

REPORT ON BUSINESS ACTIVITIES

fourth quarter of 2025

consolidated basis



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

These Notes to the Interim Report on the Business Activities of SHELLY GROUP on consolidated basis present information about the group, relevant to the end of fourth quarter of 2025 for the period 01.01.2025 – 31.12.2025 (the “reporting period”).

1. INFORMATION ABOUT THE GROUP

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

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

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

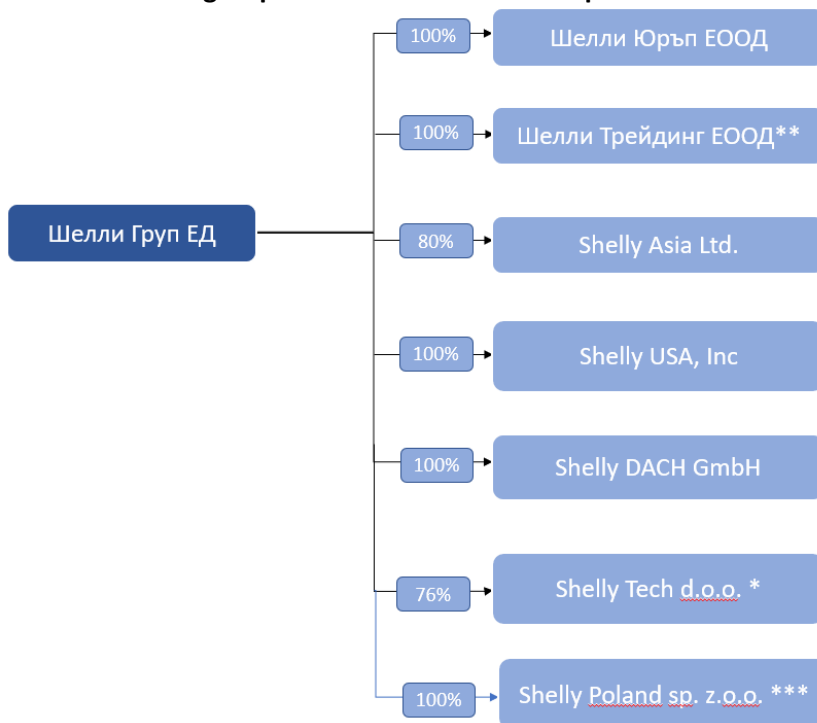
The Company is publicly listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company’s capital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

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

The company operates according to Bulgarian legislation.

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

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



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

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

***On April 24, 2025, following a decision of the Board of Directors of Shelly Group ED, a subsidiary company, Shelly Poland SP. Z O O, was established in Poland with a capital of 732 thousand BGN (PLN 1,600,000).

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

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

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

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

1.2. Management

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

- Christoph Vilanek - Chairman;
- Nikolay Martinov - Deputy Chairman;
- Dimitar Dimitrov - Executive Director and Representative;
- Wolfgang Kirsch - Executive Director and Representative;
- Svetlin Todorov - Member of the Board of Directors and Representative;

The representatives represent the Company together or individually.

The mandate of the members of the Board has been extended in accordance with a decision of the General Meeting of Shareholders dated June 2, 2025.

1.3. Capital structure

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

The capital is fully paid in five contributions:

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

prospectus according to an Information Document pursuant to Art. 1, paragraph 4, letter "i" in connection with Art. 1, paragraph 5, letter "h" of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.

As of 31.12.2025 the capital structure of SHELLY GROUP SE is as follows:

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

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

1.4. Development and research activities

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

2. IMPORTANT EVENTS FOR SHELLY GROUP SE

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

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

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

3.1. Operating revenue

At the end of 2025 the Group reported revenue from sales of devices in the amount of BGN 291 325 thousand, while for the same period of the previous year it reported BGN 207 709 thousand, which is growth of 40.3%. Revenue from services is in the amount of BGN 1 544 thousand compared to BGN 995 thousand for the previous year, which is growth of 55.2%.

At the end of 2025 the Group reported net profit in the amount of BGN 49 830 thousand, which is profit increase of 14.5% compared to the previous year.

