

**REPORT ON BUSINESS ACTIVITIES
of ALLTERCO JSCo**

FIRST QUARTER OF 2022

consolidated basis



Pursuant to Art. 100o, Para 7 in conjunction with 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 consolidated basis present information about the company, relevant to the end of first quarter of 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.

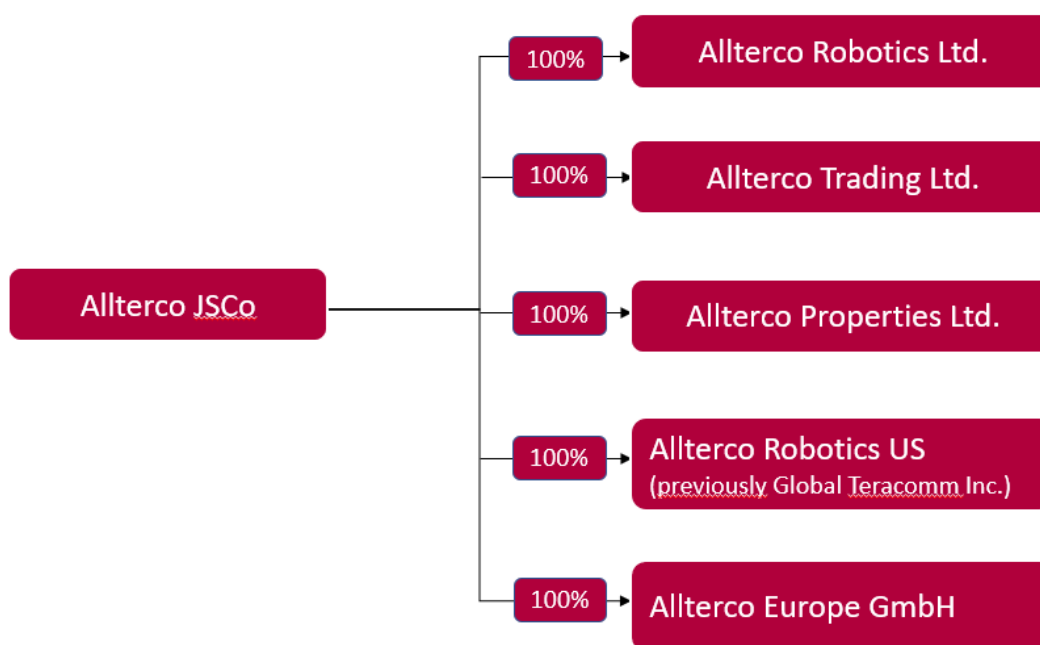
The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 103CherniVrah Blvd. The address for correspondence is the same; Tel: +359 2 957 12 47. The website of the Company is www.allterco.com.

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.

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% in case of good development of the project.

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 no changes were made in the Board of Directors of the company.

As of 31.03.2022 members of the Board of Directors are:

- Dimitar Stoyanov Dimitrov;
- Svetlin Iliev Todorov;
- Nikolay Angelov Martinov;

After the end of the reporting period, there has been a change in the composition of the Board of Directors, with the resolution of the General Meeting of Shareholders of 08.04.2022 changing the number of the Board members from three to five, where Mr. Wolfgang Kirsch and Mr. Gregor Bieler join 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 December 31, 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 %

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 consolidated 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 consolidated basis profit at the amount of BGN 3 909 thousand, which is a decrease by 3,4 % compared to the same reporting period of the previous year.

As of the end of the reporting period ALLTERCO JSCo reports on consolidated basis operating revenues at the amount of BGN 17 591, which is an increase of 14,59% in comparison with the same period of previous year. The revenue from sale of goods and production increased by 24.5% compared to the same period of previous year, while the revenue from services decreased by 98,4% as a result of the disposal of Group's telco business during third quarter of 2021

REVENUE	Q1, 2021 BGN thousand	Change %	Q1, 2022 BGN thousand
Revenue from sale of goods and production	13 759	24.5%	17 131
Revenue from services and rents	1 208	-98.4%	19
Other revenue	384	14.8%	441
Total Operating revenue	15 351	14.59%	17 591
Share in the profit of associated companies	-	-	6
Positive results from sale of financial assets	-	-	-

