

**REPORT ON BUSINESS ACTIVITIES
of ALLTERCO JSCo**

FOURTH QUARTER OF 2021

consolidated basis



Pursuant to Art. 100o, Para 7 in conjunction with Para 4of the Public Offering of Securities Act and 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 consolidated basis present information about the company, relevant to the end of fourth quarter of 2021 for the period 01.01.2021 – 31.12.2021 (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.

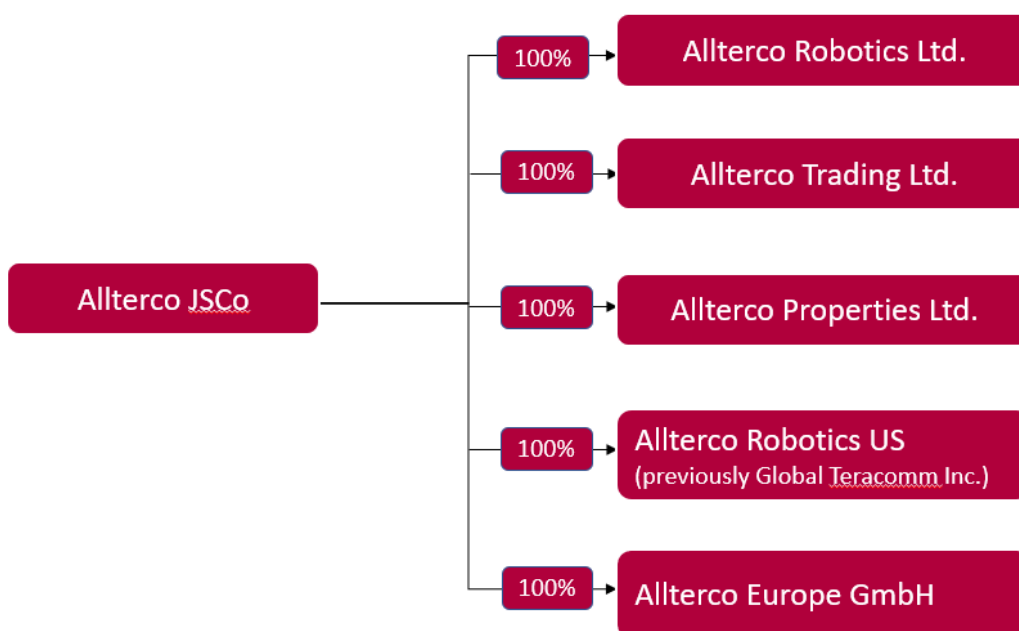
The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 103CherniVrah Blvd. The address for correspondence is the same; Tel: +359 2 957 12 47. The website of the Company is www.allterco.com.

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 2021



During the reporting period Allterco JSCo has participated in the establishment of a company (associated company) in China, Allterco Asia Ltd. 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.

During the reporting period there was change in the economic group of Allterco JSCo:

- On September 27, 2021 the Board of Directors of Allterco JSCo has approved and the Company, as a seller, has signed with Skylight Venture Capital Pte. Ltd., as a buyer, an agreement for the sale of the participations of Allterco JSCo in the subsidiaries ALLTERCO PTE (Singapore), ALLTERCO SDN (Malaysia) and ALLTERCO Co., Ltd. (Thailand) (Share Purchase Agreement (SPA)). The transfer of the share ownership is a subject to registration procedures in accordance with applicable laws in each country where each company is registered as a legal entity.
- Allterco JSCo has founded a subsidiary in Germany – Allterco Europe GmbH. The German company has its seat and registered office in Minich, Germany and capital of EUR 500 000, 100 % held by Allterco JSCo.

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 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 31.12.2021 members of the Board of Directors are:

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

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, 2021 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 an 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 a profit of BGN 15 548 thousand, which is an increase of profit by 12,2 % 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 revenue in the amount of BGN 60 753 thousand , which is an increase of 28.3% compared to the same reporting period of the previous year. The revenue from sale of devices have increased by 52% on annual basis, whereas the revenue from value added services has decreased by 99,4% after the sale of the Asian subsidiaries of Allterco JSCo.

