

REPORT ON BUSINESS ACTIVITIES

third quarter of 2025

individual basis



Pursuant to Art. 100o, Para 4 of the Public Offering of Securities Act and Art. Art. 12 of Ordinance No. 2 dated 09.11.2021 on the for initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market

These Notes to the Interim Report on the Business Activities of SHELLY GROUP on a individual basis present information about the company, relevant to the end of second quarter of 2025 for the period 01.01.2025 – 30.09.2025 (the “reporting period”).

1. INFORMATION ABOUT THE GROUP

SHELLY GROUP SE is a public listed joint stock company, in process of conversion into an SE, established in 2010 in the city of Sofia and entered in the Commercial Register at the Registry Agency on 11.02.2010 under UIC (unified identification code): 201047670 and LEI code (identification code of the legal entity) 8945007IDGKD0KZ4HD95 and is established for an unlimited period. Its name is written in Latin: SHELLY GROUP SE (former company name ALLTERCO JSCo).

By resolution of the General Meeting of Shareholders held on 14.10.2024, Shelly Group PLC was converted into a European Company (SE) pursuant to Chapter Nineteen of the Bulgarian Commercial Act and Article 37 of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE).

The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 51 Cherni Vrah Blvd, office building 3, floor 2 and 3. The address for correspondence is the same; Tel: +359 2 957 12 47. The website of the Company is <http://www.corporate.shelly.com/>.

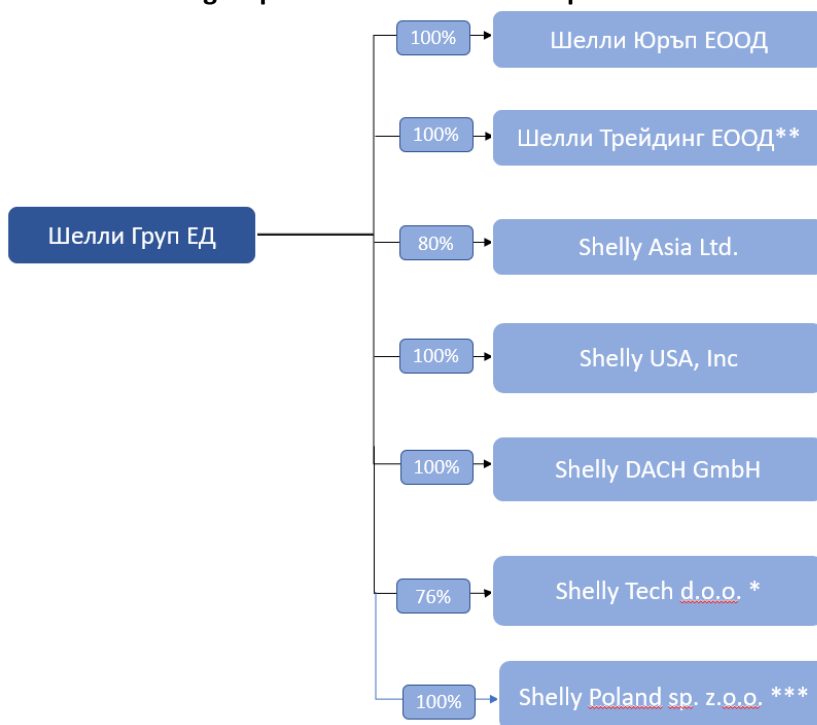
The Company is publicly listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company’s capital increase.

Since November 22, 2021 the shares of SHELLY GROUP SE are traded on two regulated markets in EU – Bulgarian Stock Exchange and Frankfurt Stock Exchange.

The company operates according to Bulgarian legislation.

The economic group consists of the parent company SHELLY GROUP SE and its subsidiaries as shown below:

1.1. Structure of the economic group at the end of the third quarter for 2025



* The remaining 24% of the shares of the Slovenian company held by three individual partners are subject to a Call/Put option exercisable in 2026 in accordance with the terms of the Option Agreement signed and disclosed in January 2023.

** The subsidiary Shelly Trading Ltd. has registered a branch in the United Kingdom and a representative office in the Netherlands.

***On April 24, 2025, following a decision of the Board of Directors of Shelly Group ED, a subsidiary company, Shelly Poland SP. Z O O, was established in Poland with a capital of 753 thousand BGN (PLN 1,600,000).

During the second quarter of 2024 the Group exercised its Call option to acquire 50% in the associate company Shelly Asia Ltd., (formerly known as Allterco Asia Ltd.), and thus the ownership share reached 80%.

SHELLY GROUP SE has participation of 8 010 preference shares representing 8.495% of the capital of Ground Solutions Group AD, UIC: 206606897, acquired as a result of merger of Corner Solutions Ltd. into Ground Solutions Group AD.

The scope of business of the SHELLY GROUP SE, according to Art. 4 of its Articles of Association is: Acquisition, management, evaluation and sale of share participations in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation, sale and assignment of licenses for the use of patents and other intellectual and industrial property rights; financing of companies in which SHELLY GROUP SE participates; purchase of goods and other items for resale in their original, manufactured or processed form; sale of goods of own production; foreign trade transactions; commission, forwarding, warehousing and leasing transactions; transport transactions in the country and abroad; transactions of commercial representation and intermediation of local and foreign individuals and legal entities; consulting and marketing transactions; providing management and administration services to local and foreign legal entities; as well as any other commercial transactions not prohibited by law.

The core business of the company and its group during the reporting period of 2024 remains the development, production and sales of IoT devices. As of today, majority of the income for the Group is coming from sales of products under the brand of Shelly.

