

**INTERIM REPORT ON BUSINESS ACTIVITIES
of ALLTERCO JSCo**

01.01.2021 – 30.06.2021

consolidated basis



Pursuant to Art.100o, Para 1 in conjunction with Para 4, Item 2 of the Public Offering of Securities Act and Art. 33, para. 1, item 2 in relation to Art. 33a of Ordinance No. 2 dated 17.09.2003 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 Notification of the Financial Position of Allterco JSCo on an consolidated basis present information about the company, relevant to the first quarter of 2021 for the period 01.01.2021 – 30.06.2021 (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 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.

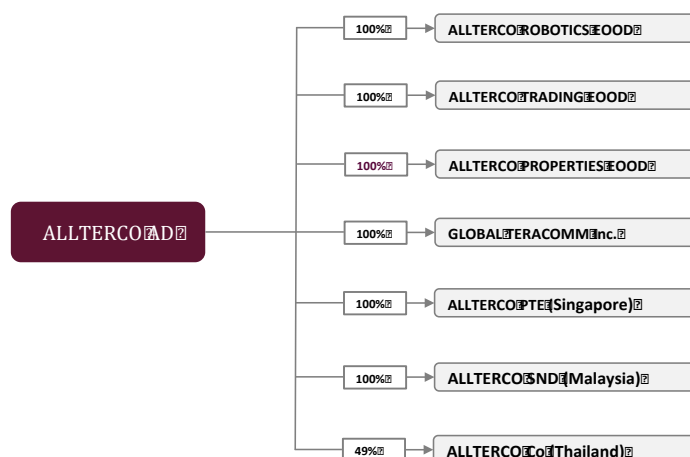
The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 103CherniVrah Blvd. The address for correspondence is the same; tel: +359 2 957 12 47. The website of the Company is www.allterco.com.

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 there was no change in the economic group of Allterco JSCo.

Allterco JSCo has established a subsidiary (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 the possibility to acquire additional up to 50% and reach a controlling stake of up to 80% at the discretion of the holding in case of good development of the project.

As a result of strategic deals, corporate changes and decisions in 2019, 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 composition of the Board of Directors of the company.

As of 30.06.2021 the Board of Directors is as follows:

- 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), is divided into 17 999 999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) dematerialised ordinary registered voting shares, with a par value of 1 (one) BGN each share.

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);
- A combination of non-monetary and cash contributions amounting to BGN 8,012,000 (eight million and twelve thousand).
- Cash contributions of a total value of BGN 1,500,000 (one million and five hundred thousand) compared to 1,500,000 (one million and five hundred thousand) subscribed and paid. dematerialised ordinary registered voting shares with a par value of BGN 1 as a result of a procedure for Initial Public Offering of a new issue of shares.
- Cash contributions in total amount of 2,999,999 (two million nine hundred ninety-nine thousand nine hundred ninety-nine) against 2,999,999 subscribed and paid. (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine) dematerialized ordinary registered voting shares with a nominal value of BGN 1 each as a result of a procedure for Initial 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 June 30, 2021 the capital structure of ALLTERCO JSCo is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
SvetlinTodorov	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 accordance 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 full 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. DEVELOPMENT OF THE ACTIVITY DURING THE REPORTING PERIOD AND FINANCIAL POSITION

3.1. Operating income

As of the end of the reporting period ALLTERCO JSCo reported on consolidated basis a profit of BGN 6 999 thousand, which is an increase of 144,89 % compared to the same reporting period of the previous year.

As of the end of the reporting period ALLTERCO JSCo does reported on consolidated basis revenues from sale of goods and services BGN 28 368 thousand, which is an increase of 52,64% compared to the same period of the previous year. The revenues from sale of goods (smart devices) increased by 82,98% compared to the same period of the previous year, while the revenues from sale of telecommunication services decreased by 41,24%.

