

**REPORT ON BUSINESS ACTIVITIES
of ALLTERCO JSCo**

SECOND QUARTER OF 2022

individual basis



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

These Notes to the Interim Report on the Business Activities of Allterco JSCo on an individual basis present information about the company, relevant to the end of first quarter of 2022 for the period 01.01.2022 – 30.06.2022 (the “reporting period”).

1. INFORMATION ABOUT THE GROUP

Allterco JSCo is a public listed joint stock company, 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: ALLTERCO JSCo.

The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 103CherniVrah Blvd. The address for correspondence is the same; Tel: +359 2 957 12 47. The website of the Company is www.allterco.com.

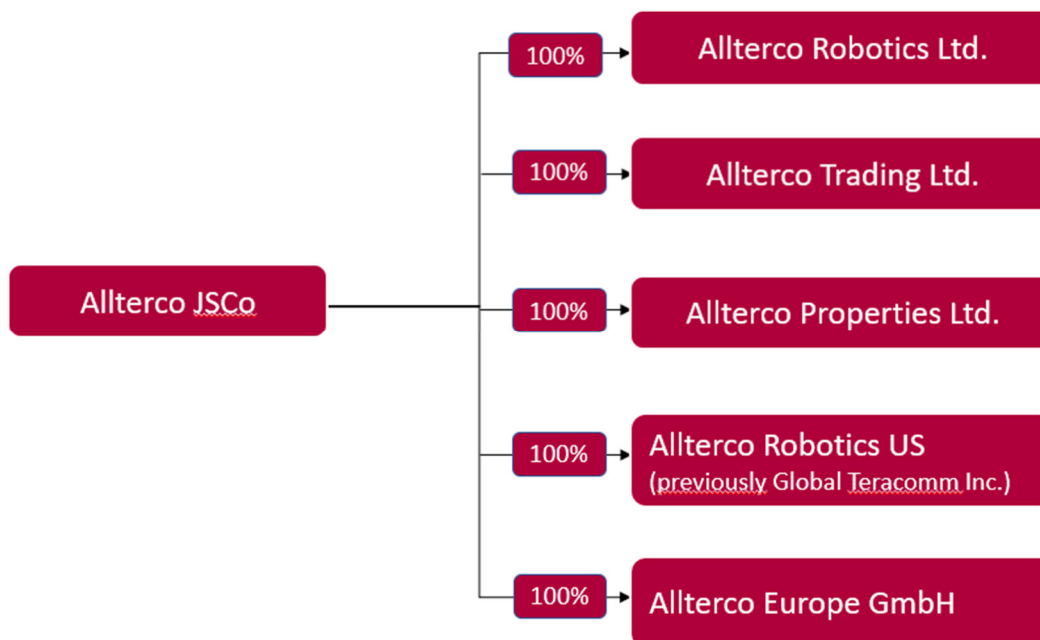
The Company is public listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company’s capital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

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

The company operates according to Bulgarian legislation.

The Issuer is part of an economic group, which consists of the parent company Allterco JSCo and its subsidiaries:

1.1. Structure of the economic group at the end of the reporting quarter for 2022



Allterco JSCo has participation in a company in China, Allterco Asia Ltd. (associated company) with headquarters and registered office in Shenzhen, Guangdong Province. The capital of the new company is CNY 100 000, as the participation of Allterco JSCo is 30% with an option to acquire additional up to 50% and reach a controlling stake of up to 80%.

The scope of business of the Allterco JSCo, 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 Allterco JSCo 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.

As a result of strategic deals, corporate changes and decisions in 2019 and 2021, the core business of the Issuer's Group in the reporting period of 2022 remains the development, production and sale of IoT devices.

Since 2015, the Group has grown organically in the IoT sector through the development and implementation of two main product categories - tracking devices under the brand MyKi and home automation systems under the brand Shelly.

1.2. Management

During the reporting period there has been a change in the personnel of the Board of Directors. With the resolution of the General Meeting of Shareholders of 08.04.2022 there has been changed the number of the Board members from three to five, where Mr. Wolfgang Kirsch and Mr. Gregor Bieler joint to the current members.

