at which they were

Unless otherwise stated, all amounts are in BGN thousand.

initially recognized are included in the statement of comprehensive income at the time they occur, are treated as “other operating income and expenses”, except for those related to investments and loans denominated in foreign currency, which are presented as “financial income” and “financial expenses”. Non-monetary assets and liabilities initially denominated in foreign currencies should be translated to the functional currency using the historical exchange rate at the date of the transaction and subsequently not revaluated at the closing exchange rate.

### **Comparative data**

Usually the Company presents comparative information about the comparable (previous) reporting period. Where necessary, comparative data shall be reclassified (or recalculated) in order to achieve comparability against changes in performance in the current reporting period.

A change has been made to the breakdown of administrative expenditure for the nine months of 2021 in order to be comparable to the current and previous periods.

## **2.5. Transactions and balances**

A transaction in foreign currency is recognized initially in the functional currency by applying the foreign currency exchange rate (spot) between the functional currency and the foreign currency at the time of the transaction or operation.

At each date of financial statement preparation:

(a) monetary positions, receivables and payables denominated in foreign currency are recalculated into the functional currency using the exchange rate published by the BNB on the last business day of the month of the report;

(b) non-monetary items held at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, if an exchange rate other than that of the transaction (average monthly, daily or other) is applied; and

(c) non-monetary items held at fair value in a foreign currency are recalculated using the exchange rates at the date when the fair value was determined.

Foreign currency exchange differences are recognized in accordance with IAS 21 the Effects of Changes in Foreign Exchange Rates.

The items of the consolidated statement of financial position and consolidated statement of comprehensive income of foreign companies of the Group, using a functional currency other than Bulgarian lev, are

Unless otherwise stated, all amounts are in BGN thousand.

translated into BGN to be included in the consolidated statement of the group as follows

- All monetary and non-monetary assets and liabilities (including comparative information) are recalculated at the BNB closing exchange rate at the date of the relevant statement of financial position. As of 30 September 2022 the exchange rate of BGN to USD was 2.00639 BGN and for NOK was 1.84795 BGN for 10 NOK (As of 30 September 2021 BGN/USD was 1.68912 and BGN/10 NOK was 1.92408);
- The income and expense items of each comprehensive income statement are recalculated at the accounting date at the weighted average exchange rate for the accounting year;
- All exchange rate differences obtained are recognized as other comprehensive income.
- The cumulative amount of these exchange rate differences is presented in a separate component of equity until the foreign operation is released.

## 2.6. Assumptions

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported values of assets and liabilities, of income and expenses, and of the disclosure of contingent receivables and liabilities. These estimates, accruals and assumptions are based on the best assessment using the available information at the date of preparation of the financial statements, and therefore future actual results may differ from the amounts presented in the current financial statements.

## 2.7. Subsidiaries and associated companies

Subsidiaries are the entities over which Allterco JSCo. exercises control as defined in IFRS 10 Consolidated Financial Statements.

The parent-company (the investor) controls the investee company if it has:

- Rights over the ownership of the subsidiary;
- Rights over the variable returns from its participation in the subsidiary;
- Ability to use its powers over the entity in order to influence the size of return on investment.

Subsidiaries are considered controlled starting from the date on which control is acquired by the Group and they cease to be consolidated on the date when the control have been lost.

Unless otherwise stated, all amounts are in BGN thousand.

Associated company is a company in which the Group has significant influence on decisions regarding operating and financial policies, but without being able to fully control those policies.

## **2.8. Minority interest**

Minority interest is valued at the proportionate share of identifiable net assets at the acquisition date.

## **2.9. Consolidation**

The consolidated financial statements of the Group include the financial statements of the parent company and the subsidiaries. All assets, liabilities, capital, income, expenses and cash flows of the group companies are presented as such as they belong to just one entity.

Subsidiaries are those entities that are controlled by the parent company. Control occurs when the parent company exercises its rights on variable return arising from its participation in the subsidiary's capital and has the ability to influence this return from investment through its power. The consolidated financial statements have been prepared following the same accounting policies with respect to similar transactions and business facts of all companies in the group. All mutual interests, as well as significant internal transactions, balances and unrealized gains in the Group are eliminated and the financial statements are prepared using the full consolidation method. The financial results of operations of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control over them and cease to be consolidated from the date on which such control is lost. When a subsidiary is acquired as a result of an internal group restructuring, its net assets and financial result are included from the beginning of the earliest accounting period presented in the financial statements.

## **2.10. Definition and assessment of the items in the consolidated financial statements**

### **2.10.1. Revenues**

Revenue from sales and operating expenses has been accrued at the time of their occurrence, regardless of cash receipts and payments. The accounting and recognition of revenue and expenses should be carried out in compliance with the requirement for a cause-consequence connection between them.

Revenue is measured at the fair value of the remuneration received or to be received or paid, less any discounts provided.

Unless otherwise stated, all amounts are in BGN thousand.

The Group recognizes revenue when the amount of revenue can be measured reliably, when it is possible for the Group to obtain future economic benefits, and when it meets specific criteria for each of the Group's activities, as specified below.

Amounts collected on behalf of third parties, such as sales taxes and value added tax, are excluded from revenue.

▪ ***Revenue recognition under contracts with customers***

Revenues in the Group are recognized when the control over the goods and/or services promised in the contract with the customer are transferred to the customer. The control is transferred to the customer upon fulfilment of the contractual obligations by transferring the promised goods and/or rendering the promised services as in general the Group generally controls the goods or services before transferring them to the customer.

The Group recognizes revenue when it meets its obligations under the terms of the contract, by transferring the promised service to the customer. An asset (good or service) is recognized as transferred after the customer obtains control over that asset.

▪ ***Evaluation of a contract with a customer***

There is a contract with a customer only when upon its entry into force it:

- ✓ it has a commercial nature and motive;
- ✓ the parties have approved it (orally, in writing or on the basis of "established and generally accepted business practice") and have undertaken to fulfil it;
- ✓ the rights of each party can be identified in relation to the goods or services to be transferred;
- ✓ payment terms can be identified; and
- ✓ there is a probability that the remuneration to which the company is entitled in the performance of its obligations will be received.

A contract for which one of the above criteria has not yet been met is subject to a new evaluation in each reporting period. Remuneration received under such a contract is recognized as a liability (liability under the contract) in the Statement of financial position until:

- ✓ all criteria for recognition of a contract with a customer are met;
- ✓ the company has fulfilled its obligations and has received all or almost all of the remuneration (which is not refundable); and / or

Unless otherwise stated, all amounts are in BGN thousand.

- ✓ when the contract is terminated and the remuneration received is not refundable.

In the initial evaluation of its contracts with customers, the Company makes an additional analysis and assessment of whether two or more contracts should be considered in their combination and should be reported as one and respectively whether the promised goods and / or services in each individual and / or combined contract must be accounted for as one and / or more performance obligations.

Any promise to transfer goods and / or services that are distinguishable (themselves and in the context of the contract) is accounted for as a single performance obligation.

The Company recognizes revenue for each *individual obligation to perform within an individual contract with a customer* by analyzing the type, term and conditions for each specific contract.

- ***Measurement of revenues under contracts with customers***

The revenue is measured on the basis of the *transaction price* determined for each contract.

The *transaction price* is the amount of the remuneration to which the Company expects to be entitled, except for the amounts collected on behalf of third parties. In determining the transaction price, the Company takes into account the terms of the contract and its usual commercial practices.

- ***Transaction price and payment terms***

The transaction price usually includes a fixed sale price, according to a general or customer price list.

- ***Variable remuneration***

The Variable remuneration is included in the transaction price only to the extent that it is highly probable that no significant adjustment will be made to the amount of revenue recognized cumulatively.

### ***Revenue from services***

The company reports revenues from services, complying with the commitments under the contract. Revenues from services are reported upon final completion of the services (by sites) recognized as performed.

### ***Other income / revenues***

Other income and revenues are recognized when the right to receive them is established.

The Group companies apply IFRS 15 and the management carefully examines its trade practices for possible changes at the time of revenue recognition. No change in the obligations for performance and the

Unless otherwise stated, all amounts are in BGN thousand.

distribution of the price of the contracts and recognition of revenues is needed for the reporting period.

Depending on the nature of the activity and the contracts with the clients, the management has assessed the categories of revenue breakdown and has disclosed them in *Note 4.01*.

### **2.10.2. Expenses**

The expenses of the Group are recognized at the time of their occurrence and on the basis of the accrual and comparability principles. Expenses are recognized when there is a decrease in future economic benefits associated with a decrease in an asset or an increase in a liability that can be measured reliably. Recognition of expenses for the current period is made when revenue is accrued. An expense is recognized immediately in the statement of comprehensive income when the expense does not create future economic benefits or when and to the extent that future economic benefits do not meet the requirements or cease to meet the requirements for recognition of an asset in the statement of financial position. Expenses are accounted for on an accrual basis and are comparable to recognized revenue. They are measured at the fair value of the remuneration paid or pending for payment.

Expenses for future periods shall be deferred for recognition as current expenses in the period in which the obligations under the contracts to which they refer, would be performed.

Financial expenses consist of interest expenses and other direct costs related to loans as well as bank fees and losses from foreign currency exchange.

### **2.10.3. Property, plant and equipment**

Property, plant and equipment (non-current tangible assets) are presented in the financial statements at acquisition cost (cost price) less accumulated depreciation and impairment losses.

#### **Initial evaluation**

Upon initial acquisition, property, plant and equipment are evaluated at acquisition cost (cost price), which includes the purchase price, including customs charges and any directly attributable costs of bringing the asset to working condition. The direct costs are as follows: costs of site preparation, costs of initial delivering and handling, installation costs, costs for personnel remuneration fees related to the project, non-refundable taxes, etc.

When acquiring property, plant and equipment on a deferred payment basis, the purchase price is equivalent

Unless otherwise stated, all amounts are in BGN thousand.

to the present value of the liability, discounted on the basis of the interest rate on the borrowed resources of the company with a similar maturity and purpose. The difference between the cash price equivalent and the general payment is recognized as interest over the course of the loan unless it is capitalized in accordance with IAS 23.