1.2. Management

In connection with the transformation of the Company from a joint stock company into a European company pursuant to Chapter Nineteen of the Bulgarian Commercial Act and Article 37 of Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE), by its resolution of 14.10.2024 the General Meeting of Shareholders has re-elected the members of the Board of Directors and the latter, by its resolution of the same date, has assigned their functions as follows:

- Christoph Vilanek - 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. Capital structure

As of the end of the reporting period the issued, subscribed, paid-in and registered capital of the Company amounts to 18 158 060 BGN, divided into 18 158 060, dematerialized ordinary registered voting shares, with a par value of 1 (one) BGN each.

The capital is fully paid in five contributions:

- Non-monetary contribution representing 100% of the shares of Teravoice EAD, with an appraised monetary value of BGN 50,000;
- Non-monetary contribution representing 69.60% of the shares of Terra Communications JSCo, with an appraised monetary value of BGN 5,438,000;
- A combination of non-monetary and cash contributions amounting to BGN 8,012,000.
- Cash contributions at the amount of BGN 1,500,000 compared to 1,500,000 subscribed and fully paid-in dematerialized ordinary registered voting shares with a par value of BGN 1 each, as a result of a procedure for Initial Public Offering of a new issue of shares.
- Cash contributions at the amount of BGN 2,999,999 against 2,999,999 subscribed and paid-in dematerialized ordinary registered voting shares with a nominal value of BGN 1 each, 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 AD (*currently SHELLY GROUP SE*) was carried out in the period 28.09.2020 - 30.10.2020, on the basis of a Prospectus, together with the supplements thereto, confirmed by the Financial Supervision Commission with Decision № 148- F of 18.02.2020, Decision № 405-E of 11.06.2020, Decision № 601-E of 13.08.2020 and Decision № 791-E of 29.10.2020.
- In July 2023 the Company's capital was increased to 18 050 945 BGN, divided into 18 050 945 ordinary registered shares with voting rights, with a par value of 1 BGN per share. The increase was made by cash contributions in the total amount of BGN 50 496 in procedure of initial public offering of the issue of shares, held in the period from 28.06.2023 to 29.06.2023, in accordance with the procedure under Art. 112, par. 3 of the Public Offering of Securities Act, without a prospectus and based on Information Document pursuant to Article 1(4)(i) in conjunction with Article 1(5)(h) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market
- In July 2024, the Company's capital was increased to BGN 18,105,559, divided into 18,105,559 dematerialized ordinary registered shares with voting rights, with a nominal value of BGN 1 each. The increase was made through cash contributions of a total value of BGN 54,614 in a procedure for an initial public offering of a share issue, held in the period from 12.06.2024 to 21.06.2024 inclusive, pursuant to Art. 112, para. 3 of the Law on Public Offering of Securities, without a prospectus according to an Information Document pursuant to Art. 1, paragraph 4, letter "i" in connection with Art. 1, paragraph 5, letter "h" of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market
- In July 2025, the Company's capital was increased to BGN 18,158,060, divided into 18,158,060 dematerialized ordinary registered shares with voting rights, with a nominal value of BGN 1 each. The increase was made through cash contributions of a total value of BGN 52,501 in a procedure for an initial public offering of a share issue, conducted in the period from 12.06.2025 to 20.06.2025 inclusive, pursuant to Art. 112, para. 3 of the Law on Public Offering of Securities, without a prospectus according to an Information Document pursuant to Art. 1, paragraph 4, letter "i" in connection with Art. 1, paragraph 5, letter "h" of Regulation (EU) 2017/1129 of the European

Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.

As of 30.09.2025 the capital structure of SHELLY GROUP SE is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
Dimitar Dimitrov	28,84 %
Svetlin Todorov	27,79 %
Other individuals and legal entities	43,37 %

At the end of the reporting period, the Company held no treasury shares.

1.4. Development and research activities

The company has not carried out activities in the area of research and development and does not plan such in the near future. One of the subsidiaries of SHELLY GROUP SE has carried out such activity during the reporting period, namely: Shelly Europe Ltd.

2. IMPORTANT EVENTS FOR SHELLY GROUP SE

Detailed information about the important events that occurred during the reporting period for SHELLY GROUP SE, as well as other information that could be important for investors is regularly disclosed by the company in accordance with regulatory requirements. In compliance with the requirement of Art.43a et seq. of Ordinance No. 2 of FSC, in conjunction with Art. 100t, Para 3 of the POSA, the Company discloses the regulated information to the public through selected information media. All information provided to the media in fully unedited text is available at: <http://www.x3news.com/>. The required information is submitted to the FSC - through the unified system for submission of information electronically, developed and maintained by the FSC - e-Register. The information is also available on the Company's website at: <https://corporate.shelly.com/publications/inside-information/>

The announced important events that occurred during the reporting period did not have a significant impact on the financial results of the company on an individual basis.

3. FINANCIAL POSITION AND DEVELOPMENT OF THE BUSINESS ACTIVITIES DURING THE REPORTING PERIOD

3.1. Operating revenue

As of the end of the second quarter of 2025 the Company reported other operating revenue in the amount of BGN 75 thousand, while for the same period of the previous year it reported BGN 30 thousand which is growth of 150%.

For the reporting period, financial revenue from operations amounted to BGN 143 thousand, compared to BGN 177 thousand reported in the same period of the previous year, which is a decrease of 19.2%.

As of the end of the second quarter of 2025 the Company reports loss in the amount of BGN 2 788 thousand, while for the same period of previous year the Company reports a profit.