Pursuant to the resolution of the General Meeting of Shareholders at its first meeting held on 08.04.2022. the Board of Directors elects from among its members the following executive members, Chairman and Deputy-Chairman:

- 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. Capital structure

As of the end of the reporting period the issued, subscribed, paid-in and registered capital of the Company amounts to BGN 17 999 999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine), and is divided into 17 999 999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) 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 (fifty thousand);
- Non-monetary contribution representing 69.60% of the shares of Terra Communications JSCo, with an appraised monetary value of BGN 5,438,000 (five million four hundred and thirty-eight thousand);
- A combination of non-monetary and cash contributions amounting to BGN 8,012,000 (eight million and twelve thousand).
- Cash contributions at the amount of BGN 1,500,000 (one million and five hundred thousand) compared to 1,500,000 (one million and five hundred thousand) 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 (two million nine hundred ninety-nine thousand nine hundred ninety-nine) against 2,999,999 (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine) 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 JSCo 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.

As of 30 June, 2022 the capital structure of ALLTERCO JSCo is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
Svetlin Todorov	32,48 %
Dimitar Dimitrov	32,48 %
Other individuals and legal entities	35,04 %

As of June 30, 2022 the company holds 40 000 treasury shares, representing 0,22% of the Company's capital.

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 Allterco JSCo has carried out such activity during the reporting period, namely: Allterco Robotics Ltd.

2. IMPORTANT EVENTS FOR ALLTERCO JSCo

Detailed information about the important events that occurred during the reporting period for ALLTERCO JSCo, 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://allterco.com/en/INVESTORS>.

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 income

As of the end of the reporting period ALLTERCO JSCo reported on individual basis a loss of BGN 1 729 thousand, which is an increase of the loss by 306,7 % compared to the same reporting period of the previous year. The increase in the loss was strongly influenced by write-offs of receivables in the amount of BGN 751 thousand as a result of an agreement reached with Link Mobility Group to settle a payment due in the amount of BGN 3 054 thousand.

As of the end of the reporting period ALLTERCO JSCo does not report on individual basis any revenues from sale of goods and services.

REVENUE	Q2, 2021 BGN thousand	Change %	Q2, 2022 BGN thousand
Sales revenue	0	0%	0
Other revenue	8	-100%	0
Total Operating revenue	8	-100%	0

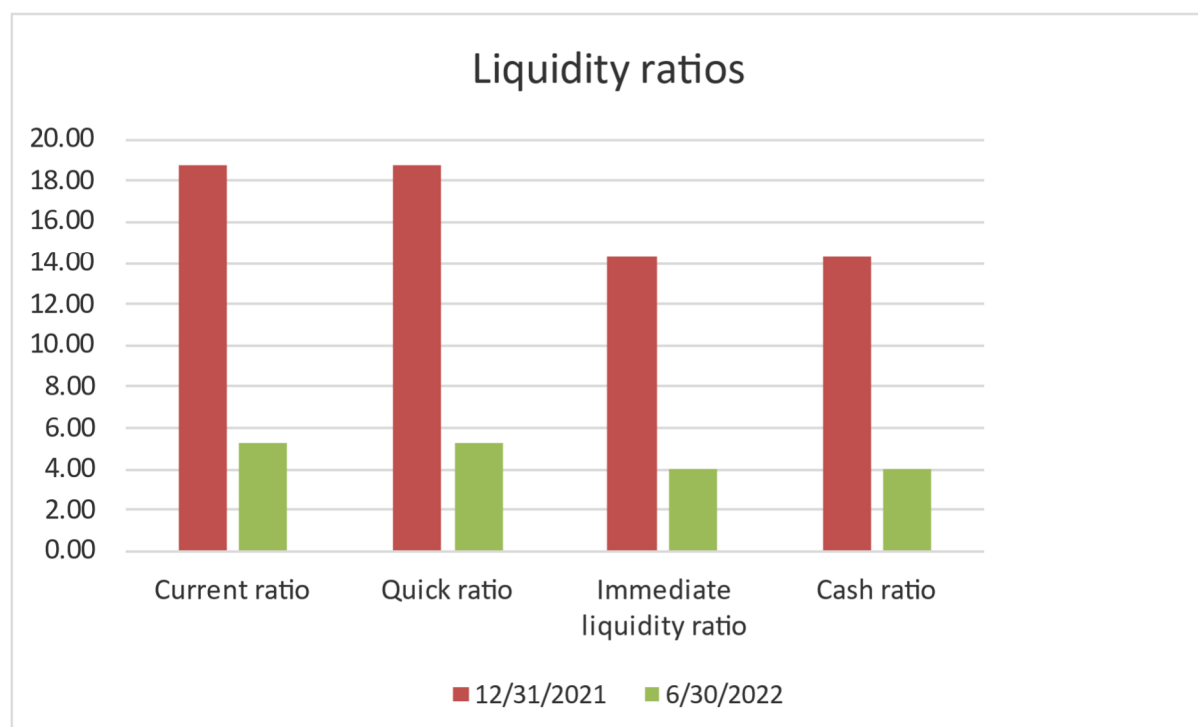
3.2. Operating expenses

As of the end of the reporting period the total operating expenses of ALLTERCO JSCo increased by 359,4 % compared to the same reporting period of the previous year. This increase is mainly due to the increase of the other operating expenses, which increased by 76747%, the expenses for external services, which increased by 182.6% and the expenses for salaries, which increased by 158,1%. The increase of the other operating expenses is due to the write-off of receivables in the amount of BGN 751 thousand.