### **Evaluation after recognition**

The approach chosen by the Group for the subsequent evaluation of property, plant and equipment is the acquisition cost model - less any subsequent depreciation and any accumulated impairment losses.

For all other classes of non-current tangible assets, the company has applied the acquisition cost model.

### **Depreciation Methods**

The Company uses the straight-line method of depreciation of non-current tangible assets. Depreciation of assets begins when they are available for use. The useful life by groups of assets is determined in accordance with: physical wear and tear, specifics of the equipment, future intentions for use and actual obsolescence.

The useful life by classes of assets is as follows:

Vehicles	4 years
Computer equipment	2-5 years
Office equipment	5- 6,67 years
Other non-current tangible assets	6,67 years

The determined useful life of non-current tangible assets is reviewed at the end of each year and, if significant deviations are found against future expectations for the useful life of the assets, it is adjusted prospectively.

### **Write off of non-current tangible assets**

The book value of an item of property, plant and equipment is written off: when it is sold, when no other economic benefits are expected from its use, or when it is identified as missing.

Profits or losses arising on the write off of an item of property, plant and equipment are included in the statement of comprehensive income when the asset is written off (unless IAS 17 requires otherwise in a sale and leaseback). Profits and losses on disposals of non-current assets are determined by deducting the book value of the asset and the selling expenses from the proceeds from the sale (disposal). They are stated

Unless otherwise stated, all amounts are in BGN thousand.

net, to "Other operating income" in the statement of comprehensive income.

The receivable on disposal of an asset of property, plant and equipment is initially recognized at fair value.

#### **2.10.4. Intangible assets**

Intangible assets are presented in the financial statements at acquisition price (cost price) less accumulated depreciation and impairment losses.

The Group applies a straight-line method of depreciation of intangible assets with a useful life of 2 years for the software products, 6.67 years for the software platform, 3 years for an ISO certificate.

The book value of the intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the book value amount could exceed their recoverable amount. Then the impairment is included as an expense in the statement of comprehensive income.

##### **Initial assessment**

Externally generated intangible assets on their acquisition are evaluated at acquisition price, which includes purchase price, import duties, non-refundable taxes and expenses of preparing the asset for its intended use. The direct expenses are: expenses for preparation of the site (the place where the asset will be used), expenses for initial delivery, installation expenses, expenses for fees of persons related to the project, non-refundable taxes, etc.

Intangible assets are recognized if they meet the definition of intangible assets set out in IAS 38 Intangible Assets, namely:

- Meets the definition of an intangible asset;
- Upon its acquisition it can be reliably assessed;
- Economic benefits are expected from the use of the asset, as evidenced by the availability or plan to obtain sufficient resources to enable the enterprise to obtain the expected economic benefits; the ability to effectively perform its functional role in accordance with the intention of the enterprise regarding its use or there is a clearly defined and specified technical feasibility.

##### **Subsequent expenses**

Expenses related to the maintenance of initially established standard efficiency, incurred after the commissioning of intangible non-current assets, are recognized as current at the time of their

Unless otherwise stated, all amounts are in BGN thousand.

implementation. The book value of the intangible asset is adjusted to the extent of the expenses leading to the increase of the expected future economic benefits associated with the use of an intangible asset over the initially determined standard efficiency.

#### **2.10.5. Goodwill**

Goodwill is the excess of purchase prices over the fair value of identifiable net assets of company acquires as of the date of acquisition (business combination). Initially, it is presented in the consolidated financial statements at acquisition cost and subsequently it is presented at acquisition cost minus impairment. Goodwill is not amortized.

The goodwill generated as a result of the acquisition of a daughter company is presented in the consolidated statement of financial position as a part of non-current assets and the goodwill generated as a result of acquisition of joint-ventures or associated companies is included in the total value of investment and is reported as “investments in associated companies”.

The goodwill associated with the acquisition of associated companies is tested as part of the total value of the investment. The goodwill associated with the acquisition of daughter companies is tested for impairment at least one per year. Losses recognized as a result of impairment of goodwill are not reversible. Profit or loss from the sale of a daughter company include also book value of goodwill associated with this daughter company.

Any goodwill amount recognized in the financial statements is attributable to a certain cash generating object at the time a business combination is completed, and this object is applied when tests for impairment are conducted. For determining the cash-generating objects, are considered only objects that are expected to generate future economic benefits and that are subject to the business combination, which generated the goodwill.

Losses from impairment of goodwill are presented in the statements of comprehensive income as part of “Impairment of non-current assets.

#### **2.10.6. Other long-term capital investments**

Other long-term financial investments are non-derivative financial assets in the form of shares and participation of other companies (minority interest) held with a long-term perspective.

*Initial valuation*

Unless otherwise stated, all amounts are in BGN thousand.

Capital investments are initially recognized at acquisition cost, which is the fair value paid, including direct acquisition cost of the investment (the financial asset). All purchases and sales of capital investments are recognized on the “trading date” of the transaction, i.e., the date on which the company commits to purchase or sell the asset.

#### *Subsequent evaluation*

Capital investments owned by the Group are subsequently evaluated at fair value. The results of the subsequent evaluation to fair value are presented in the statement of comprehensive income (in other components of comprehensive income) and respectively in the reserve related to financial assets at fair value, through other comprehensive income. These results are transferred to retained earnings on disposal (sale) of the respective investment.

#### **2.10.7. Investments in Associated companies**

Investments in associated companies are reported following the capital method. The share of the Group in the comprehensive income of an associated company is shown on one line in the consolidated statements in a way that the amount of investment reflects the share of the Group in the net assets of the associated company as of the date of the financial statements. The Group recognizes its share in the losses of an associated company up to the amount of its investment, including all internal loans extended, unless it has undertaken an obligation to pay such liabilities on behalf of the associated company.

As of 31.03.2022 the Group reports a share in the profit of associated companies at the amount of BGN 6 thousand. The balance sheet amount of investments in associated companies was increased with the amount of reported profit.

#### **2.10.8. Non-current assets held for sale**

Non-current assets are classified as held for sale if their book value will be recovered through sale rather than through continuing use in the Company's operations. This condition is considered to exist only when the sale is highly secure and the relevant non-current assets are available for immediate sale in their present condition.

Non-current assets classified as held for sale are measured at the lower value between the fair value and the book value less the costs to sell.

Unless otherwise stated, all amounts are in BGN thousand.

### **2.10.9. Inventories**

Inventories are accounted at the lower of the two following values: acquisition cost (cost price) and net realizable value.

The costs incurred to bring an inventory to its present condition and location are included in the cost of acquisition (cost) as follows:

- Materials - the purchase price and all related costs of delivery;
- Goods - the purchase price and all related costs of delivery, customs duties, transport costs, non-recoverable taxes and other costs incurred in order to bring the goods in ready for use state.

In the use (sale) of inventory, the first-in-first-out method is used.

### **2.10.10. Financial instruments**

#### **Financial assets**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another enterprise.

#### *Initial recognition, classification and evaluation*

Upon initial recognition, financial assets are classified into three groups, according to which they are subsequently assessed at depreciated value, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and the business model of the Company for its management.

The business model of the Company for management of financial assets reflects how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows are the result of contractual cash flows, the sale of financial assets, or both.

#### *Evaluation*

The Group initially presents financial assets at fair value, and in the case of financial assets that are not carried at fair value through profit or loss, the direct transaction costs are added. An exception is trade receivables that do not contain a material financing component - they are estimated based on the transaction

Unless otherwise stated, all amounts are in BGN thousand.

price determined in accordance with IFRS 15 and the invoices issued.

#### *Subsequent evaluation*

For the purposes of Subsequent evaluation, financial assets are classified into four categories:

- Debt instruments presented at depreciated value
- Debt instruments presented at fair value through other comprehensive income (reclassified to profit or loss);
- Capital instruments presented at fair value through other comprehensive income (without reclassification in profit or loss);
- Financial assets (debt instruments, capital instruments and derivatives) presented at fair value through profit or loss.

During the current period, the Group reports financial assets in one of these categories - financial assets at depreciated value.

#### **Financial assets at depreciated value (debt instruments)**

This category is the most significant for the Group.

The Group measures financial assets at depreciated value when both of the following conditions are satisfied:

- the financial asset is held and used within a business model that aims to hold the asset in order to obtain contractual cash flows from it, and
- the terms of the contract of the financial asset generate cash flows at specific dates, which represent only principal payments and interest on the outstanding principal.

The management of the Group has assessed the financial assets representing cash in banks, interest-bearing receivables from related companies, trade receivables and other receivables (i.e., trade loans receivables and others) are held by the Group in order to obtain the agreed cash flows and they are expected to result in cash flows that represent solely principal and interest payments under the business model applied.

Financial assets at depreciated value are subsequently measured using the effective interest rate method (EIR). They are subject to impairment. Profits and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the asset is written off, modified or impaired.

Unless otherwise stated, all amounts are in BGN thousand.

#### *Write off*

A financial asset is written off in the statement of financial position of the Group when:

- the rights to obtain cash flows from the asset have expired, or
- the rights to receive cash flows from the asset have been transferred or the Group has assumed an obligation to pay in full the received cash flows, without significant delay, to a third party through an agreement for transfer. In this case, the Group recognizes also the liability associated with it. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement, which is in the form of a guarantee on the transferred asset, is measured at the lower of the two values: the initial book value of the asset and the maximum amount of consideration that the Group may be required to pay.

#### *Impairment of financial assets*

The Group recognizes an adjustment (provision for impairment) for expected credit losses on all debt instruments that are not accounted at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows payable under the terms of the contract and all the cash flows that the Group expects to receive discounted at the initial effective interest rate.

At each accounting date, the Group determines whether the debt instrument is assessed as such with low credit risk using all reasonable and well-grounded information that is available without incurring unnecessary expense or effort. In making this assessment, the Group reviews the internal credit rating of the debt instrument. In addition, the Group assesses whether there is a significant increase in credit risk when contractual payments are overdue for more than 30 days.