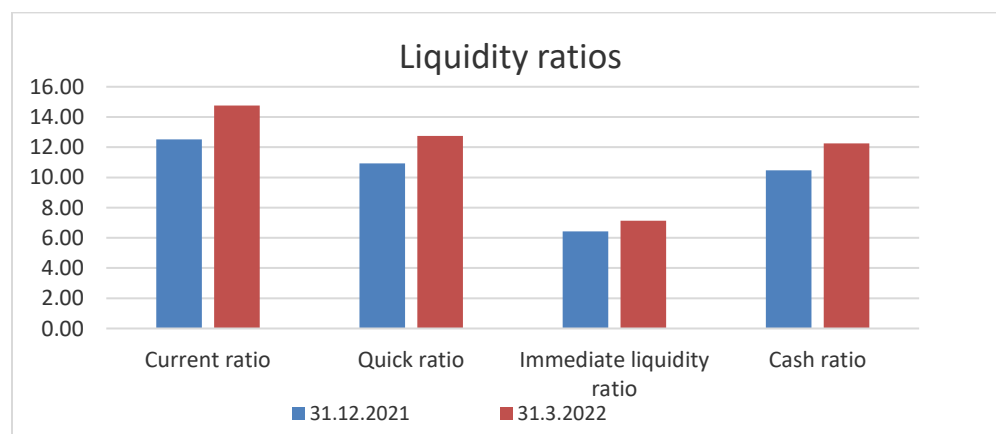
3.2. Operating expenses

As of the end of the reporting period the total operating expenses of ALLTERCO JSCo increased by 82,2% compared to the same reporting period of the previous year. This increase is mainly due to the increase of salaries and social security, which increased by 86,1% and external services, which increased by 206,4%.

Salaries and social security represent the biggest portion of the reported expenses for the period with a share of 59,0%, followed by external services with 17,6% and sales and marketing expenses with 14,3%

EXPENSES	Q1 2021 BGN thousand	Change %	Q1 2022 BGN thousand
Materials	39	123.1%	87
External services	295	206.4%	904
Depreciation	236	6.4%	251
Salaries and social security	1 626	86.1%	3 026
Other	39	123.1%	87
Total Administrative expenses	2 204	94.6%	4 289
Other operating expenses	580	26.4%	733
Sales and marketing	31	245.2%	107
Total Operating expenses	2 815	82.2%	5 129

3.3. Financial indicators



LIQUIDITY RATIOS	31.12.2021	31.03.2022
Current ratio	12.52	14.77
Quick ratio	10.93	12.74
Immediate ratio	6.44	7.13
Cash ratio	10.47	12.25

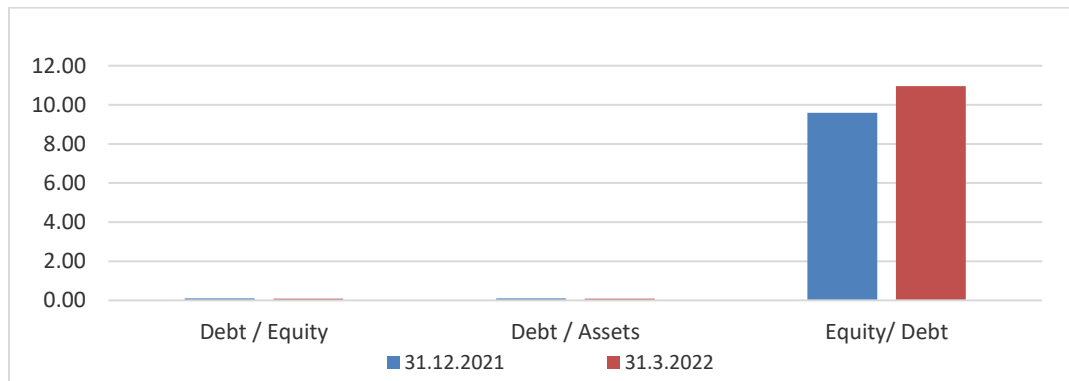
The total liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 5,2% compared to the end of 2021, while the current liabilities decreased by 10,8%.