The greatest portion of the reported expenses for the period belong to the other expenses which share is 43,2% followed by the expenses for external services with a share of 31,0% and the expenses for salaries and social securities with 24,54%. The salaries expenses include the remuneration of the members of the Board of Directors, which is determined by a decision of the shareholders meeting, as well as the salaries of 4 employees that have labor contracts with the Company.

EXPENSES	Q2 2021 BGN thousand	Change %	Q2 2022 BGN thousand
Materials	1	100%	2
External services	195	182.6%	511
Depreciation	2	350.0%	9
Salaries	160	158.1%	413
Social security	20	5.0%	21
Other	1	76747%	768
Total Administrative expenses	379	365.6%	1 764
Other operating expenses	8	66.9%	13
Total Operating expenses	387	359.4%	1 778

3.3. Financial indicators



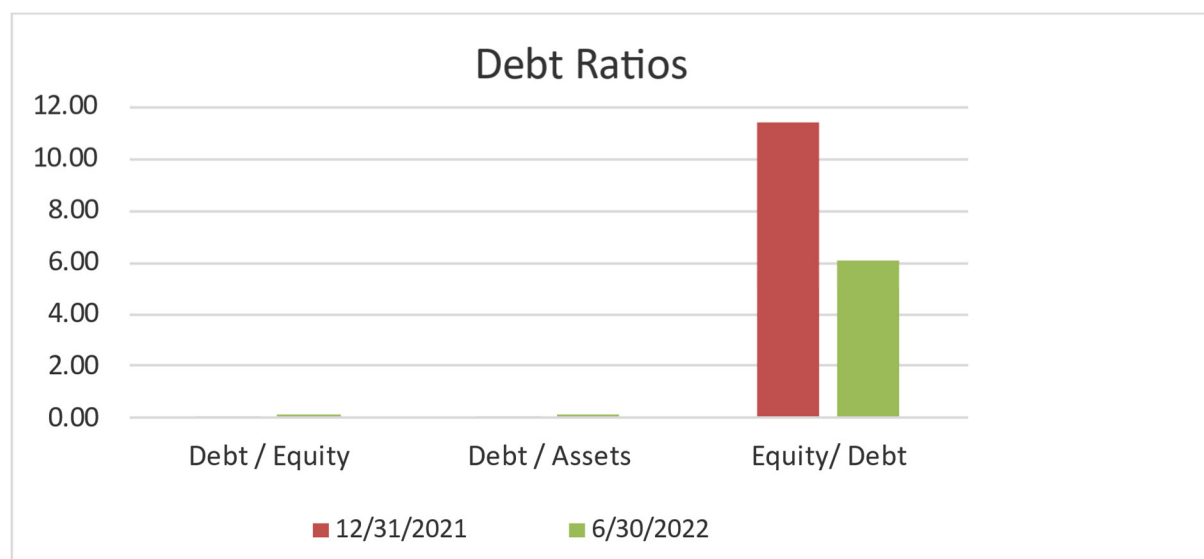
LIQUIDITY RATIOS	31.12.2021	30.06.2022
Current ratio	18.77	5.23
Quick ratio	18.77	5.23
Immediate ratio	14.29	4.04
Cash ratio	14.29	4.04

The total liquidity ratio at the end of the reporting period decreased due to the following: the current assets decreased by 31,99% compared to the end of 2021, while the current liabilities increased by 144,09%.

The quick liquidity ratio at the end of the reporting period decreased due to the following: the current assets decreased by 31,99% compared to the end of 2021, while the current liabilities increased by 144,09%.

The immediate liquidity ratio at the end of the reporting period decreased due to the following: the current liabilities decreased by 144,09% compared to the end of 2021, while cash decreased by 31,03% as a result of the capital increase of the subsidiary company Allterco Robotics EOOD.

The cash ratio at the end of the reporting period decreased due to the following: The current liabilities decreased by 144,09% compared to the end of 2021, while cash decreased by 31,03%.