The Group considers a financial instrument as default when contractual payments are overdue for more than 60 days. However, in certain cases, it may treat a financial asset as default when internal or external information provides an indication that it is unlikely that the Group will receive the full amount of the outstanding contractual amounts before taking into account any credit improvements held by it. Financial assets are written off when there is no reasonable expectation for collection of contractual cash flows.

To calculate the expected credit losses of *trade receivables and assets under contracts with customers*, the Group has chosen and applies a simplified matrix-based approach for calculating expected credit losses and does not track subsequent changes in their credit risk. In this approach, it recognizes an adjustment

Unless otherwise stated, all amounts are in BGN thousand.

(provision for impairment) based on the expected credit loss for the entire receivable period at each reporting date. The Group has developed and applies a provisioning matrix based on historical experience with respect to credit losses, adjusted for prognostic factors, specific for the debtors and the economic environment, and correlated with the percentage of credit losses. The collectability of receivables from related companies are assessed on individual basis considering factors as financial needs of each related company and the business development plan for the next periods.

Financial assets are written-off when there is no reasonable expectation of collection of contractual cash flows.

### **Financial liabilities**

#### *Initial recognition, classification and evaluation*

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and trade and other payables, the net of directly related transaction costs.

#### *Subsequent evaluation*

Subsequent evaluation of financial liabilities depends on their classification as described below.

#### *Financial liabilities evaluated at depreciation value*

This category is essential for the Group. Subsequent to their initial recognition, the Group evaluates interest-bearing loans and borrowings at depreciation value using the effective interest method. Profits and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the corresponding financial liability is derecognized, as well as through depreciation at the effective interest rate method.

Depreciation value is calculated by taking into account any discounts or acquisition premiums, as well as fees or expenses, which are an integral part of the effective interest rate. Depreciation is included as a “financial expense” in the statement of comprehensive income (in profit or loss for the year).

#### *Write off*

Financial liabilities are written off when the liability is repaid, terminated or expires. When an existing financial liability is replaced by another of the same creditor under substantially different conditions, or the terms of an existing liability are substantially altered, such exchange or modification shall be treated as derecognition of the original liability and recognition of a new one. The difference with the book value of

Unless otherwise stated, all amounts are in BGN thousand.

a financial liability settled or transferred to another party in cash and/or non-monetary assets is recognized in profit or loss for the period.

#### **2.10.11.Cash and cash equivalent**

Cash includes cash on hand and amounts in current accounts, and cash equivalents are short-term deposits with banks whose original maturity is less than 3 months.

The cash flow statement is presented using the direct method.

For the purpose of preparing the cash flow statement:

- ✓ Cash inflows from customers and cash payments to suppliers are presented gross, including VAT;
- ✓ VAT on purchases and sales of non-current assets is stated in the cash flows from operating activities, to the extent it participates and is recovered in the operating cash flows of the Company for the relevant accounting period.
- ✓ Interest on loans and deposits granted/received is included as inflows / payments to financial activities.

Cash and cash equivalents are subsequently presented at depreciated value, without any accumulated adjustments for expected credit losses.

#### **2.10.12.Leasing**

##### **Operating lease**

At the inception of the contract, the company assesses whether the contract represents or contains a lease. A contract represents or contains elements of a lease if, under that contract, the right to control the use of an asset for a specified period of time is transferred in exchange for consideration. The assessment includes an assessment of the following factors:

- Whether the contract involves the use of an identified asset, this may be stated explicitly or by default, and must be physically identifiable or must represent essentially the entire capacity of a physically separate asset. If the supplier has a substantial right of replacement, then the asset is not identified;
- Whether the company is entitled to receive substantially all the economic benefits from the use of the asset throughout the useful life; and
- Whether the company has the right to manage the use of the asset. The company has this right when

Unless otherwise stated, all amounts are in BGN thousand.

it has decision-making rights concerning the change in the manner and purpose of using the asset. In the rare cases where it is predetermined how and for what purpose the asset will be used, the company has the right to manage the use of the asset if:

- ✓ The company has the right to operate the asset; or
- ✓ The company has designed the asset in a way that determines in advance how and for what purpose it will be used

### **Financial leasing**

The lease contract under which all risks and economic benefit of ownership of the asset are transferred to the company of the Group is classified as a financial leasing and the leased asset is capitalized in the consolidated statement of financial position of the lessee and presented as property, plant and equipment. Upon initial recognition, leased assets are accounted at the lower value of the following two: their current fair value or the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance expenses (interest) and the reduction of the lease liability (principal). Financial expenses are allocated to each period over the lease term so that a constant interest rate is reached on the remaining outstanding portion of the principal under the lease liability. Interest expenses are included in the consolidated statement of comprehensive income as "Financial expenses".

Assets acquired under a financial leasing are depreciated based on the useful life of the asset and within the lease term.

### **2.10.13.Provisions**

Provisions are recognized when the Group has a present (constructive or legal) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are estimated on the basis of the best estimate of the management at the date of preparation of the financial statements for the expenses necessary for the settlement of the respective obligation. The estimate is discounted when the maturity of the liability is long-term. When it is expected that part of the resources that will be used to settle the obligation will be recovered from a third party, the company recognizes a receivable, if there is a high degree of certainty of its receipt, its value can be reliably determined as income (credit) on the same position in the Statement of Comprehensive Income, where the provision itself is presented.

Unless otherwise stated, all amounts are in BGN thousand.

The Group accrues provisions for guarantee service of devices sold. The provision is calculated on the basis of best estimate of management about the expected expenses, which the Group will incur in case of guarantee events and based on the past experience about the sold products/ services.

#### **2.10.14. Liabilities to employees**

##### **Defined contribution plans**

The government of the Republic of Bulgaria undertakes the liability to ensure pension payments on the basis of defined contribution plans. The liability of the Company to pay the amounts booked under the defined contribution plans for the employees is recognized in the statement of comprehensive income at the time of occurrence of the liability.

##### **Paid annual leave**

The Group recognizes as a liability undiscounted amount of estimated cost of annual paid leave, which is expected to be paid to employees in return to their labor for the past reporting period.

##### **Defined income for retirement**

In compliance with the Labor Code, when a labor contract of an employee that obtained the right for pension is terminated, the Company pays a compensation at the amount of two gross monthly salaries, if the employee worked for the Company less than 10 years, or six gross monthly salaries if the employee worked for the Company more than 10 years. The Group estimates that the amount is not significant and therefore it is not included in the financial report.

#### **2.10.15. Share capital**

The Group has adopted the financial concept of maintaining the capital. The financial capital maintaining is assessed in nominal monetary units. Profit for the reporting period is considered to be acquired only if the total equity amount at the end of the period exceeds the amount in the beginning of the period, after deducting the distributions to owners or their investments in capital during the period.

Allterco JSCo is a joint-stock company and is obliged to register in the Commercial Register its statutory share capital, which shall serve as a security for its creditors. The shareholders are responsible for the liabilities of the mother-company up to the amount of their shareholding in the capital and may claim the return of that holding only in case of bankruptcy or liquidation proceedings. The mother-company reports

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

it registered capital at par value of the number of shares registered.

**Equity** is the residual value of an entity's assets after deducting all its liabilities. This includes:

**Registered capital** – it is presented in the Statement of financial position according to the number of issued shares with nominal value of each share.

**Financial result** – it is formed as the difference between the income and expenses accrued for it. This includes:

- a) retained earnings;
- b) uncovered loss;
- c) the net profit or loss for the current year, which is presented in the statement of financial position after deduction of tax expense due.

The Equity is decreased by the dividends paid to the shareholders during the period in which they are distributed (voted by the General Meeting).

In accordance with the requirements of the Commercial Law and the Statute of Allterco JSCo., the company is obliged to form reserves at the expense of:

- at least one-tenth of the annual profit, until the funds accumulated reach 25 per cent of the share capital;
- the funds received above the nominal value of the shares issued (premium reserve);

**Treasury shares** are reported in the statements of financial position at acquisition cost, which is used to decrease the equity of the Group. The profit and losses from the sale of treasury shares are reported in the equity of the Group, as part of the retained earnings.

During the past reporting periods the company made payments to the employees of its Bulgarian subsidiaries in shares.

The payment in shares against labor services is made with shares of the mother-company. The equity instruments are valued at fair value as of the date of share transfer. The expense related to the payment in shares is recognized for the period in which the labor services were rendered.

**Reserve from translation of financial statement of foreign operations** - arises from the net effects of foreign currency conversion of the subsidiaries' financial statements from their functional currencies into Bulgarian levs for the purpose of consolidation.

Unless otherwise stated, all amounts are in BGN thousand.

**Other comprehensive income** is formed by the difference between previous book value of financial assets reported at fair value and the fair value of such assets as of the date of the report.

#### 2.10.16. Income tax expenses

Income tax expense represents the sum of the current income taxes and the tax effect on temporary tax differences. The current income tax is determined in accordance with the tax legislation of the respective country. The nominal corporate profit tax rate in Bulgaria for 2021 and 2022 is 10%.

The foreign daughter companies are subject to corporate profit tax in accordance with the local legislation.

The applicable tax rates are as follows:

Country	Nominal tax rate	
	2022	2021
Germany	15,825%	15,825%
USA	15-35%	15-35 %

Deferred tax assets and / or liabilities are the amounts of recoverable and payable income taxes for future periods in respect of deductible and taxable temporary tax differences.

Temporary tax differences are established by comparing the book value of an asset or liability presented in the Statement of financial position with its tax base when applying the tax rules.

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax liabilities are calculated and recognized for all taxable temporary differences, while deferred tax assets are recognized only if it is probable that they will be recovered and if the company will be able to generate sufficient profit in the future from which they to be deducted.

The effect of recognizing the deferred tax assets and / or liabilities is reflected where the effect of the event that gave rise to them is presented.