As of the end of 2021 the Company reported positive result from operations with financial instruments, in the amount of BGN 495 thousand, which is a decrease compared to the previous year.

The EBITDA for 2021 is 19 069 thousand BGN, which is 50.1% increase compared to EBITDA for 2020 (12 705 thousand BGN).

REVENUE	2020 BGN thousand	Change %	2021 BGN thousand
Sale of goods and production	39 117	52.0%	59 460
Revenue from services and rents	7 225	-99.4%	43
Other operating revenue	1 013	23.4%	1 250
Total operating revenue	47 355	28.3%	60 753
Profit form operation with financial assets	3446	-85.6%	495
Total financial expenses	3446	-85.6%	495

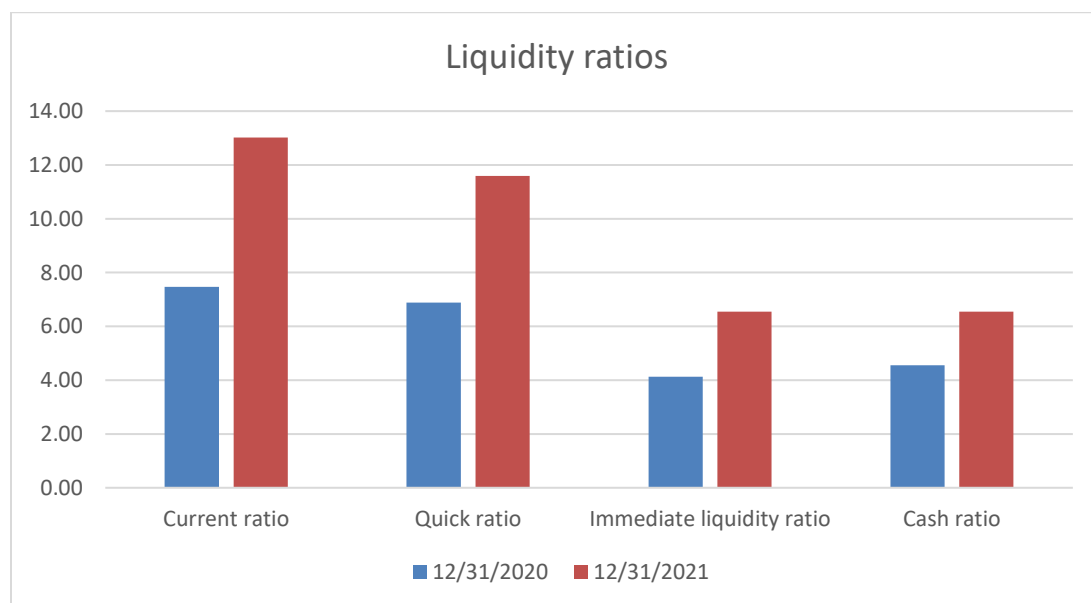
3.2. Operating expenses

As of the end of the reporting period the total operating expenses of ALLTERCO JSCo increased by 55,0 % compared to the same reporting period of the previous year. This increase is mainly due to the increase of expenses for salaries by 54.6%, for external services by 79.7% and due to the written-off expenses for prototypes and and R&D expenses.

The expenses for salaries and social security hold the biggest share in the total operating expenses for the period with 53,5%, followed by the expenses for external services with 17.4% and the written-off expenses for prototypes and development activity with 9.4%.