REVENUE	6 months 2020 thousand BGN	%	6 months 2021 thousand BGN
A. Operating revenue			
I. Revenue from sale of:			
1. Production	619	-82.55%	108
2. Goods	14 243	82.98%	26 062
3. Services	3 674	-41.24%	2 159
4. Other	49	-20.41%	39
Total for Group I	18 585	52.64%	28 368
II. Income from Financing including government financing	0 0	0% 0%	0 0
Total for Group II	0	0%	0
III. Financial income			
1. Interest income	1	-100%	
2. Dividend income	0	0%	0
3. Gains from operations with financial instruments	0	0%	0
4. Gains from foreign exchange rate differences	52	692.31%	412
5. Other	0	0%	0
Total for Group III:	53	677.36%	412
B. Total Operating Income	18 638	54.42%	28 780

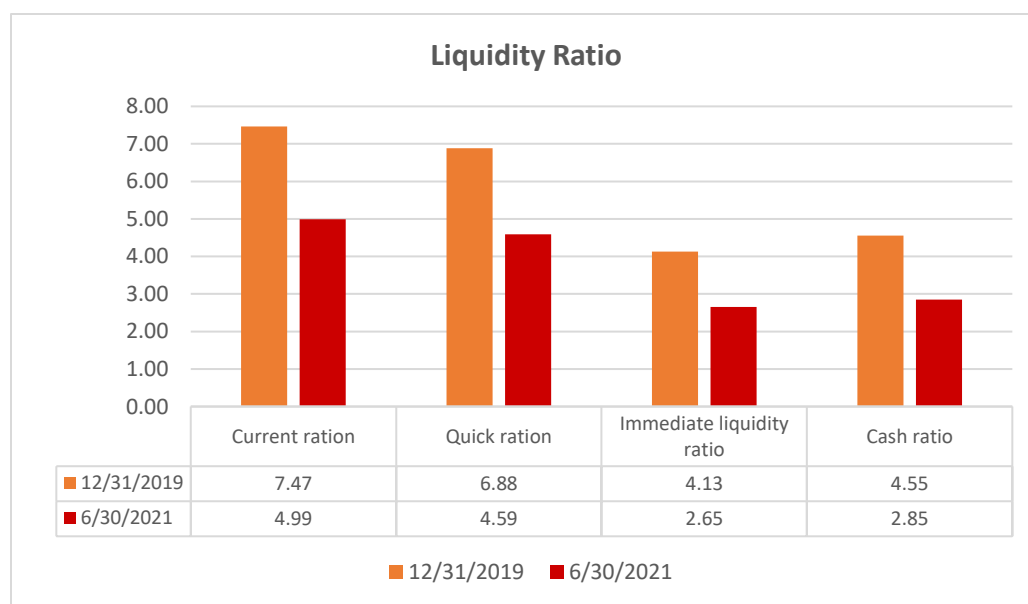
3.2. Operating expenses

At the end of the reporting period the expenses by economic elements of ALLTERCO JSCo increased by 36,83% compared to the same reporting period of the previous year. The biggest share of the operating expenses represent the book value of the sold goods with 57,84%, followed by the expenses for external services with 20,85 % and the expenses for remunerations and social securities with 17,17 %.

В ХИЛ. ЛВ.			
EXPENSES	6 months 2020 thousand BGN	%	6 months 2021 thousand BGN
A. Operating expenses			
I. Expenses by economic elements			
1. Materials	297	-55.22%	133
2. External services	5 207	-17.13%	4 315
3. Depreciation and amortization	547	0.00%	547
4. Remuneration	2 331	39.81%	3 259
5. Social security	264	11.36%	294
6. Cost of good sold (excluding production)	6 151	95%	11 968
7. Change in production and work-in- process inventories		0%	
8. Other, including:	325	-46.15%	175
impairment of assets	3	300.00%	12
provisions		0%	
Total for Group I:	15 122	36.83%	20 691