REVENUE	9 months of 2024 BGN thousand	y/y change %	9 months of 2025 BGN thousand
Dividend income	4 500	(100.0%)	-
Other operating revenue	30	150,0%	75
Total operating revenue	4 530	(98.3)%	75
Financial income	177	(19.2%)	143
Total financial revenue	177	(19.2)%	145

3.2. Operating expenses

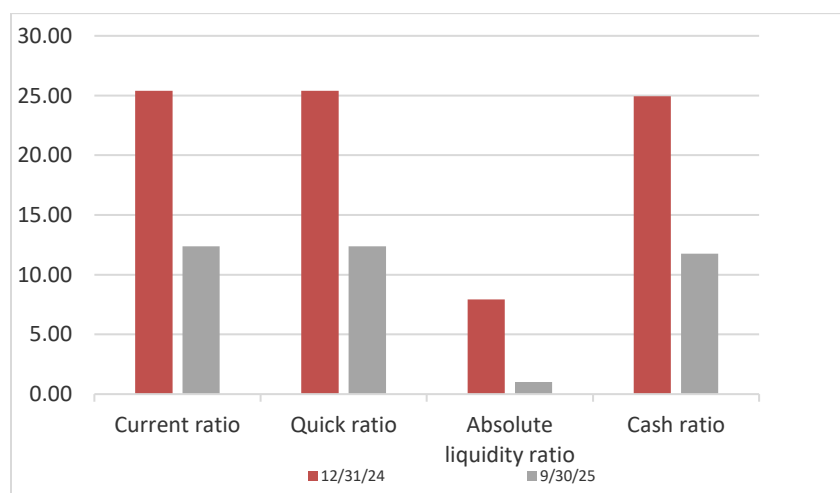
As of the end of the reporting period the total operating expenses of the company increased by 13.4% compared to the same reporting period of the previous year. This is mainly due to the increase of other administrative expense by 1968.4%.

The biggest share of the reported operating expenses for the reporting period belongs to the expenses for salaries with 52.2% share in the total expenses, followed by the external services with 32.3% share in total expenses.

EXPENSES	9 months of 2024 BGN thousand	y/y change %	9 months of 2025 BGN thousand
Materials	(6)	(16.7%)	(5)
External services	(1 010)	(5.5%)	(954)
Depreciation	(45)	31.1%	(59)
Salaries	(1 517)	1.6%	(1 541)
Other administrative expenses	(19)	1968.4%	(393)
Total Administrative expenses	(2 597)	13.7%	(2 952)
Other operating expenses	(4)	(100%)	-
Total Operating Expenses	(2 601)	13.4%	(2 952)

3.3. Financial indicators

Liquidity Ratios



LIQUIDITY RATIOS	31-12-24	30-09-25
Current ratio	25.39	12.37
Quick ratio	25.39	12.37
Absolute liquidity ratio	7.94	1.00
Cash ratio	24.95	11.76

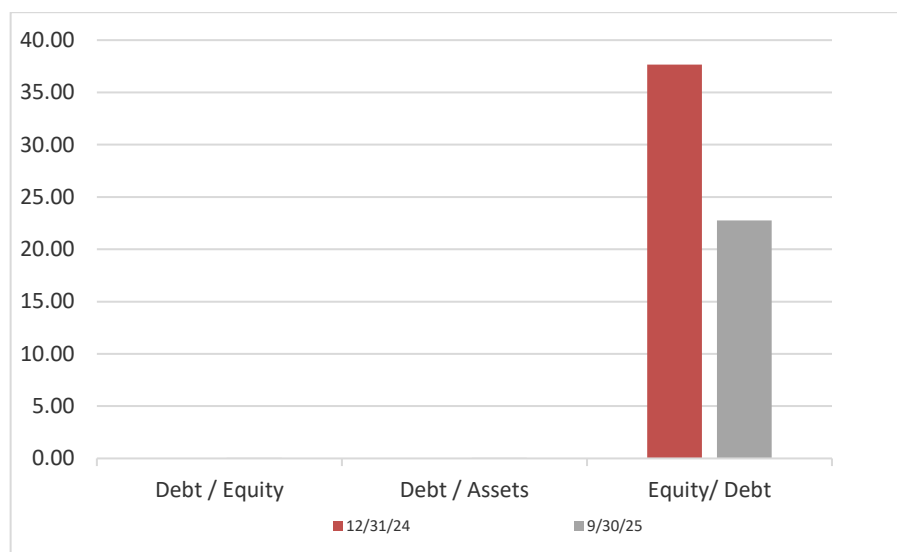
The current liquidity ratio at the end of the reporting period decreased due to the following: the current assets decreased by 53.6% compared to the end of 2024, while the current liabilities increased by 4.8%.

The quick liquidity ratio at the end of the reporting period decreased due to the following: the current assets decreased by 53.6% compared to the end of 2024, while the current liabilities increased by 4.8%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: the current cash decreased by 88.0% compared to the end of 2024, while current liabilities increased by 4.8%.

The cash ratio at the end of the reporting period decreased due to the following: The current liabilities increased by 4.8% compared to the end of 2024, while cash decreased by 88.0% and the commercial receivables decreased by 78.1% and receivables for related parties decreased by 33.9%.

Financial autonomy coefficients



DEBT RATIOS	31-12-24	30-09-25
Debt / Equity	0.03	0.04
Debt / Assets	0.03	0.04
Equity/ Debt	37.68	22.74

The debt/equity ratio at the end of the reporting period increased due to the following: liabilities increased by 26.1% compared to the end of 2024, while equity decreased by 23.9%.