The quick liquidity ratio at the end of the reporting period increased due to the following: the inventories increased by 13,5% compared to the end of 2021, while the current liabilities decreased by 10,8%.

The immediate liquidity ratio at the end of the reporting period increased due to the following: the cash decreased by 1,1% compared to the end of 2021, while current liabilities decreased by 10,8%.

The cash ratio at the end of the reporting period increased due to the following: The current liabilities decreased by 10,8% compared to the end of 2021, while the cash decreased by 1,1% while the short-term trade receivables increased by 13,0%.

Debt Ratios



DEBT RATIOS	31.12.2021	31.03.2022
Debt / Equity	0.10	0.09
Debt / Assets	0.09	0.08
Equity / Debt	9.60	10.96

The change in the debt/equity ratio at the end of the reporting period is due to the following: the Company's total liabilities decreased by 7,4 % compared to the end of 2021, and equity increased by 5,7%.

The change in the debt/assets ratio at the end of the reporting period is due to the following: the Company's total assets increased by 4,5% compared to the end of 2021, while the Company's total liabilities decreased by 7,4%.

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 7,4% compared to the end of 2021, and the equity has increased by 5,7%.

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.</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, the increasing threat of terrorist attacks in Europe, refugee waves and instability of key countries in the immediate vicinity of Bulgaria.</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> <p>The geopolitical situation in the region is further complicated by the development of the Russian-Ukrainian crisis after Russia recognized the independence of the two breakaway regions in eastern Ukraine and sent troops to Ukraine, while the US and the EU imposed economic sanctions on Russia. Currently, the effect of this risk on the Company is insignificant to the extent that the focus of the business is not directed towards the Russian and Ukrainian markets and accordingly a minimal portion of the Company's revenue is generated from sporadic one-off sales mainly to end users.</p>
GENERAL MACROECONOMIC RISK	<p>According to the National Statistical Institute, in March 2022 the <i>total business climate indicator</i> decreased by 4.8 percentage points compared to the previous month. An increase in the indicator was observed in construction and retail trade and in the services sector, whereas in the industry sector there is a decrease.</p> <p style="text-align: center;">·</p> <p style="text-align: center;">Business climate - total</p>



Source: NSI¹

The March staff macroeconomic projections foresee annual real GDP growth at 5.4% in 2021, 3.7% in 2022, 2.8% in 2023 and 1.6% in 2024. Compared with the December projections, the outlook has been revised down for 2022 and 2023. This builds on the assumption that current disruptions to energy supplies and negative impacts on confidence linked to the conflict are temporary and that global supply chains are not significantly affected. In an adverse scenario the growth would be 1.2 percentage points lower than the baseline.²

INTEREST RATE RISK

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.

At its meeting in March, 2022, the Governing Council expects the key ECB interest rates to remain at their present levels until it sees inflation reaching 2% well ahead of the end of its projection horizon and durably for the rest of the projection horizon, and judges that realized progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilizing at 2% over the medium term...³

Date	Percentage
01.04.2022	0.00
01.03.2022	0.00
01.02.2022	0.00
01.01.2022	0.00

*Source: BNB⁴

INFLATION RISK

Inflation risk is a general rise in prices in which money depreciates and there exists a probability of loss to households and firms.

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.

According to the NSI the consumer price index for March 2022 compared to February 2022 is 102.2%, i.e., monthly inflation is 2.2%. The annual inflation as from the beginning of the year (March 2022 compared to December 2021) is 5.2% and the annual inflation for March

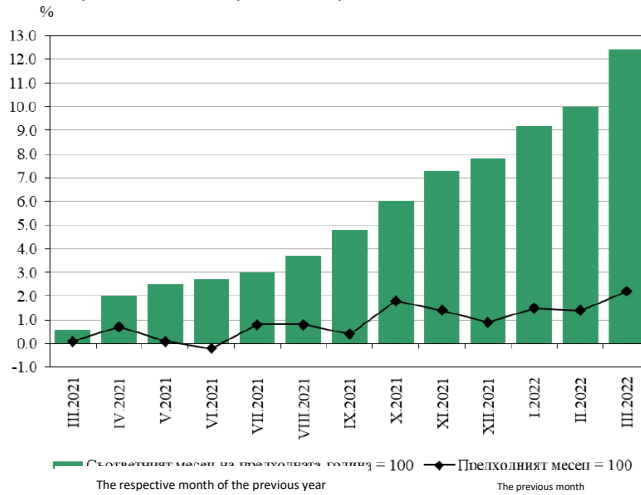
¹<http://nsi.bg/bg/content/14830/общ-показател-на-бизнес-климата>