3.3. Financial indicators on consolidated base

Liquidity ratios



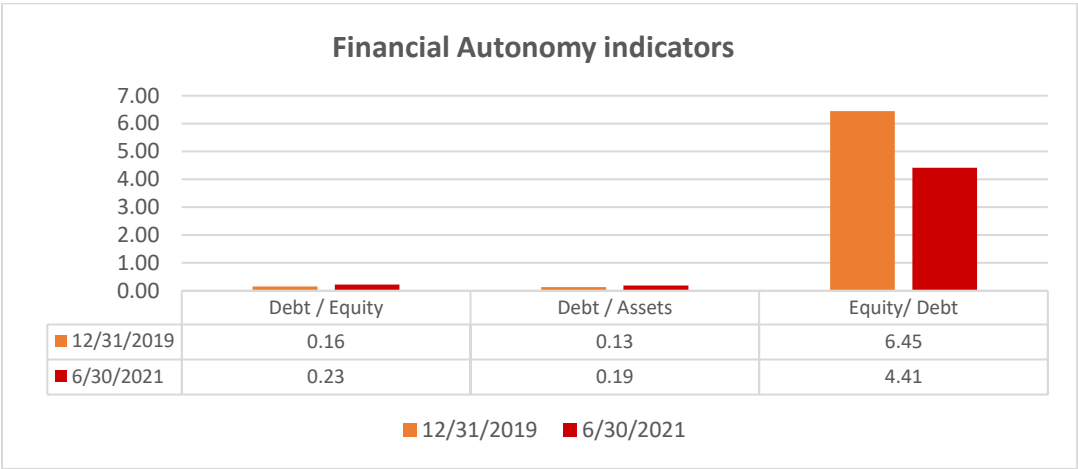
The total liquidity ratio at the end of the reporting period decreased due to the following: the current assets increased by 17,25% compared to the end of 2020, while the current liabilities increased by 75,30% which is due to the dividend in the amount of BNG 3 600 thousand, that was voted by the shareholders at the General Meeting of the Shareholders at the end of June 2021.

The quick liquidity ratio at the end of the reporting period decreased due to the following: the current assets increased by 17,25% compared to the end of 2020, while the current liabilities increased by 75,30%. The inventories also increased by 22,43%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: the current liabilities increased by 75,30%, compared to the end of 2020, while cash has increased by 12,48%..

The immediate liquidity ratio at the end of the reporting period decreased due to the following: The current assets increased by 75,30%, compared to the end of 2020, while the cash decreased by 12,48%, while the financial assets decreased by 15,93%.

Financial autonomy ratio



The change in the debt ratio at the end of the reporting period is due to the following: the Company’s liabilities increased by 50,68 % compared to the end of 2020, which is due to the newly occurred liabilities for payment of dividend and equity decreased by 3,11 %.

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 9,32% compared to the end of 2020, while the Company’s liabilities increased by 50,68%.


The change in the financial autonomy ratio at the end of the reporting period is due to the following: the liabilities of the Company increased by 50,68 % compared to the end of 2020, and the equity has increased by 3,11 %.

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. On June 11, 2021, the country held 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>
GENERAL MACROECONOMIC RISK	<p>According to the National Statistical Institute, in June 2021 the <i>total business climate indicator</i> increased by 4.0 percentage points compared to the previous month which increased is observed in the sectors of the industry and construction.</p> <p>.</p> <div style="text-align: center;"> <p>Business climate - total</p>  <p>Source: NSI</p> </div>