For events that affect the statement of profit or loss and other comprehensive income, the effect of deferred tax assets and liabilities is also recognized in the statement of comprehensive income.

For events that are initially reported in equity (revaluation reserve) and deferred tax assets and liabilities are recognized at the expense of equity.

In the Statement of financial position, deferred tax assets and / or liabilities are presented as compensation, as they are subject to a single taxation regime.

As of September 30, 2022 the Group recognize deferred corporate profit taxes only for the Bulgarian

Unless otherwise stated, all amounts are in BGN thousand.

companies and they are estimated using 10% rate, which remains unchanged for 2023.

#### **2.10.17. Earnings per share**

The basic earnings per share are calculated by dividing the net profit or loss for the period that is subject to distribution among shareholders of ordinary shares, by the average weighted number of ordinary shares held during the period.

The weighted average number of shares represents the number of ordinary shares hold in the beginning of the period, adjusted by the number of repurchased ordinary shares and the new issued shares during the period multiplied by a time-weighting factor. This factor represents the number of days in which specific shares have been held relative to the total number of days in the period.

Earning of shares with reduced value should not be calculated because there are no shares with reduced value issued.

#### **2.10.18. Judgments that are crucial in applying accounting policies of the Group.**

##### ***Key high uncertainty estimates and assumptions.***

In the process of applying accounting policies, the management of the Group makes judgments that have a material effect on these financial statements. Such judgments by definition are rarely equal to actual results.

As a result of their nature, they are subject to constant review and updating and include historical experience and other factors as expectations for future events that management believes are reasonable in the current circumstances.

The estimates and assumptions that carry a significant risk of a material adjustment in the carrying amounts of assets and liabilities in the next financial year are set out below.

##### ***Useful life of property, plant and equipment and intangible assets***

The financial statements of property, plant and equipment and intangible assets include the use of estimates of their useful lives and carrying values, which are based on judgments made by the management of the Group.

##### ***Impairment of receivables***

The Management estimates the amount and timing of expected future cash flows related to receivables based

Unless otherwise stated, all amounts are in BGN thousand.

on experience in current circumstances in the following groups: individual accounts, households and other small consumers and legal receivables. Due to the inherent uncertainty of this assessment, the actual results may differ from those expected. The management of the Group reviews the estimates from previous years against the actual results from the previous year.

In connection with the implementation of IFRS 9 Financial Instruments, the Group have used their accumulated experience in the area of credit losses, and have taken into account current conditions and their forecasts to estimate the expected credit losses on their trade receivables.

#### **2.10.19. Fair values**

Fair value is the price that could be obtained from the sale of an asset or could be paid for the transfer of a liability in the ordinary course of trade between market participants at the date of assessment (starting price). Fair value assessment is based on the assumption that the transaction to sell an asset or transfer a liability has been carried out:

- on the principal market of the respective asset or liability, or
- in the absence of a principal market, on the most advantageous market for the asset or liability.

The principal or the most advantageous market should be accessible for the Company.

The fair value of an asset or liability is estimated by making the assumptions that market participants would make when establishing the price of the asset or liability, assuming that they act in their best economic interest.

All assets and liabilities that are measured at fair value or for which fair value disclosure is required in the financial statements, are grouped into categories according to the fair value hierarchy, as described below, based on the lowest level of input data used, which has a significant impact on fair value measurement in general:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities are used
- Level 2 - appraisal methods are applied in which the lowest level of used input data essential for fair value assessment have been observed either directly or indirectly
- Level 3 - appraisal techniques are used where the lowest level of used input data essential for fair value assessment are unobserved

For the assets and liabilities that are regularly evaluated at fair value the Company shall review their categorization at the appropriate level of the fair value hierarchy (based on the lowest level of used input data,

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

that have a significant impact on the fair value evaluation as a whole) to the end of the reporting period and determine whether there is a need to make a transfer(s) from one level to another.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**3. Notes to the consolidated statement of financial position**
**3.01. Property, plant and equipment**

	Lands	Buildings	Machinery and facilities	Vehicles	Computer equipment	Office equipment	Other	Expenses for acquisition of fixed tangible assets	Total
<b>January 01, 2021</b>									
Acquisition cost	1 476	3 032	859	458	240	128	151	9	6 353
Accumulated depreciation	-	(92)	(507)	(291)	(183)	(97)	(116)	-	(1 286)
<b>Book value</b>	<b>1 476</b>	<b>2 940</b>	<b>352</b>	<b>167</b>	<b>57</b>	<b>31</b>	<b>35</b>	<b>9</b>	<b>5 067</b>
Acquisitions	-	-	53	-	24	58	142	46	323
Purchase	-	-	53	-	24	58	142	46	323
Decrease (book value)	-	-	-	(3)	(3)	(45)	-	-	(51)
Disposals	-	-	-	-	-	(43)	-	-	(43)
Other way	-	-	-	(3)	-	-	-	-	(3)
Written off book value related to sold investments	-	-	-	-	(3)	(2)	-	-	(5)
Depreciation for the period	-	(121)	(256)	(94)	(49)	(8)	(13)	-	(541)
Changes in depreciation	-	-	-	3	4	84	51	-	142
Depreciation of written off assets	-	-	-	3	4	84	51	-	142
<b>December 31, 2021</b>									
Acquisition cost	1 476	3 032	912	452	257	57	242	55	6 483
Accumulated depreciation	-	(213)	(763)	(382)	(228)	(21)	(78)	-	(1 685)
<b>Book value at the end</b>	<b>1 476</b>	<b>2 819</b>	<b>149</b>	<b>70</b>	<b>29</b>	<b>36</b>	<b>164</b>	<b>55</b>	<b>4 798</b>
<b>January 01, 2022</b>									
Acquisition cost	1 476	3 032	912	452	257	57	242	55	6 483
Accumulated depreciation	-	(213)	(769)	(382)	(228)	(21)	(78)	-	(1 685)
<b>Book value at the end</b>	<b>1 476</b>	<b>2 819</b>	<b>149</b>	<b>70</b>	<b>29</b>	<b>36</b>	<b>164</b>	<b>55</b>	<b>4 798</b>
Acquisitions	-	11	28	2	27	61	2	42	173
Purchase	-	11	28	2	27	61	2	42	173
Decrease (book value)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation for the period	-	(91)	(102)	(33)	(23)	(9)	(21)	-	(279)
Changes in depreciation	-	-	-	-	-	-	-	-	-
Depreciation of written off assets	-	-	-	-	-	-	-	-	-
<b>September 30, 2022</b>									
Acquisition cost	1 476	3 043	940	454	284	118	244	97	6 656
Accumulated depreciation	-	(304)	(865)	(415)	(251)	(30)	(99)	-	(1 964)
<b>Book value at the end</b>	<b>1 476</b>	<b>2 739</b>	<b>75</b>	<b>39</b>	<b>33</b>	<b>88</b>	<b>145</b>	<b>97</b>	<b>4 692</b>

The land and building owned by the Group are pledged in relation with bank financing used for their purchase (see point 3.14).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

**3.02. Intangible assets**

	Software	ISO certificates and intellectual property rights	Trademarks and prototypes	Others	Capitalized R&D expenses	<b>Total</b>
<b>January 01, 2021</b>						
<b>Acquisition cost</b>	<b>190</b>	<b>874</b>	<b>2 691</b>	<b>212</b>	<b>1 535</b>	<b>5 502</b>
<b>Accumulated amortization</b>	<b>(190)</b>	<b>(244)</b>	<b>(625)</b>	<b>(34)</b>	<b>-</b>	<b>(1 093)</b>
<b>Book value</b>	<b>-</b>	<b>630</b>	<b>2 066</b>	<b>178</b>	<b>1 535</b>	<b>4 409</b>
<b>Acquisitions</b>	<b>141</b>	<b>5</b>	<b>1 767</b>	<b>-</b>	<b>2 285</b>	<b>4 198</b>
Purchase	6	5	11	-	-	22
Capitalized	-	-	-	-	2 285	2 285
Put into operation	135	-	1 756	-	-	1 891
<b>Disposals</b>	<b>-</b>	<b>(625)</b>	<b>(546)</b>	<b>(141)</b>	<b>(3 695)</b>	<b>(5 007)</b>
Written off book value of assets related to sold investments	-	(625)	-	(141)	-	(766)
Other way	-	-	(546)	-	(3 695)	(4 241)
<b>Amortization for the period</b>	<b>(17)</b>	<b>(3)</b>	<b>(456)</b>	<b>(8)</b>	<b>-</b>	<b>(484)</b>
<b>Changes in amortization</b>	<b>-</b>	<b>242</b>	<b>298</b>	<b>14</b>	<b>-</b>	<b>554</b>
Amortization of written off assets	-	-	298	-	-	298
Written off amortization of assets related to sold investments	-	242	-	14	-	256
<b>Book value as of the end</b>	<b>124</b>	<b>7</b>	<b>2 831</b>	<b>29</b>	<b>125</b>	<b>3 116</b>
<b>December 31, 2021</b>						
<b>Acquisition cost</b>	<b>331</b>	<b>12</b>	<b>3 614</b>	<b>57</b>	<b>125</b>	<b>4 139</b>
<b>Accumulated amortization</b>	<b>(207)</b>	<b>(5)</b>	<b>(783)</b>	<b>(28)</b>	<b>-</b>	<b>(1 023)</b>
<b>Book value</b>	<b>124</b>	<b>7</b>	<b>2 831</b>	<b>29</b>	<b>125</b>	<b>3 116</b>
<b>January 1, 2022</b>						
<b>Acquisition cost</b>	<b>331</b>	<b>12</b>	<b>3 614</b>	<b>57</b>	<b>125</b>	<b>4 139</b>
<b>Accumulated amortization</b>	<b>(207)</b>	<b>(5)</b>	<b>(783)</b>	<b>(28)</b>	<b>-</b>	<b>(1 023)</b>
<b>Book value</b>	<b>124</b>	<b>7</b>	<b>2 831</b>	<b>29</b>	<b>125</b>	<b>3 116</b>
<b>Acquisitions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 235</b>	<b>1 235</b>
Capitalized	-	-	-	-	1 235	1 235
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>(200)</b>	<b>-</b>	<b>-</b>	<b>(200)</b>
Written off prototypes	-	-	(200)	-	-	(200)
<b>Amortization for the period</b>	<b>(50)</b>	<b>(2)</b>	<b>(407)</b>	<b>(6)</b>	<b>-</b>	<b>(465)</b>
<b>September 30, 2022</b>						
<b>Acquisition cost</b>	<b>331</b>	<b>12</b>	<b>3 414</b>	<b>57</b>	<b>1 360</b>	<b>5 174</b>
<b>Accumulated amortization</b>	<b>(257)</b>	<b>(7)</b>	<b>(1 190)</b>	<b>(34)</b>	<b>-</b>	<b>(1 488)</b>
<b>Book value</b>	<b>74</b>	<b>5</b>	<b>2 224</b>	<b>23</b>	<b>1 360</b>	<b>3 686</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

