

**REPORT ON BUSINESS ACTIVITIES**

**first quarter of 2025**

**individual basis**



**Pursuant to Art. 100o, Para 4of the Public Offering of Securities Act and Art. Art. 12 of Ordinance No. 2 dated 09.11.2021 on the 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 an individual basis present information about the company, relevant to the end of first quarter of 2025 for the period 01.01.2025 – 31.03.2025 (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/>.

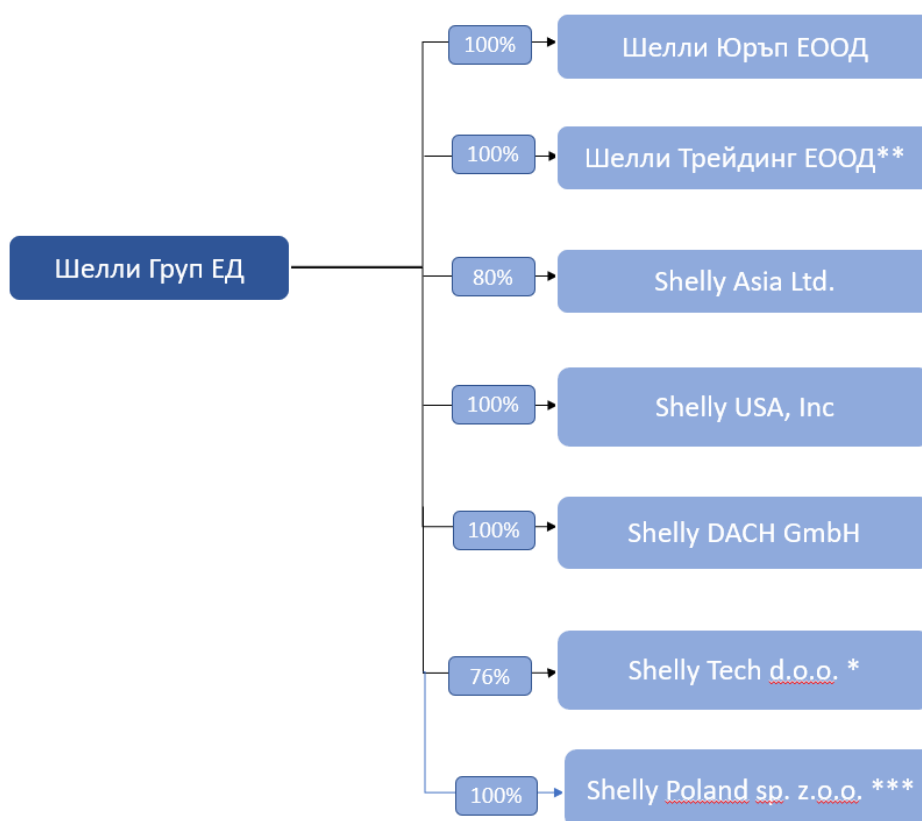
The Company is publicly listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company's capital 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 first quarter for 2025



\* 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.

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

On 31<sup>st</sup> of May 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%. The price paid for the acquired shares is EUR 520 000

SHELLY GROUP SE has participation of 8 010 preference shares representing 10% 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.

In the third quarter of 2024, Shelly Group SE signed an agreement for the sale of 100% of the capital of its subsidiary Shelly Properties EOOD, for a price of EUR 3.5 million (BGN 6.8 million).

\*\*\* After the end of the reporting period, the Board of Directors of Shelly Group SE made a decision and the Company established a subsidiary in Poland ("Shelly Poland sp. z o.o. with a capital of PLN 1,600,000 (BGN 728,925.54). The subsidiary was registered on April 24, 2025.

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 is coming 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.