	<p>The June 2021 Eurosystem staff macroeconomic projections suggest that global economic activity continued to recover at the turn of the year despite the intensification of the pandemic, with emerging market economies becoming the epicentre of new infections globally. Economic activity is expected to accelerate in the second half of this year as further containment measures are lifted. The baseline scenario of the June 2021 Eurosystem staff macroeconomic projections for the euro area foresee annual real GDP growth at 4.6% in 2021, 4.7% in 2022 and 2.1% in 2023. Compared with the March 2021 ECB staff macroeconomic projections, the outlook for economic activity has been revised up for 2021 and 2022, while it is unchanged for 2023.¹</p>																
<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 June, 2021, the Board of Directors of the ECB, decided to leave unchanged the ECB's key interest rates. They are expected to remain at their present or lower levels until the inflation outlook robustly converges to a level sufficiently close to, but below, 2% within the projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.²</p> <table border="1" data-bbox="727 804 1179 1255"> <thead> <tr> <th data-bbox="727 804 1019 856">Date</th> <th data-bbox="1019 804 1179 856">%</th> </tr> </thead> <tbody> <tr> <td data-bbox="727 856 1019 909">01.07.2021</td> <td data-bbox="1019 856 1179 909">0.00</td> </tr> <tr> <td data-bbox="727 909 1019 961">01.06.2021</td> <td data-bbox="1019 909 1179 961">0.00</td> </tr> <tr> <td data-bbox="727 961 1019 1014">01.05.2021</td> <td data-bbox="1019 961 1179 1014">0.00</td> </tr> <tr> <td data-bbox="727 1014 1019 1066">01.04.2021</td> <td data-bbox="1019 1014 1179 1066">0.00</td> </tr> <tr> <td data-bbox="727 1066 1019 1119">01.03.2021</td> <td data-bbox="1019 1066 1179 1119">0.00</td> </tr> <tr> <td data-bbox="727 1119 1019 1171">01.02.2021</td> <td data-bbox="1019 1119 1179 1171">0.00</td> </tr> <tr> <td data-bbox="727 1171 1019 1255">01.01.2021</td> <td data-bbox="1019 1171 1179 1255">0.00</td> </tr> </tbody> </table> <p data-bbox="873 1297 1036 1329">*Source:BNB³</p>	Date	%	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>The consumer price index for June 2021 compared to May 2021 is 99.8%, i.e. monthly inflation is minus 0.2%. The inflation from the beginning of the year (June 2021 compared to December 2020) is 1,5% and the annual inflation for June 2021 compared to June 2020 is 2,7%. The average annual inflation for the period July 2020 – June 2021 compared to the period July 2019 – June 2020 is 1,0%⁴</p>																

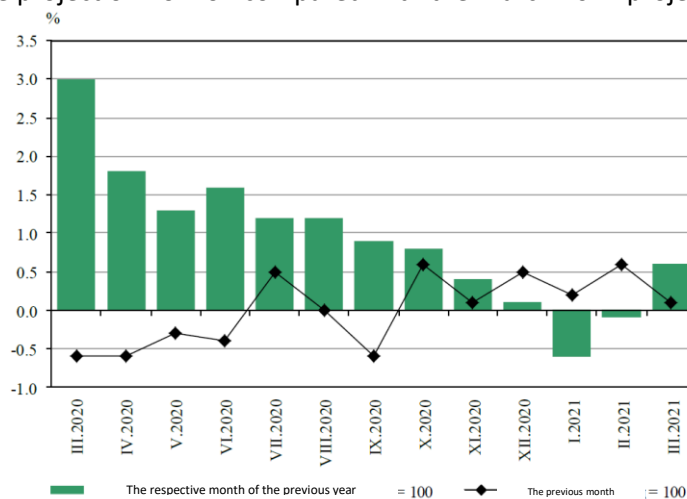
¹<https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202104.en.html>

² <https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202104.en.html>

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

⁴https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2021-06_V4R6BB3.pdf

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 Eurostat's flash release, euro area annual inflation increased from 1.3% in March to 1.6% in April and 2.0% in May 2021. According to Eurostat's flash release, euro area annual inflation increased from 1.3% in March to 1.6% in April and 2.0% in May 2021. ECB foresees HICP inflation excluding energy and food is projected to increase from 1.1% in 2021 to 1.3% in 2022 and 1.4% in 2023, revised up throughout the projection horizon compared with the March 2021 projection exercise.⁵



*Source: NSI

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 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.

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%.