REVENUE	12 months of 2024 BGN thousand	y/y change %	12 months of 2025 BGN thousand
Revenue from sales of devices	207 709	40.3%	291 325
Revenue from services and rents	995	55.2%	1 544
Other operating revenue	7 298	(7.0%)	6 790
Total operating revenue	216 002	38.73%	299 659
Share in the profit of associated companies	(25)	68.0%	(42)
Financial income	20	7 725.0%	1 565
Profit from sales of investment	1 242	(100.0%)	-
Total financial revenue	1 237	23.1%	1 523

3.2. Operating expenses

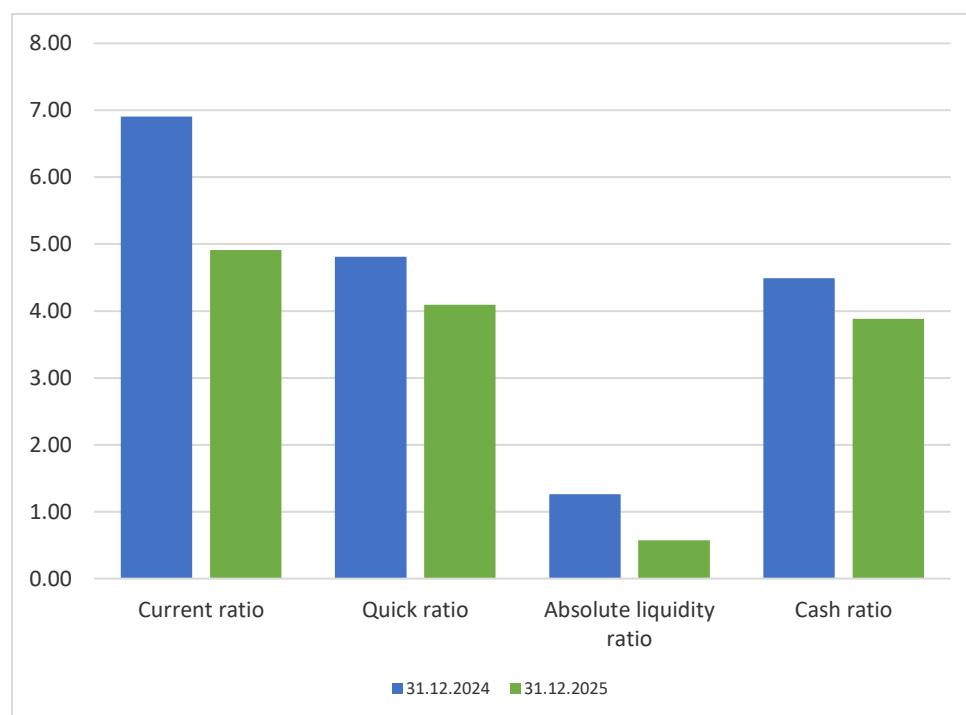
At the end of the reporting period the total operating expenses of the Group increased by 49.0% compared to the same reporting period of the previous year. This is mainly due to the increase in salaries by 96.4%, followed by other operating expenses with growth of 175.8%. For information about the remuneration expenses see also note 6 from the consolidated financial statements as of December 31, 2025.

The biggest share of the reported operating expenses for the reporting period belongs to the expenses for salaries and contributions with 38.8% share in total expenses, followed by sales and marketing with 7.7% share in total expenses.

EXPENSES	12 months of 2024 BGN thousand	y/y change %	12 months of 2025 BGN thousand
Materials	(613)	(10.4%)	(549)
External services	(9,623)	5.5%	(10,154)
Depreciation	(1,159)	131.1%	(2,678)
Salaries and contributions	(23,808)	96.4%	(46,767)
Other administrative expenses	(992)	(14.6%)	(847)
Total Administrative expenses	(36,195)	68.5%	(60,995)
Sales and marketing	(38 967)	3.5%	(40 325)
Other operating expenses	(5 542)	175.8%	(15 285)
Financial expenses	(140)	2 652.9%	(3 854)
Total Operating Expenses	(80 844)	49.0%	(120 459)

3.3. Financial indicators

Liquidity Ratios



LIQUIDITY RATIOS	31-12-24	31-12-25
Current ratio	6.91	4.91
Quick ratio	4.81	4.09
Absolute liquidity ratio	1.26	0.58
Cash ratio	4.49	3.88