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

³https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202108_bg.pdf

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

2022 compared to March 2021 is 12.4%. The average annual Inflation for the period April 2021 - March 2022 compared to the period April 2020 – March 2021 is 6.0%.⁵



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 index of consumer price index for March 2022 compared to February 2022 is 102.1%, i.e., monthly inflation is 2.1%. The inflation as of the beginning of the year (March 2022 compared to December 2021) is 4.5%, and the average (March 2022 compared to March 2021) is 10.5%.⁶

Inflation has continued to surprise on the upside because of unexpectedly high energy costs. Price rises have also become more broadly based. The baseline for inflation in the new staff projections has been revised upwards significantly. Longer-term inflation expectations across a range of measures have re-anchored at the ECB’s inflation target. The Governing Council sees it as increasingly likely that inflation will stabilize at its 2% target over the medium term.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.

⁵https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2021-09_8M1FIED.pdf

⁶https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2021-09_8M1FIED.pdf

⁷https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications/ecb_mb_202108_bg.pdf

	<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 $\pm 15\%$.</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 1633 1421 1791"> <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>30.11.2021⁹</td> <td>BBB</td> <td>Stable</td> </tr> <tr> <td>Fitch</td> <td>22.01.2022¹⁰</td> <td>BBB</td> <td>Stable</td> </tr> </tbody> </table> <p>Source: Ministry of Finance</p>	Credit agency	Date of last change	Long-term rating	Prospects	Standard & Poor's	30.11.2021 ⁹	BBB	Stable	Fitch	22.01.2022 ¹⁰	BBB	Stable
Credit agency	Date of last change	Long-term rating	Prospects										
Standard & Poor's	30.11.2021 ⁹	BBB	Stable										
Fitch	22.01.2022 ¹⁰	BBB	Stable										

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 credit rating agency S&P Global Ratings affirmed its long-term and short-term foreign and local currency sovereign credit ratings on Bulgaria at “BBB/A-2”. The outlook remains stable.

According to the credit rating agency, the economic effects of the pandemic have been manageable, despite a significant health impact. Domestic demand, particularly private consumption, has recovered strongly and the increased absorption of EU funds will lift the medium-term growth outlook. The funds under the previous and current EU Multiannual Financial Framework (EU MFF) and the additional funds under the new Next Generation EU (NGEU) instrument available to the country are estimated at about 40% of the expected 2021 GDP.

Although some measures are projected to continue into 2022, S&P expects the deficits to start narrowing during 2022 and notes Bulgaria’s established record of fiscal prudence under several governments. Despite the fiscal loosening and the increased public leverage, Bulgaria’s net government debt levels remain low at around 20% of GDP, whereas sovereign funding costs have reduced to record-lows.

According to S&P, in line with global trends, inflation in Bulgaria has increased in 2021, due to a combination of rising food and energy prices, as well as strengthening domestic demand weighing on core inflation. Price increases should reduce in the second half of 2022.

External risks are manageable after several years of external net deleveraging, thanks to recurring current and capital account surpluses, which the credit rating agency expects to continue.

The credit rating agency also considers positive that the lev was included in the ERM II and Bulgaria joined the Banking Union in 2020. The ratings are constrained by the country's GDP per capita, which is moderate by global standards and the remaining structural and institutional impediments.

The stable outlook indicates the expectation that Bulgaria's economic recovery will progress over the next two years, backed by further absorption of additional EU funds. Although several fiscal support measures will extend into 2022, the credit rating agency expects fiscal balances to narrow over the next two years, which will keep public debt low. The stable rating outlook also reflects the expectations that the economy will not incur any external or financial sector imbalances¹¹.

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 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.