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

⁵ https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202102_bg.pdf

	<p>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.⁶ 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 unfavourable 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>Additionally, the Group companies are exposed to currency risk in relation to the Asian telecommunications business (income and expenses in this business are in Singapore dollars, Thai baht and Malaysian ringgit).</p> <p>To limit the effects of the currency risk, the Issuer has introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for daily monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Issuer does 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 1409 1395 1575"> <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>01.06.2021⁷</td> <td>BBB</td> <td>Stable</td> </tr> <tr> <td>Moody's</td> <td>09.10.2020⁸</td> <td>Baa2</td> <td>Positive</td> </tr> <tr> <td>Fitch</td> <td>27.07.2021⁹</td> <td>BBB</td> <td>Stable</td> </tr> </tbody> </table> <p>Source: Ministry of Finance</p> <p>On 1 June, 2021 the international S&P Global Ratings agency affirmed its 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook remains stable.</p>	Credit agency	Date of last change	Long-term rating	Prospects	Standard & Poor's	01.06.2021 ⁷	BBB	Stable	Moody's	09.10.2020 ⁸	Baa2	Positive	Fitch	27.07.2021 ⁹	BBB	Stable
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⁶ <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html>

⁷ <https://www.minfin.bg/bg/news/11191>

⁸ <https://www.minfin.bg/bg/news/11147>

⁹ <https://www.minfin.bg/en/news/11430>

	<p>According to the agency Bulgaria's economic contraction has been relatively mild so far, mostly due to resilient domestic demand. Over the medium term through 2024, high fund inflows from the previous and current EU Multiannual Financing Frameworks as well as additional funds from the NGEU instrument will provide a solid backdrop for Bulgaria's economic growth.</p> <p>Although the results of the recent elections highlight political fragmentation and confrontational decision-making, the rating agency do not believe that these developments will delay the most important political undertakings, such as progress on eurozone accession, or EU funds absorption.</p> <p>Even against this challenging domestic political environment and in the course of the pandemic, Bulgaria has retained a solid fiscal position. Starting in 2022, S&P Global Ratings expects that consolidation will narrow deficits further, keeping government debt, net of liquid assets, at a low 20% of GDP over the next years. External risks also appear manageable after several years of external net deleveraging, thanks to recurring current and capital account surpluses, which the rating agency expects to continue.</p> <p>On June 27, 2021, Fitch Ratings has affirmed Bulgaria's long-term foreign and local currency Issuer Default Ratings (IDR) at "BBB" with a Positive Outlook.</p> <p>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.</p> <p>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.</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.¹⁰</p>
Unemployment risk	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.

¹⁰ <https://www.minfin.bg/en/news/11430>

	<p>According to the statistics published by Eurostat in June 2021, the euro area seasonally-adjusted unemployment rate was 7.9%, down from 8.1% in April 2021 and up from 7.5% in May 2020. The EU unemployment rate was 7.3% in May 2021, down from 7.4% in April 2021 and up from 6.9% in May 2020. The registered unemployment rate in the country continued to decline and reached 5.2% in June , according to administrative data from the Employment Agency. Thus, during the month, the historically lowest value of the registered unemployment ever reported by the institution is repeated. The decrease compared to the previous month is by 0.5% and the decrease on an annual basis is by 3.1 percentage points - from 8.3% in June 2020 to 5.2% in June 2021.¹¹</p> <p>According to the preliminary flash data release, employment declined by 0.3% quarter on quarter in the first quarter of 2021, following an increase of 0.3% in the fourth quarter of 2020. The unemployment rate in that quarter consequently increased to 8.2% from 8.0% in the previous quarter. Employment in the first quarter of 2021 was 2.2% below the level recorded in the fourth quarter of 2019 prior to the outbreak of the pandemic. Meanwhile, the unemployment rate declined to 8.0% in April 2021 from a level of 8.1% in the previous month and below the pandemic crisis peak of 8.7% recorded in August 2020. Nevertheless, the unemployment rate exceeds the pre-pandemic level of 7.3% recorded in February 2020.¹²</p>
Risk associated with the legal system	<p>Although Bulgaria has introduced a number of significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic and it is difficult to effectively resolve property disputes, breaches of laws and contracts and other. Deficiencies in the legal infrastructure can result in uncertainties arising from the implementation of corporate actions, the implementation of supervision and other issues.</p>
TAX RISK	<p>It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, as a result of which a contradictory tax practice may arise.</p>

¹¹ <https://www.az.government.bg/bg/news/view/prez-uni-registriranata-bezrobotica-otnovo-dostigna-svoja-istoricheski-minimum-3659/>

¹² <https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202104.en.html>

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 or the maintenance of established ones. On the other hand, low competition in this sector raises the cost of labour. Thus, the financial position and market share of the Issuer would suffer.