## **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 18 105 559 BGN, divided into 18 105 559, 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 July 2024 the Company successfully completed closing of a public offering of shares. The increase was addressed to employees of the Company and its subsidiaries. The capital increase was in the amount of 54 614 BGN representing 54 614 ordinary, registered, dematerialized, voting shares, with a par value of BGN 1 each. The capital of Shelly Group PLC following the increase amounts to 18 105 559 BGN, representing 18 105 559 ordinary, registered, dematerialized, voting shares, with a par value of BGN 1 each.

As of 31 March, 2025 the capital structure of SHELLY GROUP SE is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
Dimitar Dimitrov	30,26 %
Svetlin Todorov	29,19 %
Other individuals and legal entities	40,55 %

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. One of the subsidiaries of SHELLY GROUP SE has carried out such activity during the reporting period, namely: Shelly Europe Ltd.

## **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 individual basis.

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

#### 3.1. Operating income

As of the end of the first quarter of 2025 the Company reported other operating revenue in the amount of BGN 24 thousand, while for the same period of the previous year it reported BGN 0 thousand.

For the reporting period, financial revenue from operations (interest income not included) amounted to BGN 25 thousand, compared to BGN 39 thousand reported in the same period of the previous year, which is a decrease of 35.9%.

As of the end of the first quarter of 2025 the Company reports loss in the amount of BGN 803 thousand, which is loss increase of 8.4% compared to the previous year.

REVENUE	3 months of 2024 BGN thousand	y/y change %	3 months of 2025 BGN thousand
Other operating revenue	-	-	24
<b>Total operating revenue</b>	-	-	<b>24</b>
Financial income	39	35.9%	25
<b>Total financial income</b>	<b>39</b>	<b>35.9%</b>	<b>25</b>

#### 3.2. Operating expenses

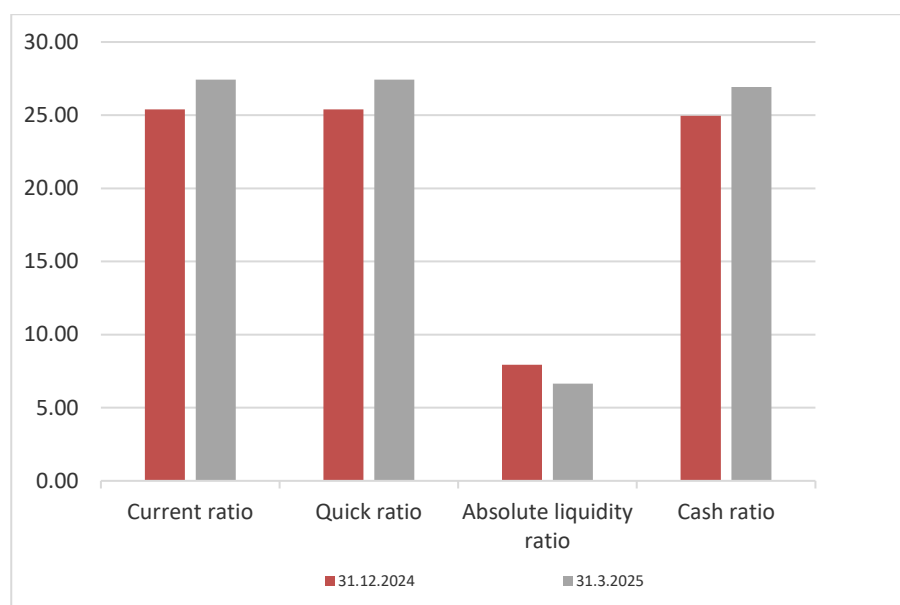
As of the end of the reporting period the total operating expenses of SHELLY GROUP SE decreased by 3.9% compared to the same reporting period of the previous year. This is mainly due to the decrease of the expenses for external services by 24.1%.

The biggest part of the reported operating expenses for the reporting period belongs to the expenses for salaries with 68.2% share in the total expenses, followed by the salaries and social securities with 26.3% share in total expenses. The salaries expenses include the remuneration of the members of the Board of Directors, which is determined by a decision of the shareholders meeting, as well as the salaries of 4 employees that have labor contracts with the Company.