DEBT RATIOS	31.12.2021	30.06.2022
Debt / Equity	0.09	0.16
Debt / Assets	0.081	0.141
Equity / Debt	11.38	6.09

The change in the debt/equity ratio at the end of the reporting period is due to the following: the Company's total liabilities increased by 55,26 % compared to the end of 2021, and equity decreased by 16,89%, as a result of a resolution for dividend distribution.

The change in the debt/assets ratio at the end of the reporting period is due to the following: the Company's total assets decreased by 11,06% compared to the end of 2021, while the Company's total liabilities increased by 55,26%.

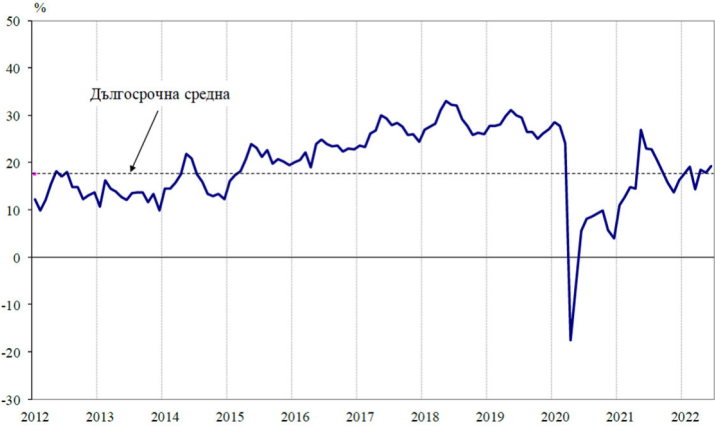
The change in the financial autonomy ratio at the end of the reporting period is due to the following: the total liabilities of the Company decreased by 55,26 % compared to the end of 2021, and equity decreased by 16,89%

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. In November 2021, the country held for the second time early parliamentary elections for the Ordinary National Assembly, as a result of which for the political party ruling in last 12 years lost its position in the state governance and a new government is expected to be formed. After a vote of motion of no confidence in the coalition government formed at the end of 2021 in June 2022, a change in the government of the country is expected.</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</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 March 2022 the <i>total business climate indicator</i> increased by 1.4 percentage points compared to the previous month. An increase in the indicator was observed in constructions and retail trade and industrial, construction and retail.</p> <p style="text-align: center;">Business climate – total, Source: NSI¹</p>  <p>The June 2022 Eurosystem staff macroeconomic projections expect that global real GDP – excluding the euro area – will grow at 3.0% in 2022, 3.4% in 2023 and 3.6% in 2024, a weaker growth trajectory compared with the March projections. The implications of the Russian invasion and the pandemic measures in China are projected to weigh significantly on trade in the near term, but their impact is expected to dissipate thereafter. Compared with the March projections, the outlook has been revised down significantly for 2022 and 2023, while for 2024 it has been revised up. The June 2022 Eurosystem staff macroeconomic projections indicate that global real GDP – excluding the euro area – will grow at 3.0% in 2022, 3.4% in 2023 and 3.6% in 2024 – a weaker growth trajectory than</p>