Risk of strong competition

After the sale of most of the telecommunications 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 Issuer and its local partners regularly monitor planned changes in the legislation and take timely measures to ensure the compliance of products with them.

The telecommunications sector, in which some of the companies in the Group operate, is directly related and depends on the telecommunications services sector, which is characterized by strong regulation at the level of the respective country where the service is provided, as well as frequent change of these regulations. Very often these regulations lead to a ban on the provision of certain types of services, which has a negative impact on the development of the industry and the results achieved by the companies operating therein. Specific regulation in the different jurisdictions in which the Issuer's companies operate is exercised by a local regulator, equivalent to the Bulgarian Communications Regulation Commission.

In consideration of the sale of the telecommunications companies of Allterco JSCo in Europe and the relatively small share of this business in Asia, the impact of the changes in the regulations in the telecommunications business is decreasing. Following the implementation of the planned sale of the Asian telecommunications business by the Issuer, the impact of this risk factor is expected to be minimal.

Regarding the IoT business of the Issuer's companies, the impact of the changes in the regulation of the telecommunication services is also limited. 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, risk associated with the decision of the Board of Directors to sell the Group's telecommunications business in Asia, 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.

The business activity of the Group is also related to the business of mobile operators. The services in the telecommunications segment and some of the products of the Group companies in the IoT segment are offered through mobile operators, as the share of this sales channel is gradually decreasing. The possible loss of a partnership with a certain mobile operator and the consolidation processes in the mobile operator sector may lead to negative consequences for the revenues and financial position of the Group. Following the sale of the telecommunications business and the diversification of sales channels in the IoT segment, this risk is becoming less significant.

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.

Risk related to the decision of the Board of Directors to sell the Group's telecommunications business in Asia

In December 2019, the Board of Directors took a strategic decision to sell the Issuer's stake in the capital of the following companies: 100% of the capital of Allterco Pte Ltd. (Singapore), 100% of the capital of Allterco SDN Bhd. (Malaysia) and 49% of the capital of Allterco Co. Ltd. (Thailand). Currently there is one indicative offer received and negotiations with a potential buyer are ongoing.

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.

A part 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.

The Company has not entered into transactions with subsidiaries that are outside its regular business or significantly deviate from the market conditions. Transactions in the ordinary course of business with subsidiaries have been 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

The Company has no new significant receivables during the reporting quarter

The Company has newly occurred essential liabilities during the reporting period.

After the end of the reporting period the following liabilities have occurred for the Company:

- Allterco JSCo undertook to provide to the associated company Allterco Asia Ltd. a loan in the amount of upto EUR 250 000 under Loan Agreement that was signed between these companies. Currently there is no utilization of amounts under the Loan Agreement.

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

Historical data on trade

Date	Volume	Turnover	Highest value	Lowest value	Opening value	Closing value
30.06.2021	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