EXPENSES	3 months of 2024 BGN thousand	y/y change %	3 months of 2025 BGN thousand
Materials	(2)	(50.0%)	(1)
External services	(257)	(24.1%)	(195)
Depreciation	(16)	6.3%	(17)
Salaries	(494)	2.1%	(505)
Other administrative expenses	(1)	8.3%	(21)
<b>Total Administrative expenses</b>	<b>(770)</b>	<b>(4.0%)</b>	<b>(739)</b>
Other operating expenses	(1)	100.0%	(2)
<b>Total Operating Expenses</b>	<b>(771)</b>	<b>(3.9%)</b>	<b>(741)</b>

#### 3.3. Financial indicators

## Liquidity Ratios



LIQUIDITY RATIOS	31-12-24	31-03-25
Current ratio	25,39	27,42
Quick ratio	25,39	27,42
Absolute liquidity ratio	7,94	6,65
Cash ratio	24,95	26,91

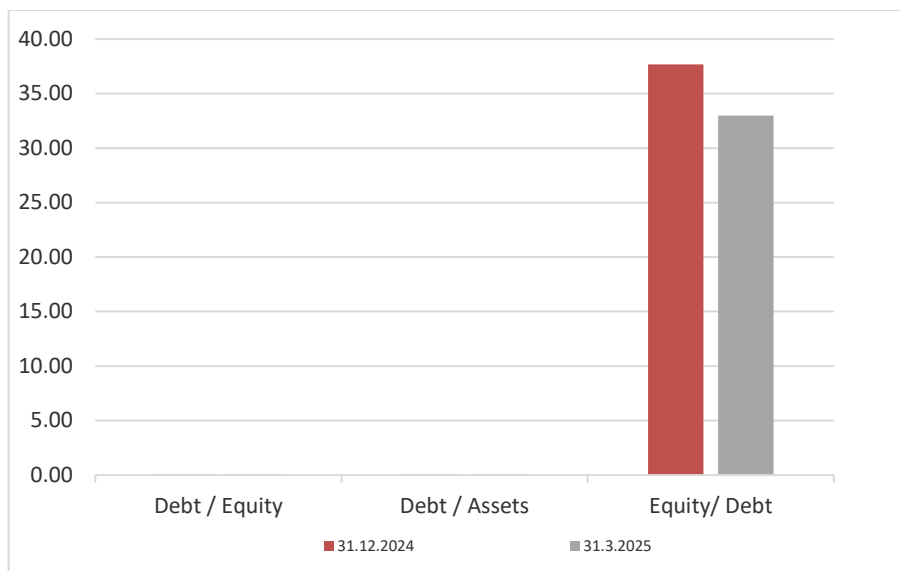
**The current liquidity ratio at the end of the reporting period increased due to the following:** the current assets decreased by 6.0% compared to the end of 2024, while the current liabilities decreased by 13.0%.

**The quick liquidity ratio at the end of the reporting period decreased due to the following:** the current assets decreased by 6.0% compared to the end of 2024, while the current liabilities decreased by 13.0%

**The absolute liquidity ratio at the end of the reporting period decreased due to the following:** the current liabilities decreased by 6.0% compared to the end of 2024, while cash decreased by 27.1%.

**The cash ratio at the end of the reporting period decreases due to the following:** The current liabilities decreased by 13.0% compared to the end of 2024, and cash decreased by 27.1%, while the commercial receivables decreased by 21.1%.