EXPENSES	2020 BGN thousand	Change %	2021 BGN thousand
Marketing and advertising	542	4.6%	567
Materials	131	0.8%	132
External services	1 377	79.7%	2 475
Depreciation	353	202.3%	1 067
Salaries and social securities	4 910	54.6%	7 590
Other administrative expenses	973	-66.0%	331
Written off receivables	-	-	184
Impairment of receivables	483	-50.7%	238
Written off prototypes and R&D expenses	-	-	1 331
Other operating expenses	382	-29.3%	270
Total operating expenses	9 151	55.0%	14 185

3.3. Financial indicators



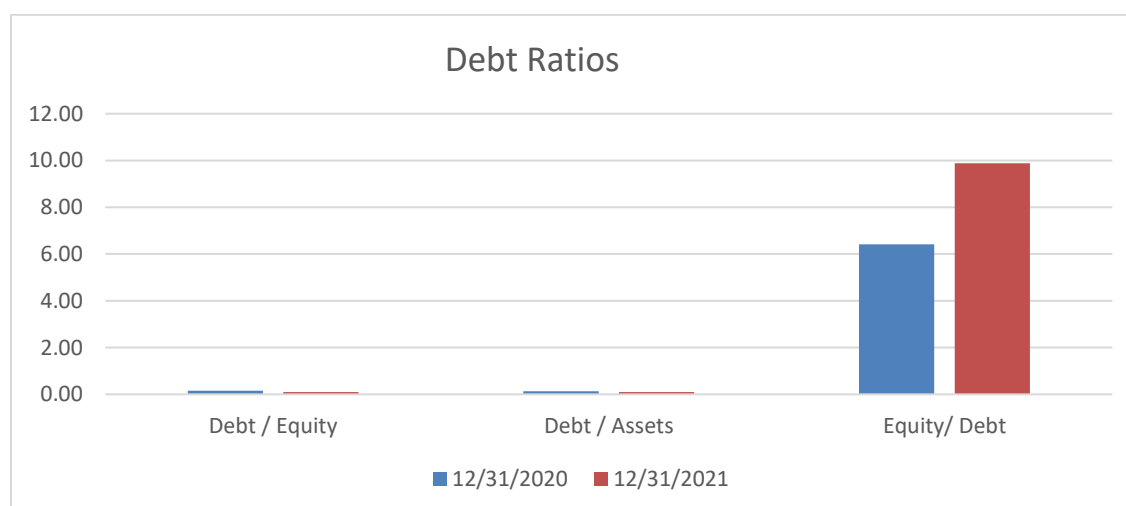
LIQUIDITY RATIOS	31.12.2020	31.12.2021
Current ratio	7.47	13.02
Quick ratio	6.88	11.59
Immediate liquidity ratio	4.13	6.55
Cash ratio	4.55	6.55

The total liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 28.9% compared to the end of 2020, while the current liabilities decreased by 26.1%.

The quick liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 28.9% compared to the end of 2020, and the inventories increased by 81.9%.

The cash ratio at the end of the reporting period increased due to the following: The current liabilities decreased by 29.9% compared to the end of 2020, while the cash increased by 17.2%

The immediate liquidity ratio at the end of the reporting period increased due to the following: the current liabilities decreased by 13,8% compared to the end of 2020, while cash increased by 17.2 and the short-term financial assets were sold during the period.



DEBT RATIOS	31.12.2020	31.12.2021
Debt / Equity	0.16	0.10
Debt / Assets	0.13	0.09
Equity / Debt	6.42	9.88

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 23.6% compared to the end of 2020, and equity increased by 17.7%.

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 12.1% compared to the end of 2020, while the Company's total liabilities decreased by 23.6%.

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 23.6% compared to the end of 2020, and the equity has increased by 17.7%.


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

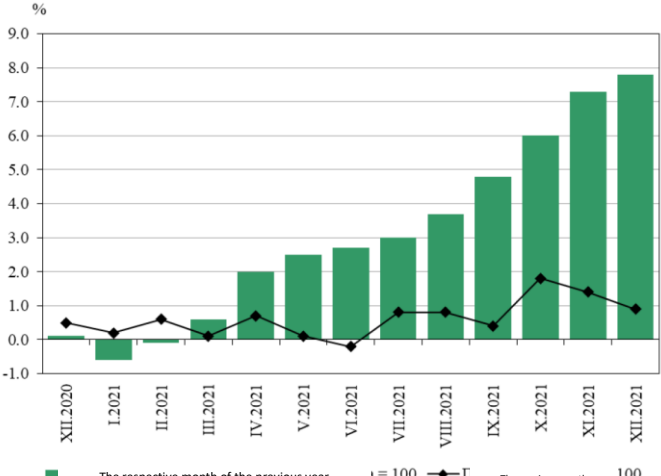
Systemic risks are related to the market and the macro environment in which the Company operates, which is why they cannot be managed and controlled by the Company's management team. Systemic risks are: political risk, macroeconomic risk, inflation risk, currency risk, interest rate risk, tax risk and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