The debt/assets ratio at the end of the reporting period increased due to the following: total amount of liabilities of the company increased by 26.1% compared to the end of 2024, while the total assets decreased by 22.6%.

The change in equity/ debt ratio at the end of the reporting period is due to the following: the total liabilities of the company increased by 26.1% compared to the end of 2024, and equity decreased by 23.9%

4. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

The risks associated with the core business of the Company can generally be divided into systemic (general) and non-systemic (related specifically to its business and the industry in which it operates). Relevant for the Company are also the similar categories of risks inherent in the company business and the industry in which its subsidiaries operate, insofar as they are the main source of the Company's income. Separately, investors in the Company's financial instruments are also exposed to risks related to the investments in securities themselves (derivative and underlying).

4.1. SYSTEMIC RISKS

Systemic risks are related to the market and the macro environment in which the Company operates, which is why they cannot be managed and controlled by the Company's management team. Systemic risks are: political risk, macroeconomic risk, inflation risk, currency risk, interest rate risk, tax risk and unemployment risk.

Type of risk	Description						
POLITICAL RISK	<p>Political risk is the likelihood of a change of Government, or of a sudden change in its policy, of occurrence of internal political turmoil and adverse changes in European and/or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors will incur losses.</p> <p>Political risks for Bulgaria internationally are related to the commitments undertaken to implement serious structural reforms in the country in its capacity as an equal member of the EU, increasing social stability, limiting inefficient spending, on the one hand, as well as the strong destabilization of the countries of The Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves generated by these factors, and the potential instability of other key countries in the immediate proximity of the Balkan. Since the beginning of 2025, a significant political factor has been the foreign policy led by the United States towards NATO, the EU, and Europe.</p> <p>Other factors that also affect this risk are the possible legislative changes and in particular those concerning the economic and investment climate in the country.</p>						
GENERAL MACROECONOMIC RISK	<p>According to the National Statistical Institute, in September 2025 the overall business climate indicator increased by 0.6 point compared to previous month (from 20.2% to 20.8%), An improvement of the indicator is observed in the construction, retail trade and service sector, and in the industry preserves approximately its May level.¹</p> <p>According to experts, GDP growth will average 1.2% in 2025, 1.0% in 2026, and 1.3% in 2027. In contrast with the macroeconomic forecast from June 2025, the growth forecast is increased with 0.3% for 2025, which reflects a stronger-than-expected input data and the revising of historical data.²</p>						
INTEREST RATE RISK	<p>Interest rate risk is related to possible negative changes in interest rates established by the financial institutions of the Republic of Bulgaria.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2">Basic Interest Rate</th> </tr> <tr> <th>Date</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Basic Interest Rate		Date	Percentage		
Basic Interest Rate							
Date	Percentage						

¹ [Business Conjuncture, March 2025 \(nsi.bg\)](https://www.nsi.bg/)

² [ECB Economic Bulletin, Issue 2 / 2025 \(bnb.bg\)](https://www.ecb.europa.eu/press/pr/economic-bulletin/2025/02/)

	<table border="0"> <tr><td>01.01.2025</td><td>2.95</td></tr> <tr><td>01.02.2025</td><td>2.82</td></tr> <tr><td>01.03.2025</td><td>2.59</td></tr> <tr><td>01.04.2025</td><td>2.39</td></tr> <tr><td>01.05.2025</td><td>2.24</td></tr> <tr><td>01.06.2025</td><td>2.07</td></tr> <tr><td>01.07.2025</td><td>1.91</td></tr> <tr><td>01.08.2025</td><td>1.82</td></tr> <tr><td>01.09.2025</td><td>1.82</td></tr> <tr><td>01.10.2025</td><td>1.81</td></tr> </table> <p style="text-align: center;">*Source: BNB³</p> <p>At the meeting on 11 September 2025 the Governing council decided to keep unchanged ECB's three key interest rates.⁴</p>	01.01.2025	2.95	01.02.2025	2.82	01.03.2025	2.59	01.04.2025	2.39	01.05.2025	2.24	01.06.2025	2.07	01.07.2025	1.91	01.08.2025	1.82	01.09.2025	1.82	01.10.2025	1.81
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INFLATION RISK	<p>Inflation risk is a general price increase in which money depreciates and households and firms are likely to suffer a loss.</p> <p>The consumer price index is the official measure of inflation in the Republic of Bulgaria. It assesses the overall relative change in the prices of goods and services used by households for personal (non-productive) consumption and is calculated by applying the structure of final monetary consumption expenditure of Bulgarian households.</p> <p>According to the NSI the monthly inflation rate was -08%, while the annual inflation rate was 5.6%. The inflation rate is measured by the CPI, with monthly inflation referring to September 2025 compared to the previous month, and the annual inflation is for September 2025 compared to the same month of the previous year. [...]. The inflation rate since the beginning of the year (August 2025 compared to December 2024) was 3.4%, and the annual average inflation rate for the period October 2024 - September 2025 compared to the period October 2023 - September 2024 was 3.8%.⁵</p> <p>The Harmonized Index of Consumer Prices is a comparable measure of inflation for EU countries. It is one of the criteria for price stability and for Bulgaria's accession to the euro area. The HICP, like the CPI, measures the overall relative change in the price level of goods and services.</p> <p>According to the NSI, in August 2025, the monthly inflation rate, measured by HICP, was -0.6% and the annual inflation rate in August 2025 compared to August 2024 was 4.1%. The inflation rate since the beginning of the year (August 2025 compared to December 2024) was 2.7%, and the annual average inflation rate for the period July 2024 - June 2025 compared to the period July 2023 - June 2024 was 3.1%.⁶</p> <p>BNB experts expect headline inflation to average 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027. Regarding inflation excluding energy and food costs, the experts expect an average level of 2.4% in 2025, 1.9% in 2026 and 1.8% in 2027. The expected economic growth for 2025 is 1.2%- revised upwards by 0.9% compared to June forecast. The expected growth for 2026 is now a little lower to 1.0% and the 2027 forecast remains unchanged at the level of 1.3%[...] The annual inflation remains close to the level expected by the Governing board as in August it increased slightly to 2.1% compared to 2.0% in July. Energy price</p>																				