## Financial autonomy coefficients



DEBT RATIOS	31-12-24	31-03-25
Debt / Equity	0,03	0,03
Debt / Assets	0,03	0,03
Equity/ Debt	37,68	32,97

**There is no change in the debt/equity ratio at the end of the reporting period.**

**There is no change in the debt/assets ratio at the end of the reporting period.**

**The change in equity/ debt ratio at the end of the reporting period is due to the following:** the total liabilities of the Company increased by 11.3% compared to the end of 2024, and the equity decreased by 2.6%

#### **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 March 2025 the overall business climate indicator decreased by 0.5 point compared to February (from 20.9% to 20.4%), as a decrease of the indicator is registered only in the industry..<sup>1</sup></p> <p>According to ECB experts' forecasts, the economy faces ongoing challenges and ECB experts have again reduced their growth forecasts - to 0.9% for 2025, 1.2% for 2026 and 1.3% for 2027..<sup>2</sup></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="776 1297 1127 1541"> <thead> <tr> <th colspan="2" data-bbox="841 1297 1062 1331">Basic Interest Rate</th> </tr> <tr> <th data-bbox="792 1339 850 1373">Date</th> <th data-bbox="964 1339 1110 1373">Percentage</th> </tr> </thead> <tbody> <tr> <td data-bbox="792 1381 899 1415">01.01.2025</td> <td data-bbox="1068 1381 1110 1415">2.95</td> </tr> <tr> <td data-bbox="792 1423 899 1457">01.02.2025</td> <td data-bbox="1068 1423 1110 1457">2.82</td> </tr> <tr> <td data-bbox="792 1465 899 1499">01.03.2025</td> <td data-bbox="1068 1465 1110 1499">2.59</td> </tr> <tr> <td data-bbox="792 1507 899 1541">01.04.2025</td> <td data-bbox="1068 1507 1110 1541">2.39</td> </tr> </tbody> </table> <p data-bbox="867 1541 1045 1575">*Source: BNB<sup>3</sup></p> <p data-bbox="423 1612 1487 1715">At the meeting on 6 March 2025 the Governing council decided to decrease ECB's three key interest rates by 25 basis points. The Governing Council is committed to ensuring a sustained stabilisation of inflation at the medium-term aim of 2%.<sup>4</sup></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
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												

<sup>1</sup> [Business Conjuncture, March 2025 \(nsi.bg\)](https://www.nsi.bg/)

<sup>2</sup> [ECB Economic Bulletin, Issue 2 / 2025 \(bnb.bg\)](https://www.bnb.bg/)

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

<sup>4</sup> [ECB Economic Bulletin, Issue 2 / 2025 \(bnb.bg\)](https://www.bnb.bg/)

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 0.2%, while the annual inflation rate was 4.0%. The inflation rate is measured by the CPI, with monthly inflation referring to March 2025 compared to the previous month, and the annual inflation is for March 2025 compared to the same month of the previous year. [...] In March 2025, the monthly inflation rate was 0.2% and the annual inflation rate in March 2025, compared to March 2024, was 4.0%<sup>1</sup>. The inflation rate since the beginning of the year (March 2025 compared to December 2024) was 2.8%, and the annual average inflation rate for the period April 2024 - March 2025 compared to the period April 2023 - March 2024 was 2.6%..<sup>5</sup></p> <p>The Harmonised 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 March 2025, the monthly inflation rate, measured by HICP, was 0.3% and the annual inflation rate in March 2025 compared to March 2024 was 4.0%. The inflation rate since the beginning of the year (March 2025 compared to December 2024) was 2.5%, and the annual average inflation rate for the period April 2024 - March 2025 compared to the period April 2023 - March 2024 was 2.7%.<sup>6</sup></p> <p>ECB experts expect headline inflation to average 2.3% in 2025, 1.9% in 2026 and 2.0% in 2027. The upward revision to headline inflation for 2025 reflects the significant dynamics of energy prices. In terms of inflation (excluding energy and food), staff expect 2.2% in 2025, 2.0% in 2026 and 1.9% in 2027, respectively. [...] According to Eurostat's preliminary estimate, annual inflation in February 2025 was 2.4%, compared with 2.5% in January and 2.4% in December 2024. Energy price inflation slowed to 0.2% after a significant increase to 1.9% in January, compared with 0.1% in December. In contrast, food inflation increased to 2.7%, compared with 2.3% in January and 2.6% in December. Goods inflation increased to 0.6%, while services inflation decreased to 3.7%, compared with 3.9% in January and 4.0% in December..<sup>7</sup></p>
CURRENCY RISK	<p>Exposure to currency risk is the dependence and effects of changes in exchange rates. Systemic currency risk is the probability of a possible change in the currency regime of the country (currency board), which would lead either to BGN devaluation or to BGN appreciation compared to foreign currencies.</p> <p>Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than BGN and EUR. Since, according to the current legislation in the country the Bulgarian lev is fixed to the euro in the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian levs in circulation equal to the bank's foreign exchange reserves, the risk of devaluation of the BGN compared to the European currency is minimal and consists in the eventual early abolition of the currency board in the country. At this stage, this seems unlikely, as the</p>