Type of risk	Description
POLITICAL RISK	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

	<p>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 recognised the independence of the two 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 as 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>
<p>GENERAL MACROECONOMIC RISK</p>	<p>According to the National Statistical Institute, in December 2021 the <i>total business climate indicator</i> increased by 2.6 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>.</p> <div style="text-align: center;"> <p>Business climate - total</p>  </div> <p style="text-align: right;">Source: NSI¹</p> <p>Compared with the previous projections, the growth outlook for the global economy in the December 2021 Eurosystem staff macroeconomic projections has been revised downwards for 2021, remained unchanged for 2022 and been revised upwards for 2023. Global real GDP growth (excluding the euro area) is estimated to increase to 6.0% in 2021, before slowing to 4.5% in 2022, 3.9% in 2023 and 3.7% in 2024. Euro area foreign demand is projected to expand by 8.9% in 2021, 4.0% in 2022, 4.3% in 2023 and 3.9% in 2024. However, foreign demand has been revised downwards for 2021 and 2022 compared with the previous projections²</p>

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

<p>INTEREST RATE RISK</p>	<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>At its meeting in October, 2021, the Board of Directors of the ECB, confirmed its other measures to support the ECB’s price stability mandate, namely the level of the key ECB interest rates and the forward guidance on the future path of policy rates. This is crucial for maintaining the appropriate degree of accommodation to stabilise inflation at the ECB’s 2% inflation target over the medium term..³</p> <table border="1" data-bbox="841 415 1169 877"> <thead> <tr> <th>Дата</th> <th>Процент</th> </tr> </thead> <tbody> <tr><td>01.12.2021</td><td>0.00</td></tr> <tr><td>01.11.2021</td><td>0.00</td></tr> <tr><td>01.10.2021</td><td>0.00</td></tr> <tr><td>01.09.2021</td><td>0.00</td></tr> <tr><td>01.08.2021</td><td>0.00</td></tr> <tr><td>01.07.2021</td><td>0.00</td></tr> <tr><td>01.06.2021</td><td>0.00</td></tr> <tr><td>01.05.2021</td><td>0.00</td></tr> <tr><td>01.04.2021</td><td>0.00</td></tr> <tr><td>01.03.2021</td><td>0.00</td></tr> <tr><td>01.02.2021</td><td>0.00</td></tr> <tr><td>01.01.2021</td><td>0.00</td></tr> </tbody> </table> <p>*Source: BNB⁴</p>	Дата	Процент	01.12.2021	0.00	01.11.2021	0.00	01.10.2021	0.00	01.09.2021	0.00	01.08.2021	0.00	01.07.2021	0.00	01.06.2021	0.00	01.05.2021	0.00	01.04.2021	0.00	01.03.2021	0.00	01.02.2021	0.00	01.01.2021	0.00																
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<p>INFLATION RISK</p>	<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 December 2021 compared to November 2021 is 100.9%, i.e., monthly inflation is 0.9%. The annual inflation for December 2021 compared to December 2020 is 7.8%. The average annual Inflation for the period January – December 2021 compared to the period January – December 2020 is 3.3%.⁵</p>  <table border="1" data-bbox="625 1323 1282 1795"> <caption>Monthly Inflation Rates (Estimated from Chart)</caption> <thead> <tr> <th>Month</th> <th>Annual Inflation (%)</th> <th>Monthly Inflation (%)</th> </tr> </thead> <tbody> <tr><td>XII.2020</td><td>0.0</td><td>0.5</td></tr> <tr><td>I.2021</td><td>-0.5</td><td>0.2</td></tr> <tr><td>II.2021</td><td>0.0</td><td>0.6</td></tr> <tr><td>III.2021</td><td>0.5</td><td>0.1</td></tr> <tr><td>IV.2021</td><td>2.0</td><td>0.7</td></tr> <tr><td>V.2021</td><td>2.5</td><td>0.2</td></tr> <tr><td>VI.2021</td><td>2.8</td><td>-0.2</td></tr> <tr><td>VII.2021</td><td>3.0</td><td>0.8</td></tr> <tr><td>VIII.2021</td><td>3.8</td><td>0.8</td></tr> <tr><td>IX.2021</td><td>4.8</td><td>0.4</td></tr> <tr><td>X.2021</td><td>6.0</td><td>1.8</td></tr> <tr><td>XI.2021</td><td>7.3</td><td>1.4</td></tr> <tr><td>XII.2021</td><td>7.8</td><td>0.9</td></tr> </tbody> </table> <p>*Source: NSI</p>	Month	Annual Inflation (%)	Monthly Inflation (%)	XII.2020	0.0	0.5	I.2021	-0.5	0.2	II.2021	0.0	0.6	III.2021	0.5	0.1	IV.2021	2.0	0.7	V.2021	2.5	0.2	VI.2021	2.8	-0.2	VII.2021	3.0	0.8	VIII.2021	3.8	0.8	IX.2021	4.8	0.4	X.2021	6.0	1.8	XI.2021	7.3	1.4	XII.2021	7.8	0.9
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³ https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202108_bg.pdf