³ <https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm>

⁴ [ECB Economic Bulletin, Issue 2 / 2025 \(bnb.bg\)](https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm)

⁵ [Inflation and Consumer Price Indices - June 2025 \(nsi.bg\)](https://www.nsi.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm)

⁶ [Inflation and Consumer Price Indices - June 2025 \(nsi.bg\)](https://www.nsi.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm)

	inflation was -1.9% compared to -2.4% in July. Food price inflation decreased from 3.3% to 3.2%. The inflation without the energy and food component remained unchanged at the level of 2.3%. Service inflation decreased slightly to 3.1% compared to 3.2% in July. ⁷
CURRENCY RISK	<p>Exposure to currency risk is the dependence and effects of changes in exchange rates. Systemic currency risk is the probability of a possible change in the currency regime of the country (currency board), which would lead either to BGN devaluation or to BGN appreciation compared to foreign currencies.</p> <p>Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than BGN and EUR. Since, according to the current legislation in the country the Bulgarian lev is fixed to the euro in the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian levs in circulation equal to the bank's foreign exchange reserves, the risk of devaluation of the BGN compared to the European currency is minimal and consists in the eventual early abolition of the currency board in the country. At this stage, this seems unlikely, as the currency board is expected to be abolished upon the adoption of the EUR in Bulgaria as an official unit of payment.</p> <p>Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country must maintain the exchange rate compared to the EUR within +/- 15% on the background of the central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly less than the allowed ones of ± 15%.</p> <p>On July 8, 2025, the Council of the European Union formally approved the accession of Bulgaria to the euro area on 1 January 2026 and determined a Bulgarian lev conversion rate of 1.95583 per euro. This is the current central rate of the lev in the Exchange Rate Mechanism (ERM II), which the currency joined on 10 July 2020. The European Central Bank (ECB) and Българска народна банка (Bulgarian National Bank) agreed to monitor developments in the Bulgarian lev against the euro on the foreign exchange market until 1 January 2026.⁸</p> <p>This does not eliminate the risk of adverse movements in the exchange rate of the euro against other major currencies (US dollar, British pound, Swiss franc) on international financial markets for the Bulgarian currency, but at present the company does not believe that such a risk would be material to its operations. The company may be affected by currency risk depending on the type of currency of cash receipts and the type of currency of the company's potential loans.</p> <p>The SHELLY GROUP SE companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA, Latin America and Australia and China. At present, the main revenues from the Group's IoT business are in BGN or EUR, and the costs of delivery of goods in this segment are mainly in US dollars and are largely tied to the Chinese yuan, which is why the appreciation of the US dollar or Chinese yuan would have an adverse effect on the business performance. In terms of US dollar exposure, it is not expected the sales revenue in USD to have a significant share in total Group revenue. At the same time the share of revenue in Chinese yuan is expected to increase.</p>

⁷ [ECB Economic Bulletin, Issue 4 / 2025 \(bnb.bg\)](#)

⁸ [Bulgaria to join euro area on 1 January 2026 \(europa.eu\)](#)

	<p>To limit the effects of the currency risk, the companies of the Group have introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for ongoing monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Group companies do not use derivative instruments for hedging the currency risk but, if necessary, the management is ready to enter into such transactions.</p>
<p>Credit risk of the state</p>	<p>Credit risk is the probability of deterioration of Bulgaria’s international credit ratings, caused by the government’s inability to repay its liabilities regularly. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions, both for the state and for individual economic entities, including the Company. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country’s credit risk.</p> <p>A credit rating is an assessment of the quality and security of an issuer's bond debt, formed based on an analysis of its financial condition. Rating services are performed by specialized rating agencies and represent an assessment of the creditworthiness and ability to service the borrowed funds used by a borrower when they fall due.</p> <p>With extraordinary rating actions, the international rating agencies Fitch Ratings and S&P Global Ratings upgraded Bulgaria’s long-term foreign currency credit rating to ‘BBB+’ with a stable outlook, which is the highest grade of mid-range investment ratings. The formal decision of the Council of the European Union about Bulgaria’s accession to the euro area as of 1 January 2026 is the key factor behind the country’s rating upgrade.⁹</p> <p>In its report from 10.07.2025 Fitch Ratings has upgraded Bulgaria's 'BBB' long-term foreign and local currency sovereign credit rating with a stable outlook.</p> <p>Credit Fundamentals: Bulgaria's ratings are supported by its strong external and public finance balance sheets versus 'BBB' peers and credible policy framework, underpinned by EU membership. This is balanced against low labor productivity and unfavorable demographics, which weigh on potential growth and government finances in the long term. A recent record of unstable coalition governments has affected reform implementation, and the perception of corruption is high.</p> <p>Solid Economic Growth: We expect real GDP growth to be stable at 2.8% in 2025, as global trade uncertainty is offset by an improved domestic political situation. Strong nominal wage growth and frontloading of consumption ahead of eurozone entry will support robust household spending. We remain cautious about the capacity and pace of reform implementation, but EU funds flow is likely to rise and support investment. We forecast GDP growth at 2.5% in 2026, with upside potential related to euro adoption. Increased trade uncertainty and global slowdown are key risks, mainly due to second-round effects, as direct exposure to the US is low.</p> <p>Broadly Stable Inflation: HICP inflation eased to 2.9% YOY in May, having inched up towards 4% at the beginning of 2025, driven by higher services and food prices, and withdrawal of reduced VAT rates for certain products and services. We expect HICP inflation to average 3.3% in 2025, up from 2.6% in 2024, above the current peer median of 2.9%. We forecast inflation to edge down to 2.8% in 2026. Eurozone entry may accelerate the real convergence process, including convergence of incomes, productivity and prices, to the EU average in the medium term.</p>