### 3.03. Assets with right of use

	September 30, 2022			December 31, 2021		
	Vehicles	Buildings	Total	Vehicles	Buildings	Total
<b>In the beginning of the period</b>						
Acquisition cost	232	9	241	127	9	136
Amortization	(124)	(9)	(133)	(84)	(6)	(90)
<b>Book value</b>	<b>108</b>	<b>-</b>	<b>108</b>	<b>43</b>	<b>3</b>	<b>46</b>
<b>Acquisitions</b>	<b>162</b>	<b>99</b>	<b>261</b>	<b>116</b>	<b>-</b>	<b>116</b>
Operating leasing	162	99	261	116	-	116
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>(11)</b>
Written off	-	-	-	(11)	-	(11)
<b>Amortization for the period</b>	<b>(44)</b>	<b>(5)</b>	<b>(49)</b>	<b>(40)</b>	<b>(3)</b>	<b>(43)</b>
<b>Book value at the end of the period</b>						
Acquisition cost	394	108	502	232	9	241
Amortization	(168)	(14)	(182)	(124)	(9)	(133)
<b>Book value</b>	<b>226</b>	<b>94</b>	<b>320</b>	<b>108</b>	<b>-</b>	<b>108</b>

The Group has concluded lease agreements for renting office spaces and vehicles used in its activity.

### 3.04. Goodwill

Name	September 30, 2022	December 31, 2021
Allterco Robotics Inc., USA	34	34
Allterco Properties EOOD (Solely-owned LLC)	126	126
<b>Total:</b>	<b>160</b>	<b>160</b>

#### *Impairment of goodwill*

No impairment of goodwill is recognized as of September 30, 2022.

### 3.05. Investments in associated companies

During 2021 Allterco participated in the establishment of a new company in China – Allterco Asia Ltd. , with seat and management address Shenzhen, Guangdong Province. The registered capital of the new company is CNY 100 000 as Allterco holds 30% (8 thousand BGN) and has an option to acquire additional up to 50%, reaching up to 80%, if the development of the company meets the expectations of Allterco.

The movement of the investments in associated companies is as follows:

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance at Jan 1</b>	40	-
Acquisition of participation in the capital	-	8
Share in the profit for the period	48	32
<b>Balance as of the end of the period</b>	<b>88</b>	<b>40</b>

### 3.06. Other long-term capital investments

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Ordinary registered shares – Link Mobility, in the beginning of the period	<b>2 624</b>	<b>6 566</b>
<i>Decrease</i>	<i>(1 866)</i>	<i>(3 942)</i>
Effect from transactions with financial assets	(355)	(369)
Revaluation of other financial instruments	(1 511)	(3573)
Ordinary registered shares – Link Mobility, at the end of the period	<b>758</b>	<b>2 624</b>

### 3.07. Long-term trade receivables

In September 2021 the Company sold its investments in ALLTERCO PTE, Singapore, ALLTERCO SDN Malaysia и ALLTERCO CO. LTD Thailand. As part of the terms of the sales contract, the payment of part of the transaction value is deferred. The amount of 1 027 thousand BGN are due after the end of 2023 therefor they are presented in long-term receivables.

The management assess that the value of other long-term receivables presented in the statement of financial position as of September 30, 2022 is equal to their fair value.

### 3.08. Deferred tax assets

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Deferred tax assets</b>		
Accruals for unused leave	19	19
Provisions for liabilities	30	30
Impairment of receivables	10	25
<b>Total deferred tax assets</b>	<b>59</b>	<b>74</b>
<b>Deferred tax liabilities</b>		
Depreciation	(2)	(2)
<b>Total deferred tax liabilities</b>	<b>(2)</b>	<b>(2)</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

<b>Total deferred tax asset (liability)</b>	<u>57</u>	<u>72</u>
---	-----------	-----------

**3.09. Inventories**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Goods	10 294	3 900
Goods in transit	4 457	979
Supplies	1 677	2 227
Materials	1 007	454
<b>Total:</b>	<u><b>17 435</b></u>	<u><b>7 560</b></u>

As of September 30, 2022 in the consolidated statement of financial position are presented:

- Components for production of devices at the amount of 1 677 thousand BGN, which were ordered by the Group and purchased by the factories that produce devices for the Group. The components are available at the warehouse of the factories and according to the agreements the Group has ownership rights over them
- Goods in transit, which are not in the warehouses of the Group yet but which are owned by the Group on the basis of purchase agreements

The Group policy is to try to maintain optimal quantity of goods equal to a several months forecast of sales. The management of the Group expects that in the near future the level of inventories will continue to increase as a consequence of increasing sales as well as a result of increasing deficit of certain electronic components necessary for the production of devices.

**3.10. Trade receivables**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Receivables from customers	18 905	12 642
Impairment of receivables, net	(527)	(237)
Advances to suppliers	5 800	6 762
Written off receivables on advances	(200)	-
<b>Total</b>	<u><b>23 978</b></u>	<u><b>19 167</b></u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Impairment at the beginning of the period	237	-
Reversed and written-off impairment	(151)	-
Accrued impairment for the period, net	441	237
<b>Net total:</b>	<b>527</b>	<b>237</b>

**3.11. Other receivables**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>TAX RECEIVABLES</b>	<b>3 306</b>	<b>1 884</b>
VAT refund receivable	2 268	1 857
Corporate profit tax advance payments	1 023	2
Customs duties	15	25
<b>OTHER RECEIVABLES</b>	<b>122</b>	<b>28</b>
Deposits with companies and guarantees	114	22
Advances to employees	1	4
Other receivables	7	2
<b>Total:</b>	<b>3 428</b>	<b>1 912</b>

**3.12. Cash and cash equivalents**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Cash on hand	99	92
Cash in current accounts	24 530	30 320
Other cash - debit cards	23	4
Restricted cash (guarantees)	77	125
Cash equivalents	10	-
<b>Total:</b>	<b>24 739</b>	<b>30 541</b>

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
By currency		
EUR	8 735	6 180
BGN	7 802	13 298
USD	7 602	11 063
Other	600	-
<b>Total</b>	<b>24 739</b>	<b>30 541</b>

The Group's cash funds are in bank accounts with banks with stable long-term ratings. The Management

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

has assessed the expected credit losses on cash funds and cash equivalents. The estimated value is determined as insignificant and is not accrued in the consolidated financial statements of the Group as of 30 September 2022

### 3.13. Prepaid expenses

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	Up to one year	Up to one year
<b>Operating activity</b>		
Information Services	12	28
Insurances	98	35
Licenses/ certificates	227	-
Memberships	8	34
Subscriptions	5	27
Trade fairs	-	109
Other	12	1
<b>Total</b>	<b>362</b>	<b>234</b>

### 3.14. Bank loans

Then depreciable portion of bank loans is as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Raiffeisenbank AD, including:	<b>1 687</b>	<b>1 900</b>
- up to one year	291	285
- over one year	1 396	1 615
DSK bank EAD	<b>482</b>	<b>617</b>
- up to one year	259	225
- over one year	223	392
Other short-term financing Allterco Robotics USA	<b>120</b>	<b>62</b>
<b>Total bank loans - non-current portion:</b>	<b>1 619</b>	<b>2 007</b>
<b>Total bank loans - current portion:</b>	<b>670</b>	<b>572</b>

<b>Bank</b>	<b>Raiffeisenbank AD</b>
Date of the contract:	25 August 2017
Agreed loan amount:	1 620 000
Original currency	EUR

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

Purpose	Financing up to 90% (excluding VAT) of the final price of all company shares representing 100% of the capital of the joint debtor Allterco Properties EOOD (Solely-owned LLC), designated in the concluded between the Borrower and JFC Developments OOD (Ltd.) Share Transfer Contract into Final Contract
Term	10 February 2028
Collaterals:	Mortgage on real estate, owned by Allterco Properties EOOD (Solely-owned LLC), joint debtor - Allterco Properties EOOD (Solely-owned LLC), pledge of all bank accounts of Allterco JSCo. with the bank

**Creditor**                      **DSK Bank AD**

---

Date of the contract:	28 September 2020
Total amount	EUR 450 thousand
Purpose	Financing of 90% of the expenses for purchase of real estate
Currency	EUR
Fixed term	28 September 2024
Collaterals:	Mortgage of real estate owned by Allterco Properties Ltd.

A subsidiary of Allterco has an agreement for bank financing in the form of overdraft, which was not used during the reporting period. Details about the parameters of this financing are presented in point 5.