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

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

	<p>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.</p> <p>According to the NSI the harmonized index of consumer price index for December 2021 compared to November 2021 is 100.8%, i.e., monthly inflation is 0.8%. The annual inflation for December 2021 compared to December 2020 is 6.6%. The average annual Inflation for the period January - December 2021 compared to the period January – December 2020 is 2.8%. In November 2021 the inflation keeps increasing to 4.9 %. During most of 2022 it will stay above 2% whereas in the near future the inflation is expected to stay high, but to decrease in the course of the present year. ⁶</p> <p>The December 2021 Eurosystem staff macroeconomic projections foresee annual inflation at 2.6% in 2021, 3.2% in 2022, 1.8% in 2023 and 1.8% in 2024 – significantly higher than in the previous projections in September. Inflation excluding food and energy is projected to average 1.4% in 2021, 1.9% in 2022, 1.7% in 2023 and 1.8% in 2024, also higher than in the September projections.⁷</p>
CURRENCY RISK	<p>Exposure to currency risk is the dependence and effects of changes in exchange rates. Systemic currency risk is the probability of a possible change in the currency regime of the country (currency board), which would lead either to BGN devaluation or to BGN appreciation compared to foreign currencies.</p> <p>Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than BGN and EUR. Since, according to the current legislation in the country the Bulgarian lev is fixed to the euro in the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian leva in circulation equal to the bank’s foreign exchange reserves, the risk of devaluation of the BGN compared to the European currency is minimal and consists in the eventual early abolition of the currency board in the country. At this stage, this seems unlikely, as the currency board is expected to be abolished upon the adoption of the EUR in Bulgaria as an official unit of payment.</p> <p>Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country must maintain the exchange rate compared to the EUR within +/- 15% on the background of the central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly less than the allowed ones of ± 15%.</p> <p>On July 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</p>

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

⁷ https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202108_bg.pdf

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

	<p>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 consolidated 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 1073 1421 1226"> <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> <p>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.</p> <p>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.</p> <p>S&P forecasts the fiscal deficit to remain significant in 2021, too, as a result of the support measures during the pandemic. Although some measures are projected to continue into 2022, the credit rating agency expects the deficits to start narrowing from 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</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										

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

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

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 imbalances.