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
07.07.2021	<p>The Company has announced to the FSC and to the Public the following information:</p> <p>Based on preliminary consolidated data at the end of the second quarter of 2021, we hereby inform you of the following: Preliminary data as of June 30, 2021 show significant increase in revenue from sale of devices and thereto related services, compared to the same period in 2020, which is an increase of 74.8% compared to the same period in 2020. The revue from sale of devices branded Shelly increased by 66.1% and the revue from sale of MyKi devices – by 4100.9%. The sales growth of MyKi devices is due to the gradual return of the children back to school and the elimination of much of the mitigation measures that were taken worldwide to limit the spread of Covid 19. In total the sales of devices (including of the related thereto services) for the first half of 2021 amount to BGN 26 156 054.20, which is an increase compared to BGN 14 963 866.99 for the same period in 2020. The preliminary data show also significant increase in the sale of devices on the American market, which at the end of the second quarter of 2021 reached BGN 1 188 279.39 compared to BGN 479 939.71 for the same period in 2020. The reported preliminary data include only data on revenue from sales of devices and related services and do not include revenue from VAS (value added services) services. The company will disclose final data on its financial results on a consolidated basis for the second quarter of 2021 within the statutory deadlines until August 30, 2021.</p>
27.07.2021	<p>The Company has announced to the FSC and to the Public the methods and terms of dividend payment bz publishing the following information</p> <p>Herewith a reference is made to Announcement dated 28.06.2021 about the Decision of the General Meeting of the Shareholder of Allterco JSCo dated 28.06.2021 for distribution and payment of dividend in total amount of BGN 3 599 999.8. In execution of this decision the Board of Directors determined with its Decision dated 27.07.2021 has determined the method and terms of payment as follows: - Gross dividend payment per share: BGN 0,20 per share; - Net dividend payment per share: BGN 0,19 for shareholders consolidateds - Payment method: The dividend will be paid to the shareholders, whose securities accounts are in register A of the Central Depository / personal accounts / through the branches of DSK Bank AD. The dividend will be paid to the shareholders, whose securities accounts are in register B of the Central Depository / client sub-account with an investment intermediary / through the respective investment intermediary with the assistance of the Central Depository. - Dividend per share: BGN 0,20 per share - Start date of payment: 10.08.2021; - End date of payment: 10.08.2022; - After the end date of payment and within the five-year thereafter, any shareholder who has not received his dividend will be able to receive it from the company in cash or by bank transfer upon explicit request to the address of management of the company - Sofia, 103 Cherni Vrah Blvd. Unreceived and unclaimed dividends after the expiration of the five-year limitation period are referred to the Reserve Fund of the company. - Entitled to receive a dividend, according to Art 115в (3) of POSA, are the persons, registered with the Central Depository AD as shareholders with right to dividend on the 14th day after the session of General Meeting of the Shareholders, on which the annual financial report of the company was approved, namely 12 July 2021. The payment of</p>

	the dividend will be made through Central Depository AD in accordance with the procedure and under the conditions provided for in the Public Offering of Securities Act, the Regulations of Central Depository AD and the other applicable provisions of the Bulgarian legislation.
29.07.2021	The Company has published Interim Financial Report of ALLTERCO JSCo for the second quarter of 2021 on consolidated basis
20.08.2021	The Company has announced to the FSC and to the Public the following information: Herewith a reference is made to an approval request received by Allterco JSCo from Allterco Asia Ltd. in accordance with Art. 114, para. 3 of the Public Offering of Securities Act regarding the conclusion of a Loan Agreement. We hereby inform you that the Board of Directors has approved the transaction and a Loan Agreement between Allterco JSCo, as a lender and Allterco Asia Ltd., as a borrower was signed, whereas the conditions of the loan shall be as follows: provision of a loan amount upto a limit of EUR 250 000, for a period of 1 year against one-month EURIBOR, increased by 2,7 (two point seven) point of allowance per year, but not less than 2,7% (two point seven percent) total annual interest, which is accrued on a 3-month basis to the utilized amount of the loan limit. The loan is provided to ensure the working capital for the start-up business of Allterco Asia Ltd. related to the development of the Shelly and MyKi markets in the territories of Asia and Australia and for the coverage of current costs in this regard, such as (office rental, staff rental, provision of goods, etc.). Relevant information regarding the transaction, as well as a copy of the Decision of the Board of Directors of Allterco JSCo has been submitted to the FSC within the legally established term under Art. 116b, para. 3 POSA.

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

Distribution of dividend

In accordance with Art. 115c (4) of the Bulgarian Public Offering of Securities Act at his regular annual session, held on 28 June 2021, the General Meeting of the Shareholders of Allterco JSCo adopted the decision for distribution and payment of dividend to the shareholders as follows in total amount of BGN 3 599 999.8 whereas the dividend per share amounts to BGN 0,20 per share.