¹¹ <https://www.minfin.bg/bg/news/11577>

	<p>Fitch expects positive macroeconomic outlook for the next years, which will be supported by the EU funds (expected to reach 36% of GDP in the period 2022-2027). Real growth of GDP is expected to reach 3.7% in 2022, and to accelerate to 4.5% in 2023.</p> <p>The national plan for Recovery and Resilience is approved and it is expected that the first amounts will enter the economy by the middle of 2022. Fitch Ratings expect some challenges related to efficient fulfilment of the plan, but the overall assessment is that funds related to the Plan combined with other investments programs of the Government will contribute to the increase of long-term expected growth and potential slowdown in population decrease.</p> <p>The agency forecasts that the average annual inflation will rise to 5,2% during 2022, which would be the highest level since 2008, and it will be driven by higher prices of raw materials and to a lesser extent by the pressure of internal demand.</p> <p>The announced by the Government readiness to enter the Eurozone, the focus is on the fulfilment on the requirements related to ERM II and meeting the criteria for acceptance. In general Fitch expects that the Eurozone membership will support the long-term rating of Bulgaria and assess that it may increase with two steps in the period between entrance in ERM II and the acceptance of Euro.</p> <p>The rating agency expects budget deficit 3,8% of GDP for 2021, which is more favorable than the previous expectations, and it is due to higher-than-expected growth of revenue. It is expected the budget deficit to further decrease to 3 % in 2023 r., from 4,6 % for 2022. Accordingly, the debt/GDP ratio will increase to 30% but still it will be below the median for the countries with similar ratings (60,3%). The banking sector is assessed as liquid and well capitalized.</p> <p>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 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.</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. Euro area unemployment at 6.8 % in March 2022 and EU unemployment at 6.2 % in March 2022. According to the statistics published by Eurostat 13.374 million men and women in the EU, of whom 11.274 million in the euro area (EA), were unemployed in March 2022. Compared with February 2022, the number of persons unemployed decreased by 85 000 in the EU and by 76 000 in the euro area. Compared with February 2021, unemployment decreased by 2,359 million in the EU and by 1,931 million in the euro area.¹²</p> <p>The registered unemployment rate in the country remains at a record low and in March it again reached a record low of 4.8%. The decrease compared to the previous month was by 0.1 percentage points, while on an annual basis there was a decrease of 1.7 percentage points.¹³</p>

¹² https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics

¹³ <https://www.az.government.bg/bg/news/view/2021-g-prikluchi-s-rekordno-nisko-nivo-na-bezrobotica-3772/>

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

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 transactions with other Group companies were eliminated for the purpose of the consolidation.

Key management

During the reporting period, the members of the Board of Directors received gross remuneration at the total amount of 45 thousand BGN, which is in compliance with the approved remuneration policy of the Company.

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.

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
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
08.04.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>We hereby inform you that at its extraordinary session held on 08.04.2022, the General Meeting of Shareholders of Allterco JSCo adopted the following resolutions:</p> <ol style="list-style-type: none">1. The General Meeting of the Shareholders increased the number of the members of the Board of Directors from 3 to 5, where the General Meeting of the Shareholders confirms the current members of the Board of Directors and appoints, in addition, the following new members: Mr. Wolfgang Kirsch and Mr. Gregor Bieler2. The General Meeting of Shareholders approved amendments to the Remuneration Policy3. The General Meeting of Shareholders approved amendments and supplements to the Statute of the Company4. The General Meeting of Shareholders approved the remuneration, the management guarantee and the compensation of the new Board Members5. The General Meeting of the Shareholders approved the terms and conditions for buyback of up to 80,000 own shares until 31 December 2022 at price in the range from BGN 15 to BGN 30 per share. The buyback can be done at once or in part in one or several buyback procedures (until the maximum number of shares is reached) by the Company and/or any of its subsidiaries through an investment intermediary from any shareholder through stock exchange and/or OTC transactions. The Board of Directors is authorized to undertake all other specific parameters of the buyback and to take all necessary legal and factual actions in execution of this resolution of the General Meeting of Shareholders <p>The Company will publish the minutes of the General Meeting within the legally established period.</p> <p>Some of the decisions are subject to entry in the Commercial Register and the Register of Non-Profit Legal Entities.</p> <p>In compliance with the decision of the General Meeting of the Shareholders and the Statute of the Company, the Board of Directors has appointed Mr. Wolfgang Kirsch and Mr. Dimitar Dimitrov as Chief Executive Officers of the Allterco JSCo in a later meeting today.</p> <p>For further information, please visit allterco.com</p>
14.04.2022	<p>The Company has announced to the FSC and to the Public the following information:</p>