### 3.15. Lease

	September 30, 2022			December 31, 2021		
	Up to one year	Over one year	<b>Total</b>	Up to one year	Over one year	<b>Total</b>
Finance lease liabilities	42	69	<b>111</b>	31	-	<b>31</b>
Operating lease liabilities	32	104	<b>136</b>	27	80	<b>107</b>
Lease liabilities	<b>74</b>	<b>173</b>	<b>247</b>	<b>58</b>	<b>80</b>	<b>138</b>

Liabilities under lease agreements presented in the consolidated statement of financial position include the liabilities of the Group under rental agreements for offices and vehicles, which are recognized in accordance with the requirements of IFRS 16 Leasing.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

**3.16. Trade payables**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Suppliers	1 142	931
Advances from clients	313	556
<b>Total:</b>	<b>1 455</b>	<b>1 487</b>

**3.17. Payables to employees**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Payables to employees	350	5
Payables for unused paid leave	170	168
<b>Total:</b>	<b>520</b>	<b>173</b>

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Liabilities to social security benefits</b>	<b>212</b>	<b>115</b>

**3.18. Tax liabilities**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Corporate tax	1 830	281
Value Added Tax	403	940
Income tax	66	73
Other taxes	1	21
<b>Total:</b>	<b>2 300</b>	<b>1 315</b>

**3.19. Other liabilities**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Liabilities for purchase of shares	565	665
Guarantee service provision	118	300
Guarantees/deposits for rent	61	61
Other liabilities	4	-
<b>Total other liabilities</b>	<b>748</b>	<b>1 026</b>

The General Meeting of Shareholders of Allterco JSCo held on 27 June 2022, decided to distribute a

Unless otherwise stated, all amounts are in BGN thousand.

dividend of BGN 1 799 999.90 (BGN 0.10 per share). At the date of this report, the dividend has been fully paid.

### **3.20. Registered capital**

Allterco JSCo was registered in 2010. The registered capital of the Company as of 30 September 2022 amounts to BGN 17,999,999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) and is distributed in 17,999,999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) ordinary registered shares with a nominal value of BGN 1 each. The registered capital is fully paid in four installments:

The first issue was made upon the establishment of the Company in the form of a non-monetary contribution in the amount of BGN 50 000, which had as its subject ordinary registered voting shares of the capital of Teravoice AD.

In 2010 a second non-monetary contribution was made in the amount of BGN 5 438 000, which had as its subject shares from the capital of Tera Communications AD.

At the end of 2015, a new issue of 8,012,000 (eight million and twelve thousand) ordinary registered voting shares was issued, with a nominal value of BGN 1 (one) each.

At the end of 2016 the capital of ALLTERCO JSCo was increased with a new issue in the amount of 1,500,000 (one million and five hundred thousand) shares on the basis of a successful initial public offering, according to the Prospectus for public offering of shares, confirmed by the Financial Supervision Commission with Decision № 487 – E of July 08, 2016 entered in the Commercial Register under No.20161108100414 of November 08, 2016.

In 2020 the capital of the Company was increased by cash contributions in the total amount of 2,999,999 (two million nine hundred ninety-nine thousand nine hundred and ninety-nine) against 2,999,999 (two million nine hundred ninety-nine thousand nine hundred and ninety-nine) subscribed and paid dematerialized ordinary registered voting shares with a nominal value of BGN 1 as a result of a procedure for Public Offering of a new issue of shares. The public offering of shares from the capital increase of Allterco JSCo was carried out in the period September 28, 2020 – October 30, 2020 on the basis of a Prospectus, together with the supplements to it, confirmed by the Financial Supervision Commission with Decision № 148- F of February 18, 2020, Decision № 405-E of June 11, 2020, Decision № 601-E of August

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

13, 2020 and Decision № 791-E of October 29, 2020.

As of 30 September 2022 the shareholders in the company are:

<b>Name</b>	<b>Number of shares:</b>	<b>% in the capital</b>
Svetlin Todorov	5 847 120	32.48%
Dimitar Todorov	5 847 120	32.48%
Persons holding 5% of the capital		
Other physical persons and legal entities	6 305 759	35.04%
<b>Total</b>	<b>17 999 999</b>	<b>100.00%</b>

As of September 30, 2022 the company owns 40 000 treasury shares, representing 0.22% of registered share capital.

### 3.21. Retained earnings

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance</b>	<b>39 394</b>	<b>13 531</b>
Net profit	11 747	15 962
Distribution of dividends	(1 800)	(3 600)
Change due to sale of subsidiaries	-	94
<b>Closing balance at the end of the period</b>	<b>49 341</b>	<b>39 394</b>

### 3.22. Reserves

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance</b>	<b>1 800</b>	<b>1 500</b>
Reserve from issue of shares	-	300
<b>Balance at the end of the period</b>	<b>1 800</b>	<b>1 800</b>

### 3.23. Reserve from issue of shares

As of 30 September 2022 the reserves from issue of shares are at the amount of 5 403 thousand BGN. They are formed by the excess of share price of newly issued shares during 2020 over the par value of shares. The excess amount was 6 000 thousand BGN and was decreased by the expenses related to the share issue at the amount of 2967 thousand BGN and by 300 thousand BGN, which were transferred to reserves,

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

pursuant to a decision of the general meeting of shareholders held on June 28, 2021.

### 3.24. Other comprehensive income

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Value at the beginning of the period</b>	<b>1 036</b>	<b>4 849</b>
Reserves transferred to retained earnings	(160)	(240)
Reserves related to financial instruments reported at fair value	(1 648)	(3 573)
Other movements	(10)	-
<b>Value at the end of the period</b>	<b>(782)</b>	<b>1 036</b>

The reserves related to the long-term financial instruments decreased by 1 808 thousand BGN as a result of the revaluation of the long-term financial instruments held at fair value as of 30 September 2022 and due to the sale of part of the capital instruments during the reporting period.

## 4. Notes to the consolidated statement of comprehensive income

### 4.01. Sales revenue and cost price of sales

	<b>9 months of 2022</b>				<b>9 months of 2021</b>		
	<b>Goods</b>	<b>Services and rents</b>	<b>Total:</b>		<b>Produc tion</b>	<b>Goods</b>	<b>Services and rents</b>
<b>Sales revenues</b>	<b>57 772</b>	<b>57</b>	<b>57 829</b>	<b>109</b>	<b>38 391</b>	<b>21</b>	<b>38 521</b>
<i>Cost of goods sold</i>	(28 183)	-	(28 183)	(35)	(17 896)	-	(17 931)
<i>Other direct costs</i>	(718)	-	(718)	(64)	(512)	-	(576)
<b>Cost of sales</b>	<b>(28 901)</b>	<b>-</b>	<b>(28 901)</b>	<b>(99)</b>	<b>(18 408)</b>	<b>-</b>	<b>(18 507)</b>
<b>Gross profit</b>	<b>28 871</b>	<b>57</b>	<b>28 928</b>	<b>10</b>	<b>19 983</b>	<b>21</b>	<b>20 014</b>

### 4.02. Other operating income

	<b>9 months of 2022</b>	<b>9 months of 2021</b>
Financing / electricity price compensations	17	-
Exchange rate differences	2 668	515
Other operating income	33	40
<b>Total:</b>	<b>2 718</b>	<b>555</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

**4.03. Administrative expenses**

	<b>9 months of 2022</b>	<b>9 months of 2021 (reclassified)</b>
Material expense	(161)	(195)
External services	(3 432)	(1 117)
Depreciation	(338)	(748)
Salaries and social security	(9 507)	(4 977)
Other administrative expenses	(524)	(178)
<b>Total:</b>	<b>(13 962)</b>	<b>(7 215)</b>

**4.04. Other operating expenses**

	<b>9 months of 2022</b>	<b>9 months of 2021</b>
Written off receivables	(1 056)	-
Written off prototypes	(200)	-
Bank fees	(80)	(84)
Impairment of receivables	(441)	(153)
Interest, fines and penalties	(52)	(74)
<b>Total:</b>	<b>(1 829)</b>	<b>(311)</b>

**4.05. Financial expenses**

	<b>9 months of 2022</b>	<b>9 months of 2021</b>
Loss from operations with financial assets	(119)	-
<i>Proceeds from sale of financial assets</i>	236	-
<i>Carrying amount of financial assets sold</i>	(355)	-
Interest on financial lease	(3)	(2)
Interest on loans	(46)	(54)
Bank fees	(68)	(48)
<b>Total:</b>	<b>(236)</b>	<b>(104)</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

**4.06. Tax Expense/Savings**

	<b>9 months of 2022</b>	<b>9 months of 2021</b>
Current tax expenses	(1 826)	(1 308)
Tax effect of temporary tax differences	(16)	(5)
<b>Total:</b>	<b>(1 842)</b>	<b>(1 313)</b>

**5. Contingent liabilities and commitments**

Contract	Annex	Creditor	Debtor	Joint debtor /Guarantor	Amount/Limit	Financial conditions	Term	COLLATERAL provided by the borrower
Investment loan August 25, 2017 contract under art. 114 para 10 of the Public Offering of Securities Act	Annex No.1 October 31, 2018	Raiffeisen bank Bulgaria EAD	Allterco JSCo	Allterco Properties EOOD - solidary	1 620 000 EUR	Fixed interest rate for the whole period 3% per year; Management fee	Feb 10, 2028	Mortgage on real estate owned by Allterco Properties EOOD; Pledge of receivables on bank accounts with the bank. Pledge under the law for financial security contracts;
Overdraft September 30, 2019 – contract under art. 114 para 10 of the Public Offering of Securities Act	Annex No.1 of August 28, 2020	Raiffeisen bank Bulgaria EAD	Allterco Robotics EOOD	Allterco JSCo - guarantor	1 000 000 EUR	One-month EURIBOR, +2.5 %, but not less than 2.5%; management commission; commitment commission; commission for issuing guarantees;	September 29, 2023	Pledge of receivables on accounts;
Contract for standard investment loan No.2757 dated September 28, 2020	none	DSK Bank AD	Allterco Properties EOOD	Allterco Trading EOOD – solidary debtor	450 000 EUR	Annual interest rate formed by a variable interest rate of 1m EURIBOR + 2.1% but not less than 2.1%; annual management fee;	September 28, 2024	Mortgage on real estate owned by Allterco Properties EOOD; Pledge of receivables on bank accounts of Allterco Properties EOOD and Allterco Trading EOOD in DSK Bank.

**6. Transactions with related parties**

During the reporting period the Group did not engage in transactions with its shareholders or entities, which

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

could be considered as related parties.