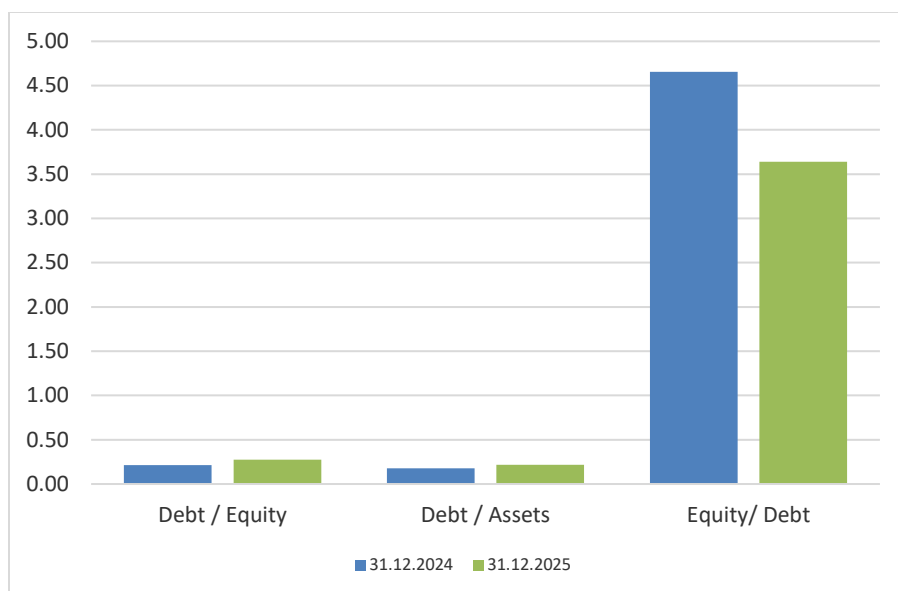
The current liquidity ratio at the end of the reporting period decreased due to the following: the current assets increased by 52.4% compared to the end of 2024, while the current liabilities increased by 114.4%.

The quick liquidity ratio at the end of the reporting period decreased due to the following: the current assets increased by 52.4% compared to the end of 2024, while inventories decreased by 16.4% and the current liabilities increased by 114.42%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: the current cash decreased by 2.1% compared to the end of 2024, while current liabilities increased by 114.4%.

The cash ratio at the end of the reporting period decreased due to the following: The current liabilities increased by 114.4% compared to the end of 2024, while cash decreased by 2.1% and the commercial receivables increased by 119.4%.

Financial autonomy coefficients



DEBT RATIOS	31-12-24	31-12-25
Debt / Equity	0.21	0.27
Debt / Assets	0.18	0.21
Equity / Debt	4.66	3.73

The change in debt/equity ratio at the end of the reporting period is due to the following: the total liabilities of the Group increased by 75.0% compared to the end of 2024 and equity increased by 40.0%.

The change in debt/assets ratio at the end of the reporting period is due to the following: the total amount of assets of the Group increased by 46.2% compared to the end of 2024, while total amount of liabilities of the Group increased by 75.0%.

The change in equity/ debt ratio at the end of the reporting period is due to the following: the total liabilities of the Group increased by 75.0% compared to the end of 2024, and equity increased by 40.0%

4. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

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

4.1. SYSTEMIC RISKS

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

Type of risk	Description																												
POLITICAL RISK	<p>Political risk is the likelihood of a change of Government, or of a sudden change in its policy, of occurrence of internal political turmoil and adverse changes in European and/or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors will incur losses.</p> <p>Political risks for Bulgaria internationally are related to the commitments undertaken to implement serious structural reforms in the country in its capacity as an equal member of the EU, increasing social stability, limiting inefficient spending, on the one hand, as well as the strong destabilization of the countries of The Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves generated by these factors, and the potential instability of other key countries in the immediate proximity of the Balkan. Since the beginning of 2025, a significant political factor has been the foreign policy led by the United States towards NATO, the EU, and Europe.</p> <p>Other factors that also affect this risk are the possible legislative changes and in particular those concerning the economic and investment climate in the country.</p>																												
GENERAL MACROECONOMIC RISK	<p>According to the National Statistical Institute, in December 2025 the overall business climate indicator decreased by 3.1 point compared to previous month (from 16.1% to 13%), decrease of the indicator is observed in all sectors under monitoring: industry, construction, retail trade and service sector.¹</p> <p>Average annual real GDP growth is expected to be 1.4% in 2025, 1.2% in 2026, 1.4% in 2027 and 1.4% in 2028. Compared to the September 2025 projections, GDP growth has been revised upwards for the entire projection period, reflecting better-than-expected data, reduced trade policy uncertainty, stronger external demand and lower energy commodity prices.²</p>																												
INTEREST RATE RISK	<p>Interest rate risk is related to possible negative changes in interest rates established by the financial institutions of the Republic of Bulgaria.</p> <table border="1" data-bbox="779 1218 1120 1764"> <thead> <tr> <th colspan="2" data-bbox="841 1218 1058 1245">Basic Interest Rate</th> </tr> <tr> <th data-bbox="792 1262 847 1289">Date</th> <th data-bbox="964 1262 1104 1289">Percentage</th> </tr> </thead> <tbody> <tr><td data-bbox="792 1306 925 1333">01.01.2025</td><td data-bbox="1062 1306 1117 1333">2.95</td></tr> <tr><td data-bbox="792 1346 925 1373">01.02.2025</td><td data-bbox="1062 1346 1117 1373">2.82</td></tr> <tr><td data-bbox="792 1386 925 1413">01.03.2025</td><td data-bbox="1062 1386 1117 1413">2.59</td></tr> <tr><td data-bbox="792 1425 925 1453">01.04.2025</td><td data-bbox="1062 1425 1117 1453">2.39</td></tr> <tr><td data-bbox="792 1465 925 1493">01.05.2025</td><td data-bbox="1062 1465 1117 1493">2.24</td></tr> <tr><td data-bbox="792 1505 925 1533">01.06.2025</td><td data-bbox="1062 1505 1117 1533">2.07</td></tr> <tr><td data-bbox="792 1545 925 1572">01.07.2025</td><td data-bbox="1062 1545 1117 1572">1.91</td></tr> <tr><td data-bbox="792 1585 925 1612">01.08.2025</td><td data-bbox="1062 1585 1117 1612">1.82</td></tr> <tr><td data-bbox="792 1625 925 1652">01.09.2025</td><td data-bbox="1062 1625 1117 1652">1.82</td></tr> <tr><td data-bbox="792 1665 925 1692">01.10.2025</td><td data-bbox="1062 1665 1117 1692">1.81</td></tr> <tr><td data-bbox="792 1705 925 1732">01.11.2025</td><td data-bbox="1062 1705 1117 1732">1.80</td></tr> <tr><td data-bbox="792 1745 925 1772">01.12.2025</td><td data-bbox="1062 1745 1117 1772">1.81</td></tr> </tbody> </table> <p data-bbox="867 1766 1039 1793">*Source: BNB³</p>	Basic Interest Rate		Date	Percentage	01.01.2025	2.95	01.02.2025	2.82	01.03.2025	2.59	01.04.2025	2.39	01.05.2025	2.24	01.06.2025	2.07	01.07.2025	1.91	01.08.2025	1.82	01.09.2025	1.82	01.10.2025	1.81	01.11.2025	1.80	01.12.2025	1.81
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¹ [Наблюдение на бизнес тенденциите в промишлеността, строителството, търговията на дребно и услугите - декември 2025 година](#)

² [publications_ecb_mb_202508_bg.pdf](#)

³ [Българска народна банка](#)