In execution of the decision of the Decision of the General Meeting of the Shareholders, the Board of Directors determined by its decision dated 27.07.2021 the method and term of dividend payment as follows:

Payment method: The dividend will be paid to the shareholders, whose securities accounts are in register A of the Central Depository / personal accounts / through the branches of DSK Bank AD. The dividend will be paid to the shareholders, whose securities accounts are in register B of the Central Depository / client sub-account with an investment intermediary / through the respective investment intermediary with the assistance of the Central Depository.

- Start date of payment: 10.08.2021;

- End date of payment: 10.08.2022;

Sale of the Asian telecommunications business of Allterco JSCo

In reference to an indicative offer addressed to Allterco JSCo ("the Company") by the Singaporean company Skylight Venture Capital Pte. Ltd. for the the acquisition of the participations of Allterco JSCo in the subsidiaries ALLTERCO PTE (Singapore), ALLTERCO SDN (Malaysia) and ALLTERCO Co., Ltd. (Thailand), herewith we inform you the following: The Board of Directors of Allterco JSCo has approved and on 8 June 2021 the Company has signed with Skylight Venture Capital Pte. Ltd. a non-binding agreement (Term Sheet)

where the parties determine the conditions for signing a share-purchase agreement and the terms of the purchase as follows: - Purchase price: EUR 2 100 000 on a cash-free/debt-free basis - Payment terms: i. 50% will be paid upon signing of a share-purchase agreements; ii. 25% will be paid 18 months following the signing of the share-purchase agreement; iii. 25% will be paid 36 months following the signing of the share-purchase agreements. The Term Sheet shall be valid for 6 months as of its signing. The signing of a share purchase agreement is subject to a due diligence and negotiations between the parties.

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 purpose of admission to trading on a regulated market –the Frankfurt Stock Exchange – of 17 999 999 ordinary dematerialized shares of Allterco JSCo, ISIN BG1100003166. On the basis of the said legal exemption is seeking for admission to trading on the Frankfurt Stock Exchange without a Prospectus, for which purpose a document with the content of in compliance with Article 7 ("Prospectus summary") of the Prospectus Regulation has been prepared, which document is intended to provide the key information that investors need in order to understand the nature and the risks of the Issuer and the securities which admission to trading on the regulated market in Germany is sought, and that is to be read to aid investors when considering whether to invest in these securities. 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.

Loan Agreement

Allterco JSCo, as a lender and Allterco Asia Ltd., as a borrower between signed Loan Agreement, whereas the conditions of the loan shall be as follows: provision of a loan amount upto a limit of EUR 250 000, for a period of 1 year against one-month EURIBOR, increased by 2,7 (two point seven) point of allowance per year, but not less than 2,7% (two point seven percent) total annual interest, which is accrued on a 3-month basis to the utilized amount of the loan limit.

The loan is provided to ensure the working capital for the start-up business of Allterco Asia Ltd. related to the development of the Shelly and MyKi markets in the territories of Asia and Australia and for the coverage of current costs in this regard, such as (office rental, staff rental, provision of goods, etc.).

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 the next quarters.

The successful increase in the capital of the Company in the last quarter of 2020 further increased the financial stability of the group. In addition, the shareholders of the company increased significantly and this led to the inclusion of the company's shares in the SOFIX index of the BSE, as of March 2021.

Receivables from Link Mobility Group AS

In connection with a transaction realized in 2019 for the sale of the participation of Allterco JSCo in five subsidiaries to Link Mobility Group AS based on signed between these parties SPA, on August 12, 2021 the

due date of the last payment, representing the remaining 20% of the acquisition price in the amount of EUR 1 562 thousand, and no payment of that amount has been received at the date of this report. The management of Allterco JSCo has taken the necessary actions to establish the reasons for non-payment, and if necessary will take legal action to collect the amount due.

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: August 30, 2021

For ALLTERCO JSCo:

Dimitar Dimitrov, CEO