⁹ [Ministry of Finance :: News \(minfin.bg\)](https://www.minfin.bg/en/news)

	<p>Fiscal Deficits: Fitch forecasts the general government deficit to remain at 3% of GDP in 2025-2026 (versus 'BBB' median of 3.5% in 2025 and 3% in 2026), reflecting further increases in public-sector wages and pensions, higher defense spending and lower expected EU fund inflows. The government plans to increase social contributions by a cumulative 3pp in 2027-2028; however, proposed changes will require additional legislation.¹⁰</p>
	<p>On 10.07.2025 Moody's Ratings has affirmed Bulgaria's long-term and short-term BBB+ ratings with a stable outlook.</p> <p>We think Bulgaria's near-term growth outlook remains steady. We forecast the economy will grow by 2.4% in real terms in 2025, and average 2.8% through 2028. Private domestic consumption will be the key driver of growth, supported by high real wage growth due to a tight labor market. An increase in the absorption of allocated EU funds, which is currently very low at 20%, will lead to higher public investments but also result in an increase in imports. At the same time, external demand faces pressure from general economic uncertainty stemming from geopolitical tensions. We think Bulgaria's full Schengen membership as of Jan. 1, 2025, and euro area accession as of Jan. 1, 2026, could support trade and international tourism in the medium-to-long term since administrative obstacles will be reduced. In the near term, we think that deficiencies in Bulgaria's physical infrastructure prevent the country from reaching its full potential. Also, Bulgaria continues to face longer-term challenges related to weak demographic trends. Left unchecked, the declining labor force could further drag on growth, in our view.</p> <p>We expect weaker external demand and import-heavy public investments will increase the current account deficit, averaging 2.5% of GDP through 2028. However, Bulgaria's robust service balance--which stands at about 7.0% of GDP and is bolstered by a thriving tourism sector and growing computer and IT service exports--will help mitigate some of the deficit. While Bulgaria's external position remains strong, we believe the post-pandemic trend of external deleveraging could reverse due to a weaker external environment and a possible shift toward increased external debt financing as eurozone capital markets become more accessible. Also, we note that intercompany loans represent about one fifth of the stock of Bulgaria's inbound foreign direct investment. Since we view the refinancing risk for these loans as low, we do not include them in our estimate of Bulgaria's external debt figures. In our external assessment, we now consider Bulgaria to be using an actively traded currency (in line with other eurozone members) and assess the country's external position based on our estimates of its international investment position post-eurozone accession.¹¹</p>
Unemployment risk	<p>As a major factor affecting consumer purchasing power, an increase in unemployment would reduce demand for IoT products. On the other hand, demand for staff from businesses remains very active, so such a risk seems negligible in the year ahead.</p> <p>Eurostat estimates the seasonally adjusted unemployment rate in the euro area at 6.3% in August 2025, up from 6.2% in July 2025 and down from 6.4% in August 2024. In August 2025, the EU unemployment rate is 5.9%, which is stable compared to July 2025 and August 2024.¹²</p>

¹⁰ [Ministry of Finance :: News \(minfin.bg\)](https://www.minfin.bg/en/news)

¹¹ [Research Update: Bulgaria Upgraded To 'BBB+' On C | S&P Global Ratings \(spglobal.com\)](https://www.spglobal.com/ratings/en/researchupdates/article?id=bulgaria-upgraded-to-bbb-plus)

¹² [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment statistics#Unemployment in the EU and the euro area](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area)

	At the end of August, the registered unemployed were 148 152, and the registered unemployment rate was 5.2%. Compared to the same month in 2024, a decrease of 0.1 percentage points was reported. ¹³
Risk associated with the legal system	Although Bulgaria has introduced a number of significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic and it is difficult to effectively resolve property disputes, breaches of laws and contracts and other. Deficiencies in the legal infrastructure can result in uncertainties arising from the implementation of corporate actions, the implementation of supervision and other issues.
TAX RISK	It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, as a result of which a contradictory tax practice may arise.

4.2. NON-SYSTEMIC RISKS

Risks related to the industry in which the Group operates

Such risks are: risk of shortage of key personnel, risk of strong competition, risk related to personal data security and hacker attacks, risk of technology change.

Risk of shortage of key personnel

One of the biggest challenges for technology companies, such as the companies of the Group, as well as given the specific scope of their business in the field of telecommunications and engineering and software development, is the shortage of skilled personnel. Insufficient availability of suitable staff in the subsidiaries could adversely affect the future development of the Group due to delays in the development of new products/services and the maintenance of existing ones. On the other hand, the high competition in this sector raises the cost of labor. Thus, the financial position and market share of the Group companies could suffer.