	<p><i>According to the decision of the Governing Council of the Bulgarian National Bank (BNB) announced on November 27, 2025, as of January 1, 2026, the announcement of the base interest rate (BIR) under Article 35 of the Bulgarian National Bank Act (repealed) and, as of the same date, the "Methodology for Determining the Base Interest Rate" adopted by Decision No. 149/16.12.2004, effective as of February 1, 2005, amended by Decisions No. 118/26.11.2015 and No. 37/16.03.2017 of the Governing Council of the BNB, effective as of July 1, 2017.</i></p> <p>At the meeting on 18 December 2025 the Governing council decided to keep unchanged ECB's three key interest rates.⁴</p>
INFLATION RISK	<p>Inflation risk is a general price increase in which money depreciates and households and firms are likely to suffer a loss.</p> <p>The consumer price index is the official measure of inflation in the Republic of Bulgaria. It assesses the overall relative change in the prices of goods and services used by households for personal (non-productive) consumption and is calculated by applying the structure of final monetary consumption expenditure of Bulgarian households.</p> <p>According to the NSI the monthly inflation rate was 0.1%, while the annual inflation rate was 5.0%. The inflation rate is measured by the CPI, with monthly inflation referring to December 2025 compared to the previous month, and the annual inflation is for December 2025 compared to the same month of the previous year. [...]. The average annual inflation for the period January 2025 - December 2025 compared to the period January 2024 - December 2024 is 4.6%.⁵</p> <p>The Harmonized Index of Consumer Prices is a comparable measure of inflation for EU countries. It is one of the criteria for price stability and for Bulgaria's accession to the euro area. The HICP, like the CPI, measures the overall relative change in the price level of goods and services.</p> <p>According to the NSI, in December 2025, the monthly inflation rate, measured by HICP, was 0.1% and the annual inflation rate in December 2025 compared to December 2024 was 3.5%. The average annual inflation for the period January 2025 - December 2025 compared to the period January 2024 - December 2024 is 3.5%.⁶</p> <p>In the December 2025 Eurosystem staff macroeconomic projections for the euro area, headline inflation is projected to average 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028. For inflation excluding energy and food, experts expect 2.4% in 2025, 2.2% in 2026, 1.9% in 2027 and 2.0% in 2028, respectively. Annual inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), has fluctuated within narrow limits since spring 2025 and stood at 2.1% in November. Energy prices were 0.5% lower than in November 2025, following a more pronounced decline in October. Food price inflation was 2.4%, compared with 2.5% in October and 3.0% in September. Inflation excluding energy and food remained unchanged at 2.4%, while inflation for goods and services moved in opposite directions. Goods inflation slowed to 0.5% in November,</p>

⁴ [publications_ecb_mb_202508_bg.pdf](#)

⁵ [Inflation and Consumer Price Indices - December 2025](#)

⁶ [Inflation and Consumer Price Indices - December 2025](#)

	<p>compared with 0.6% in October and 0.8% in September. Services inflation increased to 3.4% in October and 3.5% in November, compared with 3.2% in September.⁷</p>
CURRENCY RISK	<p>Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than EUR.</p> <p>On July 8, 2025, the Council of the European Union formally approved the accession of Bulgaria to the euro area effectively on 1 January 2026 and determined a Bulgarian lev conversion rate of 1.95583 per euro. This is the current central rate of the lev in the Exchange Rate Mechanism (ERM II), which the currency joined on 10 July 2020. The European Central Bank (ECB) and Bulgarian National Bank agreed to monitor developments in the Bulgarian lev against the euro on the foreign exchange market until 1 January 2026.⁸</p> <p>On 1st of January the euro officially entered in circulation in Bulgaria, bringing the number of European Union (EU) Member States using the single European currency to 21. This follows on from the formal decision made in July, which also announced the official conversion rate of 1.95583 Bulgarian lev per 1 euro.⁹</p> <p>This does not eliminate the risk of adverse movements in the exchange rate of the euro against other major currencies (US dollar, British pound, Swiss franc) on international financial markets for the Bulgarian currency, but at present the company does not believe that such a risk would be material to its operations. The company may be affected by currency risk depending on the type of currency of cash receipts and the type of currency of the company's potential loans.</p> <p>The SHELLY GROUP SE companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA, Latin America and Australia and China. At present, the main revenues from the Group's IoT business are in BGN or EUR, and the costs of delivery of goods in this segment are mainly in US dollars and are largely tied to the Chinese yuan, which is why the appreciation of the US dollar or Chinese yuan would have an adverse effect on the business performance. In terms of US dollar exposure, it is not expected the sales revenue in USD to have a significant share of total Group revenue. At the same time the share of revenue in Chinese yuan is expected to increase at a faster pace.</p> <p>To limit the effects of the currency risk, the companies of the Group have introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for ongoing monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Group companies do not use derivative instruments for hedging the currency risk but, if necessary, the management is ready to enter into such transactions.</p>
Credit risk of the state	<p>Credit risk is the probability of deterioration of Bulgaria's international credit ratings, caused by the government's inability to repay its liabilities regularly. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions, both for the state and for individual economic entities, including the Company. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk.</p> <p>A credit rating is an assessment of the quality and security of an issuer's bond debt, formed based on an analysis of its financial condition. Rating services are performed by specialized</p>

⁷ [publications_ecb_mb_202508_bg.pdf](#)