¹<http://nsi.bg/bg/content/14830/общ-показател-на-бизнес-климата>

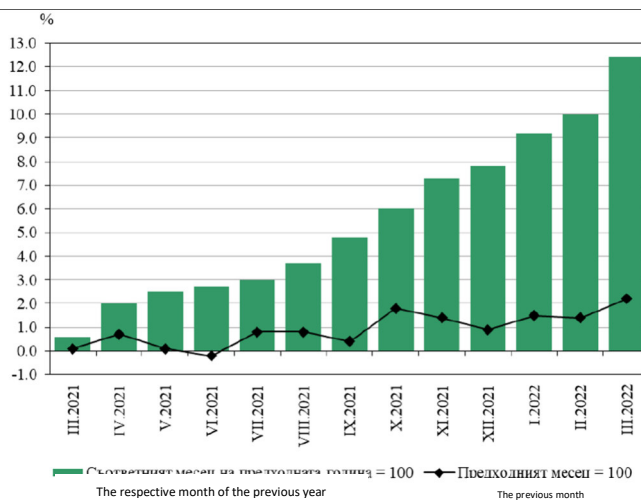
	foreseen in the March projections. The two key headwinds are projected to weigh significantly on trade in the near term, but their impact is expected to dissipate thereafter. ²																
INTEREST RATE RISK	<p>The interest rate risk is related to possible, eventual, adverse changes in the interest rates established by the financial institutions of the Republic of Bulgaria.</p> <p>For the first time in 11 years, the ECB Governing Council raised interest rates, which are likely to continue rising in the coming months. The Governing Council decided to raise the the three key ECB interest rates by 50 basis points. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will be increased to 0.50%, 0.75% and 0.00% respectively, with effect from 27 July 2022. The Governing Council’s future policy rate path will continue to be data-dependent and will help to deliver on its 2% inflation target over the medium term..³</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>01.06.2022</td> <td>0.00</td> </tr> <tr> <td>01.05.2022</td> <td>0.00</td> </tr> <tr> <td>01.04.2022</td> <td>0.00</td> </tr> <tr> <td>01.04.2022</td> <td>0.00</td> </tr> <tr> <td>01.03.2022</td> <td>0.00</td> </tr> <tr> <td>01.02.2022</td> <td>0.00</td> </tr> <tr> <td>01.01.2022</td> <td>0.00</td> </tr> </tbody> </table> <p>*Source: BNB⁴</p>	Date	Percentage	01.06.2022	0.00	01.05.2022	0.00	01.04.2022	0.00	01.04.2022	0.00	01.03.2022	0.00	01.02.2022	0.00	01.01.2022	0.00
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INFLATION RISK	<p>Inflation risk is a general rise in prices in which money depreciates and there exists a probability of loss to households and firms.</p> <p>The consumer price index (CPI) is an official measure of inflation in the Republic of Bulgaria. It estimates the total relative change in the prices of goods and services used by households for personal (non-production) consumption and the index is calculated by applying the structure of the final cash consumer expenditure of Bulgarian households.</p> <p>According to the NSI, the consumer price index for June 2022 compared to May 2022 is 100.9%, i.e. monthly inflation is 0.9%. Year-to-date inflation (June 2022 vs. December 2021) is 10.1% and annual inflation for June 2022 vs. June 2021 is 16.9%. The average annual inflation rate for July 2021 to June 2022 compared to July 2020 to June 2021 is 9.3%..⁵</p>																

²https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202108_bg.pdf

³<https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220721~53e5bdd317.bg.html>

⁴<https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm>

⁵https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2022-06_C3K3TYH.pdf



Source: NSI

The harmonized index of consumer prices (HICP) is a comparable measure of inflation in 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.

According to the NSI, the harmonized consumer price index for June 2022 compared to May 2022 is 101.2%, i.e. the monthly inflation is 1.2%. Year-to-date inflation (June 2022 versus December 2021) is 9.4% and annual inflation for June 2022 versus June 2021 is 14.8% (Table 2 in the Annex). The average annual inflation rate for the period July 2021 to June 2022 compared to the period July 2020 to June 2021 is 7.8%.⁶

The June 2022 Eurosystem staff macroeconomic projections for the euro area foresee annual inflation at 6.8% in 2022, before it is projected to decline to 3.5% in 2023 and 2.1% in 2024 – higher than in the March projections. This means that headline inflation at the end of the projection horizon is projected to be slightly above the ECB’s target. Inflation excluding energy and food is projected to average 3.3% in 2022, 2.8% in 2023 and 2.3% in 2024 – also above the March projections..⁷

CURRENCY RISK

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.

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.

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

⁶ https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2022-06_C3K3TYH.pdf

⁷ <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220721~53e5bdd317.bg.html>

	<p>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 $\pm 15\%$.</p> <p>On July 10, 2020, Bulgaria joined the ERM II exchange rate mechanism, known as the 'euro area's waiting room'. The central rate of the Bulgarian lev is fixed at EUR 1 = BGN 1.95583. Around this central exchange rate of the BGN, the standard range of plus or minus 15 percent will be maintained. Bulgaria joins the exchange rate mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB.⁸ At the same time, our country must enter into close cooperation with the unified banking supervision. The fixed exchange rate of the BGN to the EUR does not eliminate for the Bulgarian currency the risk of unfavorable movements of the euro exchange rate against other major currencies (US dollar, British pound, Swiss franc) on the international financial markets, but at present the company does not consider that such a risk would be material to its business. The company may be affected by currency risk depending on the type of cash flow currency and the type of currency of the company's potential loans.</p> <p>The Allterco JSCo Group companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA and the Asia-Pacific region. 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, the Group companies are expected to have significant US dollar sales revenue in the US and other non-EU markets in the future, which to some extent balances the Group's net exposure to this major currency.</p> <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>												
Credit risk of the state	<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 Issuer. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk. Bulgaria's credit rating is presented in the following table:</p> <p>Table 1: Credit risk of Bulgaria</p> <table border="1" data-bbox="423 1583 1421 1738"> <thead> <tr> <th>Credit agency</th> <th>Date of last change</th> <th>Long-term rating</th> <th>Prospects</th> </tr> </thead> <tbody> <tr> <td>Standard & Poor's</td> <td>28.05.2022⁹</td> <td>BBB/A-2</td> <td>Stable</td> </tr> <tr> <td>Fitch</td> <td>22.01.2022¹⁰</td> <td>BBB</td> <td>Positive</td> </tr> </tbody> </table> <p>Source: Ministry of Finance</p>	Credit agency	Date of last change	Long-term rating	Prospects	Standard & Poor's	28.05.2022 ⁹	BBB/A-2	Stable	Fitch	22.01.2022 ¹⁰	BBB	Positive
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Standard & Poor's	28.05.2022 ⁹	BBB/A-2	Stable										
Fitch	22.01.2022 ¹⁰	BBB	Positive										