Risk of strong competition

The Group companies operate mainly in the segment of the Internet of Things (IoT). This segment is one of the most modern and promising sectors of the industry, which attracts the interest of many technology giants and start-up companies. The loss or inability to gain market share and the fall in final product prices due to increased competition may have a negative effect on revenue, profit and profit margins. Maintaining a competitive position requires investment in the creation of devices with new utilities, improvement of existing solutions and expansion of market share and it cannot be taken for granted that new developments will be established among the competing ones on the market.

¹³ [Над 13 600 души намериха работа през юни - пазарът на труда отбелязва положителна динамика... | Агенция по заетостта \(government.bg\)](#)

In respect of the increasing sales revenues in the US, but still low share of the US business in the Group's sales revenues, the Company expects tariffs between USA and Europe to have only a minor effect on the sales and revenue situation.

Risk related to personal data security and hacker attacks

The technology industry is characterized by digital transmission of information that could be strictly confidential, containing personal data of users of products, financial information of companies, information about new products and other. The protection of such information is a critical factor for the normal operation of companies in the industry, including of the Group. The sales of the devices and the use by the users of the accompanying mobile applications and cloud services provided by the Group are related to the exchange and storage of personal data. Potential breaches in information security can lead to: i) Loss of customers and/or partners and their migration to competing companies; (ii) Imposing sanctions and lawsuits related to breaches of applicable data protection and privacy laws; (iii) Lost or delayed orders and sales; (iv) Adverse effects on reputation, business, financial position, profits and cash flows.

Risk of regulatory and specific technical requirements

The supply of IoT devices is related to *regulation regarding the certification of products* for sale in the respective country. In the European Union, products are required to bear the 'CE' marking, which indicates that the product has been evaluated and meets the requirements of safety, health and environmental protection. In the US, the equivalent is 'UL' certification. For certification purposes, accredited laboratories are assigned compliance tests, which involve significant costs. In addition, specifics in the requirements of local regulators and contractors (especially mobile operators) may require additional tests and certification to be performed, which increases the cost of entering a particular market or particular distribution channel.

Sales of the Group companies' products cover an increasing number of markets, which often have local regulation regarding the certification of similar products in the respective country. Meeting the requirements of local regulation is related to time and resources and may delay the Company in entering new markets or require additional costs in order to meet different standards.

The change in regulatory requirements for devices may involve additional costs for making them compliant with the new requirements, including costs for withdrawing products from the market to making them compliant with these requirements. The Group companies and their local partners regularly monitor planned changes in the legislation and take timely measures to ensure the compliance of products with them.

Risk of technology change

SHELLY GROUP SE and its subsidiaries operate in an extremely dynamic segment, in which technologies have a significant impact and are a source of competitive advantage. To that effect, there is a risk of delayed adaptation to new technologies due to lack of knowledge, experience or sufficient funding, which may have a negative impact on the Company. The slow adaptation to the new realities may lead to a loss of competitive positions and market shares, which in turn will lead to a deterioration of the Group's performance.

Risks related to the Group's business

Such risks are: operational risk, risk related to business partners, risks arising from new projects and liquidity risk.

Operational risk

Operational risk can be defined as the risk of loss as a result of inadequate or non-functioning internal management procedures. Such risks may be caused by the following circumstances:

- Adoption of wrong operational decisions by the management staff related to the management of current projects;
- Insufficient amount of skilled personnel needed for the development and implementation of new projects;
- Leaving key employees and inability to replace them with new ones;
- Risk of excessive increase in management and administration costs, leading to a decrease in the overall profitability of the Company;
- Technical damages leading to prolonged interruption of the provided services may lead to termination of contracts with clients.

The effects of such circumstances would be a decrease in the Company's revenues and deterioration of its business performance.

Risk associated with business partners

Production activities in the IoT segment is outsourced, mainly to China, concentrated in several manufacturers. Potential risks associated with key subcontractors are related to the accurate and timely execution of deliveries or termination of business relationships. Although management believes that there is a wide range of alternative suppliers, the possible transfer of production to new partners and diversification of subcontractors may lead to delivery delays and additional costs, which may affect the ability of the Group companies to perform agreed orders from customers and adversely affect the Group's reputation and financial performance.

Risks arising from new projects

The main business activity of SHELLY GROUP SE is related to investments in subsidiaries. There is a risk that some of the subsidiaries will not be able to meet their goals, which will lead to lower or negative return on investment.

The development of new products and services by the subsidiaries of SHELLY GROUP SE is related to the investment in human resources, software, hardware, materials, goods and services. Should new products and services fail to be marketed, such investments would be unjustified. This in turn would have a negative impact on the costs and assets of the Company, as well as on the performance of its business activities. In order to manage the risk arising from new projects, the Group companies perform a market analysis, prepare a financial analysis containing different scenarios, and in some cases discuss with potential customers the concept of the new service/product.

Liquidity risk

The expression of the liquidity risk in relation to the Group is associated with the possibility of lack of timely and/or sufficient available funds to meet all current liabilities. This risk may appear both in case of significant delay of the payments by the debtors of the Company, as well as in case of insufficiently effective management of the cash flows from the operation of the Company.

Some of the Group companies use bank financing in the form of an investment loan, overdraft or revolving credit line, which can be used in case of liquidity problems.

The company pursues a conservative liquidity management policy, through which it constantly maintains an optimal liquidity cash reserve and good ability to finance its business activities. In order to control the risk, the Company monitors the timely payment of incurred liabilities. The company monitors and controls the actual and projected cash flows for periods ahead and maintains a balance between the maturity limits of the assets and liabilities.