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

⁹ [Bulgaria introduces the euro](#)

	<p>rating agencies and represent an assessment of the creditworthiness and ability to service the borrowed funds used by a borrower when they fall due.</p> <p>With extraordinary rating actions, the international rating agencies Fitch Ratings and S&P Global Ratings upgraded Bulgaria’s long-term foreign currency credit rating to ‘BBB+’ with a stable outlook, which is the highest grade of mid-range investment ratings. The formal decision of the Council of the European Union about Bulgaria’s accession to the euro area as of 1 January 2026 is the key factor behind the country’s rating upgrade.¹⁰</p> <p>In its report from 10.07.2025 Fitch Ratings has upgraded Bulgaria's 'BBB' long-term foreign and local currency sovereign credit rating with a stable outlook.</p> <p>Credit Fundamentals: Bulgaria's ratings are supported by its strong external and public finance balance sheets versus 'BBB' peers and credible policy framework, underpinned by EU membership. This is balanced against low labor productivity and unfavorable demographics, which weigh on potential growth and government finances in the long term. A recent record of unstable coalition governments has affected reform implementation, and the perception of corruption is high.</p> <p>Solid Economic Growth: We expect real GDP growth to be stable at 2.8% in 2025, as global trade uncertainty is offset by an improved domestic political situation. Strong nominal wage growth and frontloading of consumption ahead of eurozone entry will support robust household spending. We remain cautious about the capacity and pace of reform implementation, but EU funds flow is likely to rise and support investment. We forecast GDP growth at 2.5% in 2026, with upside potential related to euro adoption. Increased trade uncertainty and global slowdown are key risks, mainly due to second-round effects, as direct exposure to the US is low.</p> <p>Broadly Stable Inflation: HICP inflation eased to 2.9% YOY in May, having inched up towards 4% at the beginning of 2025, driven by higher services and food prices, and withdrawal of reduced VAT rates for certain products and services. We expect HICP inflation to average 3.3% in 2025, up from 2.6% in 2024, above the current peer median of 2.9%. We forecast inflation to edge down to 2.8% in 2026. Eurozone entry may accelerate the real convergence process, including convergence of incomes, productivity and prices, to the EU average in the medium term.</p> <p>Fiscal Deficits: Fitch forecasts the general government deficit to remain at 3% of GDP in 2025-2026 (versus 'BBB' median of 3.5% in 2025 and 3% in 2026), reflecting further increases in public-sector wages and pensions, higher defense spending and lower expected EU fund inflows. The government plans to increase social contributions by a cumulative 3pp in 2027-2028; however, proposed changes will require additional legislation.¹¹</p>
	<p>On 10.07.2025 S&P Global Ratings has affirmed Bulgaria’s long-term and short-term BBB+ ratings with a stable outlook.</p> <p>We think Bulgaria’s near-term growth outlook remains steady. We forecast the economy will grow by 2.4% in real terms in 2025, and average 2.8% through 2028. Private domestic consumption will be the key driver of growth, supported by high real wage growth due to a tight labor market. An increase in the absorption of allocated EU funds, which is currently very low at 20%, will lead to higher public investments but also result in an increase in</p>

¹⁰ [News](#)

¹¹ [Fitch Upgrades Bulgaria to 'BBB+'; Outlook Stable](#)

