



EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2019

ALLTERCO JSCo  
UIC 201047670

Unless otherwise stated, all amounts are in BGN thousand.

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## 1. Information about the group

### 1.1. Legal status

Allterco JSCO (Parent-company), city of Sofia is entered in the Commercial Register of the Registry Agency with UIC on Bulstat (Unified Identification Code according to the Bulgarian Statistical Register): 201047670. The Parent-company having its registered seat and headquarters address at: 1407 Sofia, 103, Cherni vrah Blvd. The Company is registered with a share capital of BGN 5 488 000 (five million four hundred eighty-eight thousand Bulgarian levs), distributed in 5 488 000 ordinary registered voting shares with par value of BGN 1.00 each. The registered share capital of Allterco JSCo is fully paid up. At the end of 2015, the capital was increased to BGN 13 500 thousand through monetary contributions and in-kind contributions. At the end of 2016, the capital was increased to BGN 15,000 thousand after the successful initial public offering of the Bulgarian Stock Exchange.

### 1.2. Ownership and Management

The Allterco Group includes Allterco JSCo (the parent-company) and its subsidiaries, in which the parent-company has a direct or indirect controlling interest. Allterco JSCo is a public company under the Public Offering of Securities Act.

The distribution of the share capital of the company Allterco JSCo at the end of the last two financial years is as follows:

Name	as at 31 December 2018	
	Number of shares:	in the capital
Svetlin Todorov	5 776 120 pcs.	38.51%
Dimitar Dimitrov	5 776 120 pcs	38.51%
Viktor Atanasov	1 120 500 pcs.	7.47 %
Persons holding less than 5% of the capital		
Other individuals and legal entities	2 327 260 pcs.	15.51 %
<b>Total</b>	<b>15 000 000 pcs</b>	<b>100.00%</b>

Name	as of 30 June 2019	
	Number of shares:	% in the capital
Svetlin Todorov	5 776 120 pcs.	38.51%
Dimitar Dimitrov	5 776 120 pcs	38.51%
Viktor Atanasov	1 120 500 pcs.	7.47 %
Persons holding less than 5% of the capital		
Other individuals and legal entities	2 327 260 pcs.	15.51 %
<b>Total</b>	<b>15 000 000 pcs</b>	<b>100.00%</b>

Allterco JSCo is managed and represented by Svetlin Todorov and Dimitar Dimitrov.

Members of the Board of Directors as of 30.06.2019 is as follows:

1. Dimitar Stoyanov Dimitrov
2. Nikolay Angelov Martynov
3. Svetlin Iliev Todorov

Unless otherwise stated, all amounts are in BGN thousand.

By a resolution of the Extraordinary General Meeting of Shareholders held on 20 December 2018, the Board of Directors was reduced from 5 to 3 members.

### 1.3. Scope of business activity

The main activity of Allterco JSCo is the acquisition, management, evaluation and sale of holdings in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, assignment of licenses for use of patents of companies in which the Company participates; financing of companies in which the Company participates. As of June 30, 2019, as in the previous year, the Group companies perform the following activities - value added telecommunication services, SMS services, MMS services, JAVA services, mobile notifications, development and maintenance of web portals and platforms, promotional games and value-added games.

The group companies' portfolios include the following main groups of services or products:

- Development and provision of premium services targeted at mobile operators and large corporate customers.
- SMS and voice gateway services (technical connectivity)
- Mobile marketing and mobile notifications
- Manufacturing and marketing of smart devices for home and industry automation
- Online payments

### 1.4. GROUP STRUCTURE

As of 30.06.2019, the Group includes Allterco JSCo and 12 subsidiaries, which controls directly or indirectly.

Name of the enterprises	30 June 2019 Percentage of participation	31 December 2018 Percentage of participation
<b><i>In the country</i></b>		
TERA COMMUNICATIONS AD	99.98%	99.98%
TERA VOICE EAD (Solely-owned JSCo)	100%	100%
ALLTERCO FINANCE OOD (Ltd.) (ALLTERCO TRADING OOD (Ltd.))	67%	67%
ALLTERCO ROBOTICS EOOD (Solely-owned Limited Liability Company)	100%	100%
ALLTERPAY EOOD (Solely-owned Limited Liability Company)	-	100%
ALLTERCO PROPERTIES EOOD (Solely-owned Limited Liability Company)	100%	100%
<b><i>On abroad</i></b>		
TERA COMMUNICATIONS DOOEL, Northern Macedonia	-	100%
TERACOMM RO SRL, Romania	-	100%
ALLTERCO PTE LTD., Singapore	100%	100%
ALLTERCO SDN LTD., Malaysia	100%	100%
ALLTERCO CO. LTD, Thailand	49%	49%
GLOBAL TERACOMM INC, USA	67 %	67 %