<sup>5</sup> [Инфляция и индекси на потребителските цени за март 2025 година \(nsi.bg\)](https://nsi.bg)

<sup>6</sup> [Инфляция и индекси на потребителските цени за септември 2024 година \(nsi.bg\)](https://nsi.bg)

<sup>7</sup> [ECB Economic Bulletin, Issue 2 / 2025 \(bnb.bg\)](https://bnb.bg)

	<p>currency board is expected to be abolished upon the adoption of the EUR in Bulgaria as an official unit of payment.</p> <p>Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country must maintain the exchange rate compared to the EUR within +/- 15% on the background of the central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly less than the allowed ones of <math>\pm 15\%</math>.</p> <p>On July 10, 2020, Bulgaria joined the ERM II exchange rate mechanism, known as the 'euro area's waiting room'. The central rate of the Bulgarian lev is fixed at EUR 1 = BGN 1.95583. Around this central exchange rate of the BGN, the standard range of plus or minus 15 percent will be maintained. Bulgaria joins the exchange rate mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB.<sup>8</sup> At the same time, our country must enter into close cooperation with the unified banking supervision. The fixed exchange rate of the BGN to the EUR does not eliminate for the Bulgarian currency the risk of unfavorable movements of the euro exchange rate against other major currencies (US dollar, British pound, Swiss franc) on the international financial markets, but at present the company does not consider that such a risk would be material to its business. The company may be affected by currency risk depending on the type of cash flow currency and the type of currency of the company's potential loans.</p> <p>The SHELLY GROUP SE companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA, Latin America and Australia. At present, the main revenues from the Group's IoT business are in BGN or EUR, and the costs of delivery of goods in this segment are mainly in US dollars and are largely tied to the Chinese yuan, which is why the appreciation of the US dollar or Chinese yuan would have an adverse effect on the business performance. In terms of US dollar exposure, the Group companies are expected to have significant US dollar sales revenue in the US and other non-EU markets in the future, which to some extent balances the Group's net exposure to this major currency.</p> <p>To limit the effects of the currency risk, the companies of the Group have introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for ongoing monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Group companies do not use derivative instruments for hedging the currency risk but, if necessary, the management is ready to enter into such transactions.</p>
Credit risk of the state	<p>Credit risk is the probability of deterioration of Bulgaria's international credit ratings, caused by the government's inability to repay its liabilities regularly. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions, both for the state and for individual economic entities, including the Company. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk.</p> <p><b>In its report from 12.04.2025 Fitch Ratings</b> has affirmed Bulgaria's 'BBB' long-term foreign and local currency sovereign credit rating with a positive outlook.</p> <p>Fitch Ratings has affirmed Bulgaria's Long-Term Foreign and Local Currency Issuer Default Ratings (IDR) at 'BBB' with a Positive Outlook.</p> <p>Bulgaria's ratings are supported by its strong external and public balance sheets versus 'BBB' peers and credible policy framework, underpinned by EU membership and a long-</p>