⁸ <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html>

⁹ <https://www.minfin.bg/bg/news/11577>

¹⁰ <https://www.minfin.bg/bg/news/11631>

The international S&P Global Ratings Agency affirmed its 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook remains stable. The Rating Agency expects the Russia-Ukraine military conflict to inflict a shock on the Bulgarian economy and as a result the real GDP growth for 2022 will slow down to 1.6% from 4.3% (according to the agency's forecast in November) and the budget deficit will double to 5% of GDP. S&P points out that Bulgaria's strong external and fiscal balance sheets will help mitigate this shock, while the steady inflows of EU transfers will support growth over the medium term.

The stable outlook reflects the S&P expectation that Bulgaria's economy will not incur major external or fiscal imbalances. Rather, the shock for the economy resulting from the military conflict will be temporary and economic growth will pick up from 2023, backed by EU transfers. S&P expects that this will contain the increase in general government debt, which will remain low in global comparison..¹¹

The international credit rating agency Fitch Ratings has affirmed Bulgaria's long-term foreign and local currency Issuer Default Ratings (IDR) at "BBB" with a Positive Outlook.

The Positive Outlook reflects the dissipation of macroeconomic risks stemming from the Covid-19 pandemic and a more resilient economy, as well as continued progress towards the euro adoption. According to the credit rating agency, short-term downside risks tied to the pandemic and electoral uncertainty are more than offset by prospects of substantial funding from the EU and a commitment to macro and fiscal stability.

Bulgaria's ratings are supported by its strong external and fiscal position, the credible policy framework, underpinned by EU membership and a long-standing currency-board arrangement. The ratings are constrained by the potential growth due to unfavorable demographics, which could weigh on government finances over the long term. Governance indicators and income levels are slightly above the median for peers.

Fitch expects Bulgaria's economic growth to accelerate to 4.7% in 2021, compared to the estimate for 3% from February. The upward revision reflects better-than-expected 1Q21 GDP and the expected strengthening of domestic demand and exports in the second half of the year. Bulgaria's low vaccination rate compared to the EU average raises some downside pandemic-related risks; however, according to the agency, authorities are unlikely to put in place more severe containment measures that would significantly affect economic activity in the country.

Investment is expected to be a key driver of growth over the medium-term, as Bulgaria will be one of the main beneficiaries of EU transfers in the coming years. The analysts of Fitch believe that the significant amount of funds under the Recovery and Resilience Facility (RRF) would support the growth of the economy which is estimated at 3.9% in 2022-23.

The credit rating agency projects the fiscal deficit (on accrual basis) at 5% of GDP in 2021, versus 5.5% for the BBB median, reflecting mostly the Covid-19 related expenditure. It expects the deficit to narrow to 2% in 2023, keeping public debt/GDP at below 30% (versus 57% for BBB peers). Fitch considers the plan for euro adoption in 2024 realistic. The country's banking sector is estimated as liquid and well capitalized.

The main factors that could lead to positive rating action/upgrade are: progress toward euro area accession and improvement in the economy's growth potential that leads to

¹¹ <https://www.minfin.bg/bg/news/11830>

	<p>faster convergence with income levels of higher rated peers. The factors that could lead to negative rating action/downgrade are: adverse policy developments that reduce confidence in economic recovery; a prolonged rise in public debt; the materialization of contingent liabilities on the sovereign's balance sheet or weaker growth prospects.¹²</p>
Unemployment risk	<p>As a major factor influencing consumers' purchasing power, rising unemployment would reduce demand for IoT products. On the other hand, the demand for staff by the business remains extremely active, so that such a risk appears to be negligible within the next year. Eurostat estimates that 13.066 million men and women in the EU^[1], of whom 11.004 million in the euro area (EA)^[2], were unemployed in May 2022. Compared with May 2021, unemployment decreased by 2.515 million in the EU and by 2.165 million in the euro area.¹³</p> <p>The administrative statistics of the Bulgarian Employment Agency report a registered unemployment rate of 4.5% in May, down 0.1 p.p. from the previous month and down 1.2 p.p. from a year earlier. The registered unemployed at the end of May 2022 totalled 147,477 persons, down 2.0% from April 2022 and down 38,570 (-20.7%) year-on-year.¹⁴</p>
Risk associated with the legal system	<p>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.</p>
TAX RISK	<p>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.</p>