The Company has not entered into transactions with its subsidiaries and associates that are outside its normal business or significantly deviate from market conditions. Transactions in the ordinary course of operations with subsidiaries are excluded for consolidation purposes.

The companies included in the Group are disclosed in item 1.4

### Key management

During the reporting period, the members of the Board of Directors received gross remuneration at the total amount of 511 thousand BGN. The paid remuneration is according to the announced Remuneration Policy and the changes made to the number and composition of the members of the Board of Directors, adopted at an extraordinary general meeting of shareholders on 8 April 2022.

As of the end of the reporting period, the Company has no obligations to its key management.

### 7. Financial instruments by category

The accounting policies for financial instruments are applied to the items listed below

Structure of financial assets and liabilities by categories is as follows:

<i>Financial assets according to the Statement of financial position</i>	September 30, 2022				Total
	Cash	Financial assets reported at depreciated value	Financial assets reported at fair value through other comprehensive income	Financial assets reported at fair value through profit or loss	
Cash and cash equivalents	24 739	-	-	-	24 739
Other long term financial assets	-	-	758	-	758
Non-current trade receivables	-	1 027	-	-	1 027
Current trade receivables	-	18 378	-	-	18 378
Deposits and guarantees	-	114	-	-	114
<b>TOTAL FINANCIAL ASSETS</b>	<b>24 739</b>	<b>19 519</b>	<b>758</b>	<b>-</b>	<b>45 016</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

<b>September 30, 2022</b>				
<i>Financial liabilities according to the Statement of financial position</i>	<b>Financial liabilities reported at depreciated value</b>	<b>Financial liabilities reported at a specifically determined value</b>	<b>Financial liabilities reported at fair value through profit or loss</b>	<b>Total</b>
Lease	247	-	-	247
Bank loans	2 289	-	-	2 289
Trade liabilities	1 142	-	-	1 142
Liabilities for purchase of shares	565	-	-	565
Guarantees	61	-	-	61
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4 304</b>	<b>-</b>	<b>-</b>	<b>4 304</b>

<b>December 31, 2021</b>					
<i>Financial assets according to the Statement of financial position</i>	<b>Cash</b>	<b>Financial assets reported at depreciated value</b>	<b>Financial assets reported at fair value through other comprehensive income</b>	<b>Financial assets reported at fair value through profit or loss</b>	<b>Total</b>
Cash and cash equivalents	30 541	-	-	-	30 541
Other long term financial assets	-	-	2 624	-	2 624
Non-current trade receivables	-	2 054	-	-	2 054
Current trade receivables	-	12 405	-	-	12 405
Deposits and guarantees	-	22	-	-	22
<b>TOTAL FINANCIAL ASSETS</b>	<b>30 541</b>	<b>14 481</b>	<b>2 624</b>	<b>-</b>	<b>47 646</b>

<b>December 31, 2021</b>				
<i>Financial liabilities according to the Statement of financial position</i>	<b>Financial liabilities reported at depreciated value</b>	<b>Financial liabilities reported at a specifically determined value</b>	<b>Financial liabilities reported at fair value through profit or loss</b>	<b>Total</b>
Leasing	138	-	-	138
Bank loans	2 579	-	-	2 579
Trade liabilities	931	-	-	931
Liabilities for purchase of shares	665	-	-	665
Guarantees	61	-	-	61
Other liabilities	-	-	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4 374</b>	<b>-</b>	<b>-</b>	<b>4 374</b>

**8. Financial risk management**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

In the course of their normal business, the Group companies may be exposed to various financial risks, the most significant of which are: market risk (currency risk, risk of changes in fair value and price risk), credit risk, liquidity risk and interest rate risk. The general financial risk management is focused on forecasting the changes in the financial markets to minimize potential adverse effects on financial performance. Financial risks are currently identified, measured and monitored through various control mechanisms to determine adequate measures and to avoid unjustified exposure to any potential financial risk.

Financial risk management is an ongoing process directly supervised by the management of the Group and financial experts. It is carried in accordance with a policy established by the Board of Directors of the Parent-company, which has developed the basic principles of general financial risk management. On the basis of those principals specific procedures for managing the individual specific financial risks are defined.

The various types of financial risks to which Group companies are exposed in the course of their business operations are described below, as well as the approach taken to mitigate them.

## Market Risk

### a. Currency risk

The Group companies carry out their transactions in Bulgaria, some in the European Union and others in third countries (Asia and USA). The biggest portion of supplies made by the Group companies are in Bulgarian lev (BGN), Euro and US dollars. In order to control the currency risk, a system for planning the supplies from countries inside and outside the European Union is used, as well as procedures for periodic monitoring of movements in exchange rates of foreign currencies and control of forthcoming payments.

The tables below summarize the exposure to currency exchange rates:

	<b>September 30, 2022</b>				
	<b>in EUR</b>	<b>in USD</b>	<b>In other foreign currency</b>	<b>In BGN</b>	<b>Total</b>
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	8 735	7 602	600	7 802	<b>24 739</b>
Non-current trade receivables	1 027	-	-	-	<b>1 027</b>
Current trade receivables	17 078	359	9	932	<b>18 378</b>
Deposits	-	-	-	114	<b>114</b>
<b>TOTAL ASSETS</b>	<b>26 840</b>	<b>7 961</b>	<b>609</b>	<b>8 848</b>	<b>44 258</b>
Lease	136	-	-	111	<b>247</b>
Bank loans	2 169	120	-	-	<b>2 289</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

Trade payables	540	228	-	374	<b>1 142</b>
Liabilities for purchase of shares	-	-	-	565	<b>565</b>
Guarantees	-	-	-	61	<b>61</b>
<b>TOTAL LIABILITIES</b>	<b>2 845</b>	<b>348</b>	<b>0</b>	<b>1 111</b>	<b>4 304</b>

	in EUR	in USD	in another foreign currency	in BGN	Total
<b>December 31, 2021</b>					
Cash and cash equivalents	6 180	11 063	-	13 298	<b>30 541</b>
Non-current trade receivables	2 054	-	-	-	<b>2 054</b>
Current trade receivables	10 036	1 344	419	606	<b>12 405</b>
Deposits	-	11	-	11	<b>22</b>
<b>TOTAL ASSETS</b>	<b>18 270</b>	<b>12 418</b>	<b>419</b>	<b>13 915</b>	<b>45 022</b>

Lease	18	-	-	120	<b>138</b>
Bank loans	2 517	62	-	-	<b>2 579</b>
Trade payables	370	68	-	493	<b>931</b>
Liabilities for purchase of shares	-	-	-	665	<b>665</b>
Guarantees	-	-	-	61	<b>61</b>
<b>TOTAL LIABILITIES</b>	<b>2 905</b>	<b>130</b>	<b>-</b>	<b>1 339</b>	<b>4 374</b>

### Currency sensitivity analysis

The Group companies are not exposed to foreign currency risk with respect to their euro transactions.

Currency risk is associated mainly to payments in US dollars and Norwegian krone (NOK). As of 30 September 2022 the Group's current financial assets are 60.7% in EUR , 18% are in USD and 1.4% in NOK.

### b. Price risk

The Group companies are exposed to a specific price risk with respect to the prices of the services provided and goods sold. Minimizing the price risk of negative changes in prices is achieved by periodically analyzing and renegotiating contractual terms in order to update prices in the light of market changes.

Allterco JSCo. owns shares of Link Mobility Group that are traded on a regulated market. During 2021 the Company sold part of its shares. The remaining shares are exposed to price risk.

### Risk of interest-bearing cash flows

There is no significant concentration of interest-bearing assets in the Group companies, except for loans granted and free cash on current accounts with banks. For this reason, the operating cash flows are to a great extent independent of changes in market interest rates.

**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022**

Unless otherwise stated, all amounts are in BGN thousand.

At the same time, the cash outflows of the Group companies for the reporting period are exposed to interest rate risk due to the use of bank loans in EUR agreed at a variable interest rate.

Cash in current accounts with banks is subject to interest at interest rates according to the tariffs of the respective banks.

The exposure of the Group companies to changes in market interest rates is constantly monitored and analyzed. Different scenarios of refinancing, renewal of existing interest rates and alternative financing are simulated. The calculations cover significant interest-bearing positions.

**September 30, 2022**

	<b>interest-free</b>	<b>with floating interest rate %</b>	<b>with fixed interest rate %</b>	<b>Total</b>
	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	24 739	-	-	24 739
Current trade receivables	18 378	-	-	18 378
Non-current trade receivables	1 027	-	-	1 027
Deposits	114	-	-	114
<b>TOTAL ASSETS</b>	<b>44 258</b>	<b>-</b>	<b>-</b>	<b>44 258</b>
Lease	-	-	247	247
Bank loans	-	602	1 689	2 289
Trade payables	1 142	-	-	1 142
Liabilities for purchase of shares	565	-	-	565
Guarantees	61	-	-	61
<b>TOTAL LIABILITIES</b>	<b>1 768</b>	<b>602</b>	<b>1 934</b>	<b>4 304</b>

	<b>interest-free</b>	<b>with floating interest rate %</b>	<b>with fixed interest rate %</b>	<b>Total</b>
	BGN'000	BGN'000	BGN'000	BGN'000
<b>December 31, 2021</b>				
Cash and cash equivalents	30 541	-	-	30 541
Current trade receivables	12 405	-	-	12 405
Non-current trade receivables	2 054	-	-	2 054
Deposits	22	-	-	22
<b>TOTAL ASSETS</b>	<b>45 022</b>	<b>-</b>	<b>-</b>	<b>45 022</b>
Lease	-	-	138	138
Bank loans	-	679	1 900	2 579
Trade payables	931	-	-	931
Liabilities for purchase of shares	665	-	-	665
Guarantees	61	-	-	61

Unless otherwise stated, all amounts are in BGN thousand.