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

	<p>standing currency board. Fitch Ratings also points out that low labour productivity and unfavourable demographics weigh on potential growth over the long term. The Rating Agency notes that the recent record of unstable coalition governments has affected reform implementation.</p> <p>The Positive Outlook reflects the prospects for euro adoption, which would lead to further improvement in external metrics.</p> <p>In February 2025, Bulgaria submitted a request to the European Commission and the ECB for an extraordinary convergence assessment after meeting all nominal Maastricht criteria, including the price stability criterion. The reports will likely be released in early June and, if the assessment is positive, will allow the adoption of the euro from January 2026. Fitch considers euro adoption as supportive of the rating.</p> <p>Fitch has revised its 2025 growth forecast up to 3.1%, from 2.5% expected in October 2024, due to the stronger carry-over effect and improved domestic political situation. Strong nominal wage growth will continue to support private consumption. The Agency points out that in spite of remaining cautious about the capacity and pace of reform implementation, it expects EU funds flows to increase and to support investment activity.</p> <p>The Rating Agency expects HICP inflation to average 3.9% in 2025, up from 2.6% in 2024. Fitch Ratings does not expect the increase in inflation to derail Bulgaria's euro area entry. The Agency expects inflation to ease to 3% in 2026.</p> <p>Fitch estimates that the general government deficit will widen to 2.8% of GDP in 2024, from 2% in 2023, as a result of the higher wage bill and social spending. Fitch Ratings forecasts a budget deficit of 2.7% in 2025, reflecting further increase in public sector wages, deliveries of military equipment (0.5% of GDP) and some revenue-enhancing measures. The Agency expects the deficit to narrow to 2.4% in 2026 due to their assumptions of higher defence spending and lower expected EU fund inflows.</p> <p>Factors that could lead to positive rating action: Confirmation that Bulgaria has met convergence criteria and greater certainty regarding the likely timing of euro adoption, as well as an improvement in growth potential.</p> <p>Factors that could lead to negative rating action: Lack of progress in euro area accession due to renewed political instability or a failure in meeting convergence criteria, as well as weaker economic growth prospects.</p> <p>.<sup>9</sup></p>
	<p>On 25.01.2025 Moody's Ratings has affirmed Bulgaria's <b>long-term and short-term Baa1 ratings with a stable outlook</b>.</p> <p>The affirmation of Bulgaria's Baa1 rating is balanced by three main factors. First, the affirmation reflects the rating agency's expectation that Bulgaria's debt and creditworthiness indicators will remain significantly stronger than those of countries with the same rating. Second, the affirmation also reflects their expectation that the Bulgarian economy will continue to grow at a solid pace in 2025 and beyond, leading to further income convergence with countries in the same rating group. Bulgaria's credit profile will also be supported by the expected imminent adoption of the euro. Third, the strengths are balanced by weakened institutional effectiveness, as evidenced mainly by slow and stalled progress on key reforms and access to financing under the Recovery and Resilience</p>

<sup>9</sup> [Ministry of Finance :: News \(minfin.bg\)](https://www.minfin.bg/en/news)