	<p>imports. At the same time, external demand faces pressure from general economic uncertainty stemming from geopolitical tensions. We think Bulgaria’s full Schengen membership as of Jan. 1, 2025, and euro area accession as of Jan. 1, 2026, could support trade and international tourism in the medium-to-long term since administrative obstacles will be reduced. In the near term, we think that deficiencies in Bulgaria's physical infrastructure prevent the country from reaching its full potential. Also, Bulgaria continues to face longer-term challenges related to weak demographic trends. Left unchecked, the declining labor force could further drag on growth, in our view.</p> <p>We expect weaker external demand and import-heavy public investments will increase the current account deficit, averaging 2.5% of GDP through 2028. However, Bulgaria's robust service balance--which stands at about 7.0% of GDP and is bolstered by a thriving tourism sector and growing computer and IT service exports--will help mitigate some of the deficit. While Bulgaria’s external position remains strong, we believe the post-pandemic trend of external deleveraging could reverse due to a weaker external environment and a possible shift toward increased external debt financing as eurozone capital markets become more accessible. Also, we note that intercompany loans represent about one fifth of the stock of Bulgaria's inbound foreign direct investment. Since we view the refinancing risk for these loans as low, we do not include them in our estimate of Bulgaria’s external debt figures. In our external assessment, we now consider Bulgaria to be using an actively traded currency (in line with other eurozone members) and assess the country’s external position based on our estimates of its international investment position post-eurozone accession.¹²</p>
Unemployment risk	<p>As a major factor affecting consumer purchasing power, an increase in unemployment would reduce demand for IoT products. On the other hand, demand for staff from businesses remains very active, so such a risk seems negligible in the year ahead.</p> <p>Eurostat estimates that 13.043 million people in the EU, of whom 10.792 million in the euro area (EA), were unemployed in December 2025. Compared with November 2025, unemployment decreased by 94 000 in the EU and by 61 000 in the euro area. Compared with December 2024, unemployment increased by 71 000 in the EU and decreased by 5 000 in the euro area. In December 2025, the euro area seasonally adjusted unemployment rate was 6.2%, down from 6.3% in November 2025 as well as in December 2024. The EU unemployment rate was 5.9% in December 2025, stable compared with November 2025 and with December 2024. ¹³</p> <p>In December, the Employment Agency reported stable results on the labor market, with registered unemployment in the country remaining at a low level of 5.19%, down 0.04 percentage points compared to the same month of the previous year. At the end of the month, the registered unemployed were 147,059 people, with their number remaining below 150,000 for the second consecutive year at the end of December.¹⁴</p>

¹² [Research Update: Bulgaria Upgraded To 'BBB+' On C | S&P Global Ratings \(spglobal.com\)](#)

¹³ [Unemployment statistics - Statistics Explained - Eurostat](#)

¹⁴ [Регистрираните безработни в страната са под 150 000 души през декември ... | Агенция по заетостта](#)

Risk associated with the legal system	Although Bulgaria has introduced several significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic, and it is difficult to effectively resolve property disputes, breaches of laws and contracts and other. Deficiencies in the legal infrastructure can result in uncertainties arising from the implementation of corporate actions, the implementation of supervision and other issues.
TAX RISK	It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, because of which a contradictory tax practice may arise.

4.2. NON-SYSTEMIC RISKS

Risks related to the industry in which the Group operates

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

Risk of shortage of key personnel

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

Risk of strong competition

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

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

Risk related to personal data security and hacker attacks

The technology industry is characterized by digital transmission of information that could be strictly confidential, containing personal data of users of products, financial information of companies, information

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

Risk of regulatory and specific technical requirements

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

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

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

Risk of technology change

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

Risks related to the Group's business

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

Operational risk

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

- Adoption of wrong operational decisions by the management staff related to the management of current projects;

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

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

Risk associated with business partners

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

Risks arising from new projects

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

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

Liquidity risk

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

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

The company pursues a conservative liquidity management policy, through which it constantly maintains an optimal liquidity cash reserve and good ability to finance its business activities. In order to control the risk, the Company monitors the timely payment of incurred liabilities. The company monitors and controls

the actual and projected cash flows for periods ahead and maintains a balance between the maturity limits of the assets and liabilities.

5. TRANSACTIONS WITH RELATED OR INTERESTED PARTIES

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

The Company has not entered into any transactions with other Group companies that fall beyond its scope of regular business or that significantly deviate from the market conditions. Transactions in the ordinary course of business with subsidiaries include were announced under note 6 of the Individual financial statements as of 31.12.2025 and these are excluded for the purpose of the consolidation.

Key managerial personnel

During the first half of 2025 the accrued gross remuneration to the members of the Board of Directors (including employer's social security contributions) is in the amount of BGN 1 573 thousand (2024: BGN 1 617 thousand.). The remuneration paid was in accordance with the disclosed Remuneration policy.

The members of the Board of Directors as of 31.12.2025 are:

- Christoph Vilanek - Chairman
- Nikolay Martinov - Deputy Chairman
- Dimitar Dimitrov - Executive Director and Representative
- Wolfgang Kirsch - Executive Director and Representative
- Svetlin Todorov - Member of the Board of Directors and Representative

Share-based compensation

At the end of 2022, the general meeting of shareholders approved a share-based remuneration scheme for the executive members of the Board of Directors. The scheme was prepared in accordance with the Company's remuneration policy and covers the period 2022 - 2025.