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

In the first half of 2019, the Company sold its participation in three subsidiaries (Allterpay EOOD (Solely-owned Limited Liability Company), Tera Communications DOOEL and Teracomm RO) to its subsidiaries Tera Communications AD and Teravoice EAD (Solely-owned PLC) (Solely-owned PLC), i.e. indirectly continues to exercise control over them. The sale of these companies is part of a transaction with Link Mobiliti, Norway, in which Allterco JSCo sells 5 subsidiaries operating in providing value-added services to mobile phone owners.

## **2. Basics of accounting policies of the Group**

The accounting policy defines the initial assumptions, principles, rules, bases and procedures adopted by ALLTERCO JSCo and its subsidiaries, hereinafter referred to as the Companies (the Group), for accounting the activities of the companies and for presenting the information in the consolidated financial statements.

The accounting policy is applied by the Group for the preparation of the interim and annual financial statements for the year.

The accounting policy has been developed in accordance with the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB), and the interpretations on their application developed by the IFRS Interpretation Committee (IFRIC) adopted by the European Union.

### **2.1. Basis for Preparation of the Consolidated Financial Statement**

The Group meets the criterion of a public interest entity and these consolidated financial statements have been prepared in accordance with International Accounting Standards, an issue of the International Accounting Standards Board, and adopted by the European Union.

As of 30 June 2019, IASs include International Accounting Standards (IAS), International Financial Reporting Standards (IFRSs), Interpretations of the Standing Interpretation Committee and Interpretations of the IFRS Interpretation Committee. The IAS Board reissues annually the standards and explanations thereof, which, after being formally approved by the European Union, are valid for the year for which they were issued. However, many of them are not applicable to the company's business because of the specific issues that are addressed in them.

### **2.2. Initial application of new and amended IFRSs in force for the current accounting period**

The Group's management has considered with all standards and interpretations that apply to the business and have been formally adopted by the EU as of the date of preparation of these consolidated financial statements.

Management has reviewed the changes in accounting standards that have become effective as of January 1, 2019, and believes that they do not require significant changes to the accounting policies applied this year, except for IFRS 16 Leasing, in connection with the application of which,

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the Group is still in the process of determining its effect.

#### **2.4. New accounting standards and interpretations, not yet implemented by the Group**

As of 30 June 2019, there are some new standards, amendments to some of the existing ones, as well as clarifications that have been published and approved for implementation by the European Union in future accounting periods.

The Group's management believes that only the following may be relevant to its activities:

##### ***IFRS 16 Leases;***

IFRS 16 introduces a unified approach for accounting of all lease contracts by lessees, whether it comes to operational or financial lease. This new accounting standard replaces the current guidance on leasing contracts accounting in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC 15 Operational Leases - Incentives and SIC 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The new standard becomes effective for accounting periods beginning on or after 01 January 2019.

The Group's management has decided to apply IFRS 16 with effect from 01 January 2019.

IFRS 16 introduces a uniform balance method for accounting of all lease contracts. The lessee under an operating lease recognizes, in its statement of financial position, the asset received as a right of use against the obligation to make lease payments under the contract. Accounting treatment by the lessor continues to be according the current accounting model for both types of leasing contract.

Management is still assessing the effect of of applying the standard and is still unable to provide quantitative information due to the unfinished sale of the business and its forthcoming restructuring as a result of the transaction.

In addition to the above, the Group's management does not consider it necessary to disclose in the consolidated financial statements the name and interpretation of these International Accounting Standards that have been modified and formally approved or disapproved by the European Union that will be effective in the future, but which will not have serious impact on its activities. Such citation of standard names and explanations to them that are not implemented in the Group's operations could lead to misunderstanding and misleading the readers of of information in these financial statements.

#### **2.3. Basis of preparation of the consolidated financial statements**

These consolidated financial statements have been prepared on a historical cost basis and in accordance with the requirements of the accrual basis, going concern, operating entity, prudence, comparability of revenue and expenses, consistency of presentation.