	<p>Plan (RRP). At the same time, the weakening of the fiscal position is noted as a risk, as institutional challenges could affect the implementation of policies outside the EMP.</p> <p>Moody's Ratings expects Bulgaria's public debt to increase moderately in the coming years, reaching 27% of GDP at the end of 2025 and around 29% at the end of 2026, compared to the expected 24.8% at the end of 2024, and the deficit to remain close to 3% of GDP in 2025 and 2026. Combined with a slowdown in nominal GDP growth, the rating agency expects inflation to normalize to around 2.6% on average in 2025-2026, which will drive the gradual increase in debt in the coming years. However, Bulgaria's debt will remain around half that of the countries in the Baa1 rating group.</p> <p>The rating agency expects Bulgaria's real GDP to grow by 2.5% in 2025 and 2.7% in 2026. Economic growth will continue to be driven mainly by private consumption, as real wage growth remains high in an environment of significant labor shortages and low inflation.</p> <p>Although difficulties in absorbing the EU Recovery and Resilience Facility may have a negative impact on growth rates in 2025 and 2026, GDP growth will be supported by increased absorption of EU Cohesion Funds in the coming years of the 2021-2027 programming period.</p> <p>The rating agency expects that Bulgaria's full membership in the Schengen area from the beginning of 2025 will support the tourism and transport services sectors, while improving business conditions for exporters of goods. The prospect of adopting the euro in 2026 would also support further integration with eurozone economies and strengthen the Bulgarian economy over time.</p> <p>Factors that could lead to an upgrade:</p> <ul style="list-style-type: none"> <li>• improving institutional effectiveness in implementing structural reforms, which would raise the rating agency's expectations for Bulgaria's long-term potential growth rate;</li> <li>• conducting a conservative fiscal policy.</li> </ul> <p>Factors that could lead to a downgrade:</p> <ul style="list-style-type: none"> <li>• a weakening of the government's key fiscal indicators or if the economy significantly deteriorates relative to expected medium- to long-term potential economic growth. Such developments could result, at least in part, from continued institutional weakening, which could have a negative impact on the rating.</li> </ul>
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 the seasonally adjusted unemployment rate in the euro area at 6.1% in February 2025, down from 6.2% in January 2025 and down from 6.5% in February 2024. In February 2025, the EU unemployment rate is 5.7%, down from 5.8% in January 2025 and down from 6.1% in February 2024.<sup>10</sup></p> <p>At the end of February, the registered unemployed were 158,706, and the registered unemployment rate was 5.60%. Compared to the same month in 2024, a decrease of 0.24 percentage points was reported..<sup>11</sup></p>

<sup>10</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment\\_statistics#Unemployment\\_in\\_the\\_EU\\_and\\_the\\_euro\\_area](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area)

<sup>11</sup> [Над 5 900 активирани на пазара на труда през февруари... | Агенция по заетостта \(government.bg\)](#)

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

## 4.2. NON-SYSTEMIC RISKS

### Risks related to the industry in which the Group operates

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

#### Risk of shortage of key personnel

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

#### Risk of strong competition

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

#### Risk related to personal data security and hacker attacks

The technology industry is characterized by digital transmission of information that could be strictly confidential, containing personal data of users of products, financial information of companies, information about new products and other. The protection of such information is a critical factor for the normal operation of companies in the industry, including of the Group. The sales of the devices and the use by the users of the accompanying mobile applications and cloud services provided by the Group are related to the exchange and storage of personal data. Potential breaches in information security can lead to: i) Loss of

customers and/or partners and their migration to competing companies; (ii) Imposing sanctions and lawsuits related to breaches of applicable data protection and privacy laws; iii) Lost or delayed orders and sales; iv) Adverse effects on reputation, business, financial position, profits and cash flows.

### **Risk of regulatory and specific technical requirements**

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

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

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

### **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 included:

- At the end of 2022 Shelly Group SE granted an additional cash contribution at the amount of BGN 1 834 thousand (USD 1 million) to its subsidiary Shelly USA Inc., with annual interest rate of 1.0%. The interest income accrued for the period ended March 31, 2025, on this transaction amounts to BGN 4 thousand.
- On March 23, 2023, Shelly Group SE provided to its subsidiary Shelly Tech d.o.o a loan of BGN 978 thousand (EUR 500 thousand). The recognized interest income for the period ended March 31, 2025, on this transaction amounts to BGN 12 thousand.
- On June 1, 2023, Shelly Group SE granted to Shelly Tech d.o.o an additional cash contribution at the amount of BGN 978 thousand (EUR 500 thousand) at the following terms – repayment period within 1-year, annual interest rate 1%. The recognized interest income for the period ended March 31, 2025, on this transaction amounts to BGN 8 thousand.
- On March 19, 2024, SHELLY GROUP SE granted to its subsidiary Shelly USA Inc. an additional cash contribution at the amount of BGN 763 thousand (USD 400,000). The interest income accrued for the period ended March 31, 2025, on this transaction amounts to BGN 2 thousand.
- On May 14, 2024, the Board of Directors of SHELLY GROUP SE decided to provide an additional cash contribution at the amount of BGN 1,173 thousand (EUR 600,000) to its Slovenian subsidiary Shelly Tech d.o.o. for a period of 1 year and annual interest margin of 1%. The interest income accrued for the period ended March 31, 2025, on this transaction amounts to BGN 5 thousand.
- On January 8, 2025, SHELLY GROUP SE decided to provide its American subsidiary Shelly USA Inc. with financing in the form of an additional cash contribution in the amount of BGN 1,329 thousand (USD 700 thousand) for a period of one year at an annual interest rate of 1%. As of March 31, 2025, the amount utilized is BGN 750 thousand (USD 400 thousand). The interest income accrued for the period ended March 31, 2025, on this transaction amounts to BGN 2 thousand.
- During the reporting period, the Company provided management services to two of its subsidiaries – Shelly Asia at the amount of BGN 10 thousand, Shelly DACH at the amount of BGN 12 thousand and Shelly Asia in the amount of BGN 2 thousand.