The credit rating agency could raise the ratings if Bulgaria's economic recovery coincides with quicker fiscal consolidation or stronger external performance than it currently projects. In the long term, the ratings on Bulgaria could be raised in the course of its accession to the eurozone. The ratings could be lowered if the economic recovery is delayed, for example, because the pandemic's direct effects prove more long-lasting than currently expected. This would likely result in protracted fiscal consolidation and continuously rising net public debt over the next few years. Although unlikely over the medium term, S&P could take negative rating actions in case of emergence of imbalances in Bulgaria's financial sector.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 unfavourable 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

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

	<p>unlikely to put in place more severe containment measures that would significantly affect economic activity in the country.</p> <p>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.</p> <p>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 capitalised.</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 materialisation 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.</p> <p>According to the statistics published by Eurostat 13.984 million men and women in the EU, of whom 11.829 million in the euro area, were unemployed in November 2021. Compared with October 2021, the number of persons unemployed decreased by 247 000 in the EU and by 222 000 in the euro area. Compared with November 2020, unemployment decreased by 1.659 million in the EU and by 1.411 million in the euro area.¹² The level of registered unemployment in the country continued to be low in December – 4.8%, as shows the administrative statistics of the Employment Agency for the month. The decline on an annual basis is by 1.9 percentage points. The registered persons unemployed in the last month of 2021 were 157 283, which is 964 less than in November and 63 009 or 28.6% less than a year earlier. In December, 21 505 new unemployed persons registered with the labor offices, which is 3 145 people less than in the previous month, and compared to December 2020 there was a decrease of 11 102 people.¹³</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>

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

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

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.
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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.

Transactions in the ordinary course of business with subsidiaries are eliminated for consolidation purposes.

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

6.1. In connection with the sale of five subsidiaries to Link Mobility Group AS, the buyer did not fulfil its obligation to pay the remaining 20% of the price (BGN 3 053 thousand), which was due in August 2021 and as of the date of this report has not been paid (see also Note 5.2 from the financial report as of December 31, 2021). The management of Allterco JSCo took the necessary measures for collection of the due amount in accordance with the procedure agreed under the Share Purchase Agreement, which is to file a law suit before the Vienna International Arbitral Center.

6.2. The Company has new significant receivable that arose in relation to the sale of 3 daughter companies. On September 29, 2021 the Board of Directors of Allterco JSCo has approved and the Company has signed an agreement with Skylight Venture Capital Pte. Ltd., as a buyer, for the sale of the participations of Allterco JSCo in the subsidiaries ALLTERCO PTE (Singapore), ALLTERCO SDN (Malaysia) and ALLTERCO Co., Ltd. (Thailand) (Share Purchase Agreement (SPA) at the following terms:

- Purchase price: EUR 2 100 000
- Payment terms:
 - i. 50% - at completion date after fulfilment of the seller's obligations;
 - ii. 25% - within 18 months after the completion date;
 - iii. 25% - within 36 months after the completion date.
- Collateral: first priority pledge of the shares of the capital of ALLTERCO PTE (Singapore) and ALLTERCO SND (Malaysia) in favor of ALLTERCO JSCo to secure the obligation of Skylight Venture Capital Pte. Ltd. for the differed payment of 50 % of the purchase price;

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
30.12.2021	184925	4 277 266,800	25,400	19,700	24,800	24,800
30.11.2021	227350	5 662 099,900	28,800	19,700	19,700	25,200
29.10.2021	130242	2 481 955,300	20,600	17,200	20,600	19,700
30.09.2021	96202	1 786 979,700	20,800	17,100	17,400	20,600
31.08.2021	51497	900 197,700	17,900	16,900	17,700	17,400
30.07.2021	32713	578 825,400	18,400	16,600	17,100	17,700
30.06.2021	87283	1 476 797,500	17,900	15,800	15,900	17,100
31.05.2021	68960	1 026 272,200	16,000	13,700	14,400	15,900
29.04.2021	177039	2 312 406,600	14,900	11,000	11,100	14,400
31.03.2021	150097	1 477 504,850	11,100	9,000	9,200	10,900
26.02.2021	131599	1 190 116,700	9,450	8,750	8,850	9,200
29.01.2021	1040688	7 017 515,900	9,250	6,500	6,850	8,700