	<p>Based on preliminary consolidated data as of the end of the first quarter of 2022, we hereby inform you of the following:</p> <p>Allterco JSCo announces a 26.2% year-on-year increase in consolidated revenue from sales of devices (including related services) to BGN 17.4 million (EUR 8.9 million) in the first quarter of 2022, based on preliminary data. While the revenue from sales of Shelly-branded smart home devices increased by 25.1%, amounting to BGN 16.6 million (EUR 8.5 million), the revenue from sales of MyKi tracking devices decreased by 8.7% to BGN 447 thousand (EUR 229 thousand), showing trend of recovery mainly as a result of the phasing out the anti-pandemic measures taken by the governments of a number of countries where the devices are being sold.</p> <p>Considering the seasonal fluctuations in sales the reported results are in line with the expectations of the management and their planning for 2022 and are based on sales growth of the Company's current main product lines.</p> <p>The Company will officially disclose consolidated financials for Q1 2022 within the statutory deadlines until 30 May 2022.</p> <p>EUR/BGN exchange rate as of 14 April 2022 – EUR 1 = BGN 1.95583</p> <p>For further information, please visit www.allterco.com.</p>
26.04.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Separate Quarterly Financial Report for the first quarter of 2022</p>
29.04.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Consolidated Annual Financial Report for 2021</p>
03.05.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Separate Quarterly Financial Report for the first quarter of 2021, which was republished due to technical issue with the XBRL format of the report – error type “Not Satisfied”</p>
20.05.2022	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Invitation to Annual General Meeting of the Shareholders, that will take place on 27 June 2022 at on 27.06.2022 at 15.00 (Eastern European Time - EEST = UTC+3) or 12:00 (Coordinated Universal Time - UTC) in the city of Sofia, 1 Makedonia (KHCB Building), 2nd floor, Congress Center “Globus”, hall “Europe” with the following agenda:</p> <p>Item 1. Approval of the Annual Report of the Board of Directors on the business activities for the year 2021, as part of the Company's Annual Financial Report 2021 prepared in accordance with Delegated Regulation (EU) 2019/815</p> <p>Item 2. Approval of the Annual Consolidated Report of the Board of Directors on the business activities for the year 2021, as part of the Company's Annual Consolidated Financial Report 2021 prepared in accordance with Delegated Regulation (EU) 2019/815.</p>

	<p>Item 3. Approval of the Audited Annual Financial Report of the company for the year 2021, prepared in accordance with Delegated Regulation (EU) 2019/815 and the Report of the certified auditor.</p> <p>Item 4. Approval of the Audited Annual Consolidated Financial Report of the company for the year 2021, prepared in accordance with Delegated Regulation (EU) 2019/815, and the Report of the certified auditor.</p> <p>Item 5. Adoption of a decision in regard to the allocation of the reported company's profit for 2021.</p> <p>Item 6. Adoption of a decision for distribution and payment of dividend from the retained earnings from the company's activities in 2020.</p> <p>Item 7. Adoption of a decision for the parameters of allocation and payment of dividend to shareholders.</p> <p>Item 8. Adoption of a decision to release from responsibility the members of the Board of Directors for their activities during 2021.</p> <p>Item 9. Approval of the Annual Report on the activities of the IR director of Allterco JSCo for 2021</p> <p>Item 10. Election of a certified auditor for 2022</p> <p>Item 11. Approval of the Report for the implementation of the Remuneration Policy of the members of the Board of Directors of Allterco JSCo for 2021.</p> <p>Item 12. Approval of the Annual Report of the Audit Committee for 2021</p> <p>Item 13. Adoption of a decision for change in the personnel of the Audit Committee and determination of its mandate</p> <p>Item 14. Adoption of a decision for amendment of the remunerations of the members of the Audit Committee.</p>
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9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

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: 30.05.2022

For ALLTERCO JSCo:
Dimitar Dimitrov
CEO