The scheme sets out comprehensive criteria for assessing the performance of the executive members, with the incentives set for their implementation aimed at sustainable and long-term value creation.

This Scheme provides for the provision of share-based remuneration in the form of a package of conditional options, consisting of the following types of conditional options:

- Basic options - based on criteria for the achieved average share price of the Company as of certain reference dates
- Reserve options - based on the consolidated financial indicators of the Company.

As of 31 December 2025, when the share-based payment scheme expires, an assessment of the achieved results has been made and the number of shares that each of the two executive members of the company should receive has been calculated. Based on the set goals and the extent to which these goals have been achieved, the executive members are entitled to receive options to acquire 712,200 shares (out of a possible maximum total number of 890,250 shares). In accordance with the requirements of IFRS 2, the value of the options to be granted has been determined based on the market price of the company's share on the date of adoption of the share-based payment scheme, which was BGN 20.2771, and accordingly, a share-based payment expense of BGN 14,441 thousand has been recorded, included as part of the remuneration costs in this report.

Annual cash bonus

According to a decision by the General Meeting of Shareholders dated 02.06.2025, an amendment to the remuneration policy for the executive members of the Board of Directors for 2025 was approved, who are entitled to receive variable cash remuneration (annual bonus), the amount of which depends on the achieved financial results for the financial year 2025.

The annual bonus is formed as the sum of the bonus values corresponding to the degree of achievement of target results for each of 2 financial components - EBIT and consolidated revenues, as well as 3 non-financial criteria.

The achievement of each of the financial criteria is assessed on the basis of the annual consolidated financial statements of the Company for 2025 certified by a registered auditor and adopted by the General Meeting of Shareholders. For this reason, an accrual for an annual bonus due has been made in these financial statements, based on unaudited financial data. The final amount of the bonus should be approved by the general meeting of shareholders upon acceptance of the company's audited financial statements for 2025. Based on preliminary data on achieved consolidated sales revenues and EBIT, an annual bonus of BGN 456 thousand has been calculated for each of the two executive members of the Company's Board of Directors.

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

No material new receivables and/or payables arose during the period, except the ones described in the notes of the consolidated report as of 31.12.2025.

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

Historical data on trade

Date	Volume	Turnover	Highest price	Lowest price	Opening price	Closing price
22.12.2025	42726	4632079.03	111.482	104.441	107.962	111.482
28.11.2025	41429	4406758.75	111.091	98.574	105.224	110.309
31.10.2025	31154	3302327.64	111.873	100.530	101.703	103.659
30.09.2025	264742	25151341.91	111,482	100,530	101,703	107,571
29.08.2025	72493	7294487.56	113,047	93,880	108,353	102,094
31.07.2025	38162	652538.50	98,574	90,751	93,880	95,836
30.06.2025	73413	7023457.77	99,747	88,990	89,773	93,684
30.05.2025	108938	8688613.72	91,728	64,934	65,520	89,381
30.04.2025	39886	2597062.36	72,952	58,088	71,975	64,542
31.3.2025	50861	3642423.43	74,126	68,258	72,366	72,953
28.2.2025	42417	3039160.19	75,299	68,063	68,454	73,344
31.1.2025	59345	4017690.87	69,823	66,498	66,498	69,432

Source: Investor.bg

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

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

As of 1 January 2026 according to the Law on the Introduction of the Euro in the Republic of Bulgaria, the official currency and legal tender in the Republic of Bulgaria is the euro. The fixed exchange rate is 1.95583 BGN for 1 euro. The introduction of the euro as the official currency in the Republic of Bulgaria represents a change in the functional currency, which will be accounted for prospectively and does not represent an event after the date of the separate financial statements that requires adjustment. Apart from the change in functional currency, no other events have occurred since the reporting date that would have a significant impact on the consolidated financial statements of Shelly Group ED as of or for the period ending 31 December 2025.

9. OTHER INFORMATION AT THE DISCRETION OF THE GROUP

All information considered relevant by the Group is set out in this Report, the Interim consolidated financial statements for the fourth quarter of 2025 and the documents thereto.

Date: 23 February 2026

For SHELLY GROUP SE:

Dimitar Dimitrov
CEO