Source: Investor.bg

Information on the trading in the shares of Allterco JSCo during the reporting period on the Frankfurt Stock Exchange is available at <https://www.boerse-frankfurt.de/equity/allterco-j스코/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
11.01.2022	<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 fourth quarter of 2021, we hereby inform you of the following:</p> <p>Preliminary data as of the end of the fourth quarter of 2021 on consolidated basis show 51% year-on-year increase in consolidated revenue from sales of devices (including related services) to BGN 59.5 million (EUR 30.4 million). While the revenue from sales of Shelly-branded smart home devices increased by 62%, amounting to BGN 55.9 million (EUR 28.6 million), the revenue from sales of MyKi tracking devices decreased by 21% mainly as a result of the pandemic measures taken by the governments of a number of countries where the devices are being sold and the associated reduced mobility.</p> <p>The Company will officially disclose consolidated financials for Q4 2021 within the statutory deadlines until 1 March 2022..</p>
20.01.2022	<p>Allterco JSCo was awarded by the Bulgarian Stock Exchange (BSE) as the "Issuer with the most significant contribution to the development of the capital market in 2021".</p>
31.01.2022	<p>The Company has announced to the FSC and to the Public financial report for the fourth quarter of 2021 on individual basis</p>
25.02.2022	<p>Allterco JSCo has published an invitation for convocation of an Extraordinary General Meeting of the Shareholders which shall take place on 08.04.2022 at 11 a.m. at 1304 Sofia, 1 Makedonia (KHCB Building), 2nd floor, Congress Center "Globus", hall "Europe" with the following agenda:</p> <ol style="list-style-type: none"> 1. Adoption of decision on changes in the number and members of the Board of Directors. 2. Adoption of decision on amendments in the Remuneration Policy 3. Adoption of decision on the remuneration, the compensations and the management guarantees of the newly elected members of the Board of Directors 4. Adoption of amendments and supplements to the Statute of the Company 5. Adoption of decision on repurchasing of shares (buyback)

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

Listing of Allterco's shares on the Frankfurt Stock Exchange

On the basis of the exemption from the obligation to publish a prospectus under Article 1, paragraph 5, point(j) of REGULATION (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "Prospectus Regulation"). Allterco JSCo has published an Exemption Document for the purposes of admission to trading on a regulated market - the Frankfurt Stock Exchange - of 17 999 999 ordinary registered shares of Allterco JSCo ISIN BG1100003166.

The document is prepared in Bulgarian, English and German language and is available on the website of Allterco JSCo on the following address:

- In Bulgarian at <https://allterco.com/за-инвеститорите/публично-предлагане/2021-година/>
- In English and German at <https://allterco.com/en/for-investors/public-offering/year-2021/>

The admission to trading on the Frankfurt Stock Exchange is subject to an administrative procedure.

Based on the said legal exemption on 19.11.2021 the shares of Allterco JSCo were admitted to trading on the Frankfurt Stock Exchange, Prime Standard with first date of trading 22.11.2021 and WKN A2DGX9, ISIN BG1100003166, ticker A4L.

As of 22.11.2021 Allterco's shares are being traded on two regulated markets – Bulgarian Stock Exchange and Frankfurt Stock Exchange.

Measures related to COVID 19

The management of Allterco continues successfully to apply a number of stabilization measures by which to limit the possible negative impact of the situation on the personnel and the financial state of the Company. As a result of those measures (introduction of hybrid ways of work for the employees within the Group, timely resource provision with key components for production) during the reported period there are no signs for worsening of Group's financial position and the Company anticipates this trend to be kept for 2022.

During the reporting period Allterco JSCo has increased its share capital through a public offering of new shares, which in addition will improve the financial stability of the Group.

Date: 01.03.2022

For ALLTERCO JSCo:

Dimitar Dimitrov
CEO