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

¹² <https://www.minfin.bg/bg/news/11631>

¹³ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area

¹⁴ <https://www.az.government.bg/bg/stats/view/2/372/>

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

After the sale of most of the telecommunication business of the group, 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.

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.

Eventual changes in the regulations in the telecommunications sector, could have some impact on the operation of the Group as mobile operators are one of the main sales channels for existing MyKi series products. Big part of the devices developed and sold by the companies in the IoT Group use Internet-based technology and can work with the services of any Internet provider. To that effect, the Group is now less dependent on regulations in the field of telecommunications, insofar as the companies in its structure are not providers of telecommunication services and mobile operators are only one of the channels for trade and distribution of IoT devices.

Risk of technology change

The Issuer 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 Issuer. 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 Issuer;
- 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 Issuer'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 Allterco JSCo 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 Allterco JSCo 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 their scope of regular business or that significantly deviate from the market conditions.

- The company uses rental cars from its subsidiary at a total value of BGN 8 thousand (reported as amortization expense of assets with right to use, in accordance with IFRS16);
- Allterco JSCo has also provided an additional cash contribution to its subsidiary Allterco Trading EOOD in the amount of EUR 900 000, which term is extended with another one year. Interest income for the period is in the amount of BGN 5 thousand. As of the end of the reporting period the additional cash contribution is paid back in full.

- The Board of Directors of Allterco JSCo has approved the extension of financing to the associated company Allterco Asia Ltd at the following terms: loan amount up to EUR 250 000, for a period of 1 year; annual interest of one-month EURIBOR, increased by 2,7 (two point seven) point of per year, but not less than 2,7% (two-point seven percent) total annual interest, which is accrued on a 3-month basis to the utilized amount of the loan limit. As of the date of the report, no cash have been transferred to the associated company in connection with the approved financing.
- Allterco JSCo increased the capital of the subsidiary company from currently BGN 1 500 000 (EUR 766 937.82) by BGN 5 500 000 (EUR 2 812 105.34) to BGN 7 000 000 (EUR 3 579 043.16) by issuing 5 500 000 new shares with a nominal value of BGN 1.00 each. Allterco subscribes to all new shares.
- The Board of Directors of Allterco JSCo has approved financing for the operations of the subsidiary Allterco Robotics Inc, USA. with the following parameters: (1) provision of an additional cash contribution of BGN 1,859 thousand (USD 1 million), for a term of 1 year, at an annual interest rate of 1% and (2) a capital increase of USD 500,000. At the reporting date, the subsidiary had only received an additional cash contribution of BGN 1,859 thousand.

For more information on deals with related parties see Note 6 of the financial report as of June 30, 2022.

Key management

During the reporting period, the members of the Board of Directors received gross remuneration at the total amount of 245 thousand BGN. The amounts paid are in compliance with the approved remuneration policy of the Company and the changes made in the number of seats in the Board and the new members, which were appointed on an extraordinary meeting of shareholders held on April 8, 2022.

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

There are no newly incurred significant receivables and/or liabilities, excluding the temporary financing provided to the American subsidiary Allterco Robotics Inc, US.

7. INFORMATION ON THE TRADING IN THE SHARES OF ALLTERCO JSCo DURING THE REPORTING PERIOD

Historical data on trade

Date	Volume	Turnover	Highest value	Lowest value	Opening value	Closing value
30.06.2022	34228	633 077,350	19,000	17,600	18,500	18,750
31.05.2022	27401	499 185,550	19,750	17,050	19,750	18,000
29.04.2022	51828	1 042 375,500	21,300	18,750	19,000	19,800
31.03.2022	123107	2 105 993,00	19,500	14,000	18,800	19,000
28.02.2022	55488	1 081 219,70	21,400	16,700	20,000	19,000
31.01.2022	103102	2 073 489,00	25,400	17,500	25,200	19,800

Source: Investor.bg

Information on the trading of Allterco JSCo 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

After the end of the reporting period, Allterco JSCo submitted to the FSC, the BSE and the public additional information.