5. TRANSACTIONS WITH RELATED OR INTERESTED PARTIES

For the reporting period the Company has not entered into transactions with interested parties in the meaning according to POSA.

The Company has not entered into any transactions with other Group companies that fall beyond its scope of regular business or that significantly deviate from the market conditions. Transactions in the ordinary course of business with subsidiaries include:

- At the end of 2022 Shelly Group SE granted an additional cash contribution at the amount of BGN 1 834 thousand (USD 1 million) to its subsidiary Shelly USA Inc., with annual interest rate of 1.0%. The interest income accrued for the period ended September 30, 2025, on this transaction amounts to BGN 12 thousand.
- On March 23, 2023, Shelly Group SE provided to its subsidiary Shelly Tech d.o.o a loan of BGN 978 thousand (EUR 500 thousand). The recognized interest income for the period ended September 30, 2025, on this transaction amounts to BGN 33 thousand.
- On June 1, 2023, Shelly Group SE granted to Shelly Tech d.o.o an additional cash contribution at the amount of BGN 978 thousand (EUR 500 thousand) at the following terms – repayment period within 1-year, annual interest rate 1%. The recognized interest income for the period ended September 30, 2025, on this transaction amounts to BGN 7 thousand.
- On March 19, 2024, SHELLY GROUP SE granted to its subsidiary Shelly USA Inc. an additional cash contribution at the amount of BGN 763 thousand (USD 400,000). The interest income accrued for the period ended September 30, 2025, on this transaction amounts to BGN 5 thousand.
- On May 14, 2024, the Board of Directors of SHELLY GROUP SE decided to provide an additional cash contribution at the amount of BGN 1,173 thousand (EUR 600,000) to its Slovenian subsidiary Shelly Tech d.o.o. for a period of 1 year and annual interest margin of 1%. The interest income accrued for the period ended September 30, 2025, on this transaction amounts to BGN 9 thousand.
- On January 8, 2025, SHELLY GROUP SE decided to provide its American subsidiary Shelly USA Inc. with financing in the form of an additional cash contribution in the amount of BGN 1,329 thousand (USD 700 thousand) for a period of one year at an annual interest rate of 1%. As of September 30, 2025, the financing was fully utilized by the daughter company. The interest income accrued for the period ended September 30, 2025, on this transaction amounts to BGN 8 thousand.
- During the reporting period, the Company provided management services to three of its subsidiaries – Shelly Asia at the amount of BGN 26 thousand, Shelly DACH at the amount of BGN 36 thousand and Shelly Asia in the amount of BGN 12 thousand.

SHELLY GROUP SE did not grant any other loans, guarantees or commitments in total to any person or its subsidiary, including related parties, other than those mentioned above.

For transactions with group companies, see also note 6 of the individual financial statements as of 30.09.2025

Board of Directors

During the reporting period, to the members of the Board of Directors have been paid gross remunerations in total amount of BGN 1 181 thousand. The amounts paid are in compliance with the approved remuneration policy for Board of directors of the parent company. By decision of the General Meeting of Shareholders of 18.12.2023, a scheme was approved for providing the members of the Board of Directors of Shelly Group ED with variable remuneration in shares of the Parent Company for the period 2022 - 2025. By decision of the General Meeting of Shareholders of 02.06.2025, a decision was adopted to pay cash bonuses to the executive members of the Board of Directors based on the results achieved in 2025 by the company on a consolidated basis in accordance with the Terms for Payment of Annual Bonus for 2025 adopted by the General Meeting of Shareholders.

6. INFORMATION ON NEWLY INCURRED SIGNIFICANT RECEIVABLES AND/OR LIABILITIES FROM THE BEGINNING OF THE YEAR TO THE END OF THE REPORTING QUARTER

No material new receivables and/or payables arose during the period, except the ones described in the notes of the individual report as of 30.09.2025.

7. INFORMATION ON THE TRADING IN THE SHARES OF SHELLY GROUP SE DURING THE REPORTING PERIOD

Historical data on trade

Date	Volume	Turnover	Highest price	Lowest price	Opening price	Closing price
30.09.2025	264742	25151341.91	111,482	100,530	101,703	107,571
29.08.2025	72493	7294487.56	113,047	93,880	108,353	102,094
31.07.2025	38162	652538.50	98,574	90,751	93,880	95,836
30.06.2025	73413	7023457.77	99,747	88,990	89,773	93,684
30.05.2025	108938	8688613.72	91,728	64,934	65,520	89,381
30.04.2025	39886	2597062.36	72,952	58,088	71,975	64,542
31.3.2025	50861	3642423.43	74,126	68,258	72,366	72,953
28.2.2025	42417	3039160.19	75,299	68,063	68,454	73,344
31.1.2025	59345	4017690.87	69,823	66,498	66,498	69,432

Source: Investor.bg

Information on the trading of SHELLY GROUP SE shares during the reporting period on the Frankfurt Stock Exchange is available at <https://www.boerse-frankfurt.de/equity/allterco-jsco/price-history/historical-prices-and-volumes>

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 07.10.2025 the Company announces preliminary data about the consolidated sales revenue as of the end of nine months of 2025. Shelly Group reports an increase of 34.5% in consolidated sales revenue from Shelly devices and related to them services, to EUR 87.4 million (around BGN 170.9 million). The reported growth exceeds the expectations. The Company will publish its unaudited consolidated financial statements for the 9 months of 2025 on November 12, 2025.

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

All information considered relevant by the Company is set out in this Report, the Financial Statements and the notes thereto.

Date: October 30, 2025

For SHELLY GROUP SE:

Dimitar Dimitrov
CEO