SHELLY GROUP SE did not grant any other loans, guarantees or commitments in total to any person or its subsidiary, including related parties, other than those mentioned above.

For more information on deals with related parties see Note 6 of the separate financial report as of March 31, 2025.

### **Board of Directors**

During the reporting period, to the members of the Board of Directors have been paid gross remunerations in total amount of BGN 394 thousand. The amounts paid are in compliance with the approved remuneration policy of the Company and the changes made in the number of seats in the Board and the appointment new members, that were appointed on an extraordinary meeting of shareholders held on 18 December 2023, confirmed and in force by resolution of the General Meeting of Shareholders of 14.10.2024 in connection with the conversion of the Company from a joint stock company into a European company and the re-appointment of the 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

paragraph 5 of the individual report as of 31.03.2025.

On 08.01.2025, the Board of Directors of Shelly Group ED resolved to provide its US subsidiary Shelly USA Inc. with financing in the form of an additional cash contribution of USD 700 thousand for a period of one year at an annual interest rate of 1%. This financing is in addition to that already provided in 2022 and 2024, in the amounts of USD 1 million and USD 400 thousand respectively, which the board decided to extend with one more year under the same conditions.

After the end of the reporting period, the Board of Directors of Shelly Group SE made a decision and the Company established a subsidiary in Poland ("Shelly Poland sp. z o.o. with a capital of PLN 1,600,000 (BGN 728,925.54).

## 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
25.4.2025	38445	2503456.92	72,952	58,088	71,975	66,303
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

After the end of the reporting period, SHELLY GROUP SE submitted to the FSC, the BSE and the public additional information.

Date	NOTIFICATION
09.04.2025	<p>According to preliminary data as of the end of the first quarter of 2025, Shelly Group reports an increase in consolidated revenues from Shelly devices and related services compared to the same period of the previous year by approximately 29% to approximately EUR 26.5 million (approximately BGN 51.8 million). With this, Shelly Group significantly exceeded the planned increase in sales revenue for the first quarter of 2025 by up to 25%.</p> <p>In view of the increasing sales revenue in the US, but still low share of the US business in the Group's sales revenue, the Company expects the current disputes regarding tariffs to have only a minor effect on the sales and revenue situation.</p> <p>The Company will officially announce unaudited consolidated financial data as of the end of the first quarter of 2025 on May 14, 2025 after the close of trading.</p>

	After the end of reporting period the Board of Directors of Shelly Group SE took a decision to establish a subsidiary in Poland with a registered capital of BGN 729 thousand (PLN 1 600 000). The subsidiary was registered on April 24, 2025.
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**9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY**

All information considered relevant by the Company is set out in this Report, the Financial Statements and the notes thereto.

Date: 29 April, 2025

For SHELLY GROUP SE:

Dimitar Dimitrov  
CEO