<b>TOTAL LIABILITIES</b>	<u>1 657</u>	<u>679</u>	<u>2 038</u>	<u>4 374</u>
--------------------------	--------------	------------	--------------	--------------

### **Credit Risk**

The financial assets of the Group companies are concentrated mainly in two groups - cash (cash on hand and in bank accounts) and receivables from clients.

Credit risk is basically the risk that the customers of the Group companies will not be able to pay the due amounts in full and in the usual terms. Receivables from customers are presented in the consolidated statement of financial position at fair value. An impairment for doubtful and difficult-to-collect receivables has been accrued, based on previous experience with events leading to losses from uncollectability.

The Group companies do not have a significant concentration of credit risk. Their policy is to negotiate a credit period longer than 60 days only with customers that have a long trading history and cooperation with the Group companies. Payments from customers are made by bank transfers.

Significant part of Group's revenue is generated by mobile operators or other client, which in most cases are large companies with very good credit ratings.

The collectability and concentration of trade receivables is monitored on an ongoing basis, in accordance with the established policy of the Group companies. For this purpose, regularly the Finance and Accounting Departments review the open positions by customers and receipts, and make an analysis of outstanding amounts.

As of 30 September 2022 cash and banks transfers are allocated to several banks, which mitigates the risk related to cash and cash equivalents exposure.

### **Liquidity Risk**

Liquidity risk is the risk that the companies face difficulties in meeting their financial obligations. Part of the Group customers are mobile operators or other big companies that have a very good credit rating and meet their payment deadlines.

The Group companies maintain a conservative liquidity management policy aimed at constantly maintaining an optimum cash reserve and the ability to finance their business. They also use some borrowed credit resources.

To control liquidity risk, the Group companies control the timely payment of liabilities in accordance with

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

the agreed payment terms with each client.

The Group companies monitor and control the actual and forecasted cash flows and try to match the maturities of assets and liabilities. On an ongoing basis the maturity and timely payment are monitored by accounting department and daily information on available cash and the obligations for future payments is maintained.

30 September 2022									
	up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	over 5 years	with no maturity	total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	-	-	-	-	-	-	-	24 739	24 739
Current trade receivables	12 897	2 628	739	2 114	-	-	-	-	18 378
Non-current trade receivables	-	-	-	-	1 027	-	-	-	1 027
Deposits	-	-	-	-	-	-	-	114	114
<b>TOTAL ASSETS</b>	<b>12 897</b>	<b>2 628</b>	<b>739</b>	<b>2 114</b>	<b>1 027</b>	<b>-</b>	<b>-</b>	<b>24 853</b>	<b>44 258</b>
Lease liabilities	8	12	19	35	86	87	-	-	247
Bank loans	171	111	162	263	556	1 026	-	-	2 289
Trade payables	822	35	64	221	-	-	-	-	1 142
Liabilities for purchase of shares	10	20	30	505	-	-	-	-	565
Guarantees	-	-	-	-	-	-	-	61	61
<b>TOTAL LIABILITIES</b>	<b>1 011</b>	<b>178</b>	<b>275</b>	<b>1 024</b>	<b>642</b>	<b>1 113</b>	<b>-</b>	<b>61</b>	<b>4 304</b>
December 31, 2021									
	up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	over 5 years	with no maturity	total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	125	-	-	-	-	-	-	30 416	30 541
Current trade receivables	9 048	455	-	2 902	-	-	-	-	12 405
Non-current trade receivables	-	-	-	-	1 027	1 027	-	-	2 054
Deposits	-	-	-	-	-	-	-	22	22
<b>TOTAL ASSETS</b>	<b>9 173</b>	<b>455</b>	<b>-</b>	<b>2 902</b>	<b>1 027</b>	<b>1 027</b>	<b>-</b>	<b>30 438</b>	<b>45 022</b>
Lease liabilities	3	7	10	38	27	53	-	-	138
Bank loans	48	109	158	256	523	1 103	382	-	2 579
Trade payables	839	17	25	50	-	-	-	-	931
Liabilities for purchase of shares	10	20	30	605	-	-	-	-	665
Guarantees	-	-	-	-	-	-	-	61	61
<b>TOTAL LIABILITIES</b>	<b>900</b>	<b>153</b>	<b>223</b>	<b>949</b>	<b>550</b>	<b>1 156</b>	<b>382</b>	<b>61</b>	<b>4 374</b>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

**Capital risk management**

With the capital management the Parent Company aims to create and maintain the ability for continuous operations (going concern company) and to ensure the appropriate return on investment to shareholders, as well as to maintain optimal capital structure in order to reduce capital costs.

Allterco JSCo monitors its capital structure using the debt ratio. It is calculated as the ratio between the net debt capital and the total amount of capital. Net debt is defined as the difference between all borrowings (current and non-current) as stated in the consolidated statement of financial position and cash and cash equivalents. The total amount of capital is equal to the equity and the net debt capital.

The table below presents the debt ratios based on the capital structure as of:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Total debt capital, incl.:	7 771	6 833
- Bank loans	2 289	2 579
- Lease liabilities	247	138
Reduced by cash and cash equivalents	24 739	30 541
<b>Net debt capital</b>	<b>(16 968)</b>	<b>(23 708)</b>
Total equity	72 959	65 572
<b>Total capital</b>	<b>55 991</b>	<b>41 864</b>
<b>Ratios of indebtedness</b>	<b>0.00%</b>	<b>0.00%</b>

The Group is not in debt for the reporting periods, as cash exceeds the total debt capital.

**9. Fair value**

Usually, external independent appraisers are used for the assessment of fair value of significant assets. The need of external appraisers is assessed annually by the management of the Company. External appraisers are chosen based on their professional experience, qualities and reputation.

The Group's policy is to disclose in its financial statements the fair value of financial assets and liabilities for which information about market prices is available.

For the purpose of fair value disclosure, the Company determines different classes of assets and liabilities, depending on their nature, characteristics and risk, and on the relevant level in the fair value hierarchy set out in Significant Accounting Policies.

The Company's management has estimated that the fair values of cash and cash equivalents, trade

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF 30 SEPTEMBER 2022

Unless otherwise stated, all amounts are in BGN thousand.

receivables, trade payables, finance lease and bank loans are close to their book values due to the short-term nature of these instruments and their timely payment over time.

The table below shows the book value and fair value of financial assets and liabilities, including their levels in the value hierarchy. Fair value information is not presented if the book value is considered reasonably equal to the fair value.

<b>September 30, 2022</b>	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Other long term financial investments	758	758	-	-
Cash and cash equivalents	24 739	-	-	-
Trade receivables	18 378	-	-	-
Long-term trade receivables	1 027	-	-	-
Deposits in companies and guarantees	114	-	-	-
<b>TOTAL ASSETS</b>	<b>45 016</b>	<b>758</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Lease	247	-	-	-
Bank loans	2 289	-	2 289	-
Trade payables	1 142	-	-	-
Liabilities for purchase of shares	565	-	-	-
Guarantees	61	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4 304</b>	<b>-</b>	<b>2 289</b>	<b>-</b>
<b>December 31, 2021</b>	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Cash and cash equivalents	30 541	-	-	-
Current trade receivables	12 405	-	-	-
Other long term financial investments	2 624	2 624	-	-
Non-current trade receivables	2 054	-	-	-
Deposits	22	-	-	-
<b>TOTAL ASSETS</b>	<b>47 646</b>	<b>2 624</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Lease	138	-	-	-
Bank loans	2 579	-	2 579	-
Trade payables	931	-	-	-
Liabilities for purchase of shares	665	-	-	-
Guarantees	61	-	-	-
Other liabilities	0	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4 374</b>	<b>-</b>	<b>2 579</b>	<b>-</b>

Unless otherwise stated, all amounts are in BGN thousand.

No transfers have been made during the reporting period.

## 10. Events after the end of reporting period

There are no corrective events or other significant non-corrective events occurred between the date of this consolidated financial statement and the date of its approval for publication.

In addition to the above on 05.10.2022 the Company has disclosed to the FSC and the Public the following information: Allterco JSCo announces a 49.8% increase on an annual basis on the consolidated sales revenues of IoT devices and related services to 57.7 million BGN (29.5 million EUR) in the nine months to 2022, based on preliminary data. Sales revenue for Shelly-branded IoT devices increased by 51.0%, amounting to 54.5 million BGN, (27.8 million EUR), followed by revenues from sales of MyKi tracking devices, which increased by 32.5% to 3.2 million BGN (1.6 million EUR).

With these revenues Allterco JSCo exceeds the budget and forecast for the nine months to 2022. Compared to the nine months to 2021, the Company's growth rate is increasing, in line with management's expectations for an annual growth rate of 43% for 2022.

On 3.11.2022 Allterco JSCo announced that its forecast was increased for the current 2022 after further speed up of the growth rate in the beginning of the fourth quarter of 2022. Based on the successful development of the business in October 2022 and the solid volume of orders Allterco JSCo raises its initial forecasts for 2022. The company expects increase of 45-46 million EUR (initially EUR 43.5 million) and EBIT (earnings before interest and taxes) up to 10-10.5 million EUR (initially 9.6 million EUR) in the financial 2022 year.

On November 11, 2022 Allterco announced to the FSC and the Public an Invitation for an extraordinary General Meeting of the Shareholders with agenda as follows:

- Item 1. Adoption of decision on amendments in the Remuneration Policy
- Item 2. Adoption of a decision for approval of a remuneration scheme for the provision of variable share-based remuneration to the executive members of the Board of Directors for the period 2022 – 2025 r.
- Item 3. Approval of the Motivated Report of the General Meeting of the Shareholders on transactions within the scope of Art. 114(1), item 1 of POSA, provided as a part of the written materials
- Item 4. Authorization in compliance with Art. 114(1), item 1 of POSA for the the conclusion of a

Unless otherwise stated, all amounts are in BGN thousand.

package of transactions for the acquisition of 100% of the capital of the Slovenian company GOAP  
Racunalniski inženiring in avtomatizacija procesov d.o.o. Nova Gorica, business address Ulica  
Klementa Juga 7, 5250 Solkan, Slovenia, registration number: 5414083000 (“GOAP”)