Date	NOTIFICATION
05.07.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Herewith and within the legally established term we inform you that the following notice were received at the office of Allterco JSCo:</p> <p>Notification under Art. 19, para. 1 of Regulation (EU) № 596/2014 of the European Parliament and of the Council from IMPETUS CAPITAL OOD, in its capacity as a person closely associated with a person discharging managerial responsibilities and namely – Nikolay Angelov Martinov – member of the Board of Directors of Allterco JSCo, of a transaction conducted by IMPETUS CAPITAL OOD and on the own account of this entity as follows: pledge of 162 000 shares of Allterco JSCo, (ISIN BG1100003166) on 30.06.2022 outside the regulated market.</p> <p>The transaction is not linked to the exercise of share option programs.</p> <p>For further information, please visit allterco.com</p>
13.07.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Herewith Allterco JSCo announces a 37.1%* year-on-year increase in IoT revenue from sales of devices and related services to BGN 35.9 million (EUR 18.3 million) in H1 2022, based on preliminary data. While the revenue from sales of Shelly-branded smart home devices increased by 37.5%, amounting to BGN 34.2 million (EUR 17.5 million), the revenue from sales of MyKi tracking devices increased by 28.3% to pre-pandemic levels of BGN 1.7 million (EUR 0.9 million), as the tracking devices market post-pandemic.</p> <p>With these revenues, Allterco JSCo exceeded budget and forecast for both Q2 2022 and H1 2022. Compared to Q1 2022 the growth rate of the Company is increasing, in line with the management expectations of an annual growth rate of 43% for 2022.</p> <p>The Company will officially disclose consolidated financials for H1 2022 within the statutory deadlines until 29 August 2022.</p> <p>* The percentage shows only the year-on-year growth of revenue from IoT business and does not reflect the revenue from value added services in Asia in</p>

	the amount of BGN 2.2 million (EUR 1.1 million) in the first half-year 2021 before the sale of the Asian telecommunication business
21.07.2022	A starting date for the payment of dividend, voted on the regular meeting of shareholders, held at the end of June 2022.
29.07.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Herewith Allterco JSCo („Allterco”) announces the signing of a binding term sheet between Allterco and the four shareholders (one legal entity and three individuals) of GOAP d.o.o. (“GOAP”) on the general terms and conditions for the acquisition of the Slovenian IoT provider in two stages, as follows:</p> <p>1st stage: Acquisition of 60 % of the shares in GOAP for the amount of EUR 2 million subject to a conclusion of a Share Purchase Agreement.</p> <p>2nd stage: The remaining 40% of the shares belonging to the three individual shareholders of GOAP, shall be subject to conclusions of Call and Put Option Agreements under which Allterco shall have a call option to acquire and the sellers have put options to sell the remaining shares. The exercising of the options shall be at the respective option holder’s discretion in one or several steps and against a price which shall vary in a predefined range depending on predefined measurable results of GOAP within a predefined period of time. If the results of GOAP within the predefined period of time do not reach a predefined threshold, then the sellers shall have no put option rights but Allterco shall retain call option rights executable against a predefined minimal price. The specific terms of the options, including the price, are subject to further negotiations between the parties.</p> <p>Allterco has the right to settle up to 50% of the total price due to the individual shareholders against its own shares.</p> <p>The tentative closing date for the transaction is 3 months after the signing of the term sheet. Under certain conditions this term can be extended by up to 3 additional months.</p> <p>With the acquisition, Allterco intends to expand its technology portfolio and thus extend its product offering for both customers and professional users</p> <p>Allterco will officially disclose further information on the progress of the negotiations in compliance with the statutory requirements.</p> <p>For further information, please visit allterco.com.</p>

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

The company does not experience any negative effect on its activities from the continuing pandemic of COVID-19 and the military conflict in Ukraine. The management expects that these events will not have any negative impact on the business of the Company in the foreseeable future.

On June 30, 2022 the Company bought back 40 000 of its shares, representing 0,22% of its share capital, though an OTC deal and at a price of 19,5 BGN per share. The treasury shares will be used for the potential acquisition of the Slovenian IoT company GOAP d.o.o. Nova Gorica (GOAP).

After the end of the reporting period, on 29 July, 2022 Allterco and the four shareholders (one legal entity

and three individuals) of GOAP d.o.o. (“GOAP”) signed a binding term sheet on the general terms and conditions for the acquisition of the Slovenian IoT provider (See item 8 of the Interim Report on the Business Activities).

The Company considers that there is no other information that has not been publicly disclosed that would be important to shareholders and investors in making an informed investment decision.

Date: 01.08.2022

For ALLTERCO JSCo:

Dimitar Dimitrov
CEO