##### **✓ Current accrual**

The financial statements, except for the cash flow statement, are prepared on an accrual basis. On this basis, the effects of transactions and other events are recognized at the time of their

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

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occurrence and not when the cash or cash equivalents

will be paid. They are recorded in the accounting records and accounted in the financial statements for the periods to which they relate.

✓ Principle of going concern

The financial statements of the Group companies are prepared on a going concern basis, assuming that the Company has neither the intention nor the need to proceed with the liquidation or reduction of the volume of its operations, and intends to continue its operations for the foreseeable future. When the financial statements have been prepared in accordance with this principle, but there are known data and circumstances leading to uncertainty about the ability of the company to continue its business, those data and circumstances should be disclosed.

Items (elements of the financial statements) should be recognized as assets, liabilities, equity, income and expenses when they meet the definitions and criteria set out in the General Standards for their recognition.

Assets and liabilities or income and expenses are not compensated unless it is required or permitted by an IFRS.

## 2.4. Comparative data

Under Bulgarian accounting law, the financial year ends on 31 December, and entities are required to submit annual financial statements as of the same date, together with comparative data for the previous year. If necessary, some of the items in the statement of financial position, in the profit or loss statement and other comprehensive income statement and in the statement of cash flows presented in the financial statements for 2018, which are comparative data, in this statement are reclassified in order to get better comparability with 2019 data.

As disclosed in item 2.9, in connection with the Management intentions for sale of investments in subsidiaries, related assets, liabilities and financial results, as part of the consolidated financial statements are presented in *Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale, respectively Profit from discontinued operations*. As of 30 June 2019, the Company has signed a final contract for sale of the above mentioned investments, but the transaction has not yet been finalized, which is why these investments in subsidiaries, related assets, liabilities and financial results are presented as part of the consolidated financial statements. report in the same way as at the end of 2018

## 2.5. Functional currency and recognition of exchange rate differences

### Functional and accounting currency

The accounting currency for the presentation of the elements of the consolidated financial statements is the Bulgarian Lev (BGN), which is the functional currency of Allterco JSCo.

Unless explicitly stated otherwise, the data in the elements of the financial statements and the attachments thereto are presented in thousands of BGN Amounts over BGN 500 are rounded to BGN 1 thousand when presented in the financial statements and the attachment.

Unless otherwise stated, all amounts are in BGN thousand.

The Group's companies keep their accounting records in the functional currency of the country in which they operate. The effects of exchange rate differences related to the settlement of foreign currency transactions or the accounting of foreign exchange transactions at rates other than those at which they were initially recognized are included in the statement of comprehensive income at the time they occur, are treated as "other operating income and loss" and are presented net, except for those related to investments and loans denominated in foreign currency, which are presented as "investment income" and "financial expenses". Non-monetary assets and liabilities initially denominated in foreign currencies should be translated to the functional currency using the historical exchange rate at the date of the transaction and subsequently not revalued at the closing exchange rate.

## 2.6. Transactions and balances

A transaction with foreign currency is recognized initially in the functional currency, by applying the foreign currency exchange rate (spot) between the functional currency and the foreign currency at the time of the transaction or operation.

At each date of financial statement preparation:

(a) monetary positions, receivables and payables denominated in foreign currency are recalculated into the functional currency using the exchange rate published by the BNB on the last business day of the month of the report;

(b) non-monetary items held at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, if an exchange rate other than that of the transaction (average monthly, daily or other) is applied; and

(c) non-monetary items held at fair value in a foreign currency are translated using the exchange rates from the date when the fair value was determined.

Foreign currency exchange differences are recognized in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

The items of the statement of financial position and statement of comprehensive income of foreign companies of the Group, used a functional currency other than Bulgarian lev, are recalculated into BGN to be included in the consolidated statement of the group as follows

- All monetary and non-monetary assets and liabilities (including comparative information) are recalculated at the BNB closing exchange rate at the date of the relevant statement of financial position;
- The income and expense items of each comprehensive income statement are recalculated at the accounting date at the weighted average exchange rate for the accounting year;
- All exchange rate differences obtained are recognized in the statement of other comprehensive income.

The cumulative amount of these exchange rate differences is presented in a separate component of equity until the release of the foreign operation is released.

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## 2.7. Estimates

The presentation of financial statements in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported values of assets and liabilities, of income and expenses, and of the disclosure of contingent receivables and liabilities at the date of preparation of the financial statements. These estimates, accruals and assumptions are based on information available at the date of preparation of the financial statements, and therefore future actual results may differ.

## 2.8. Subsidiaries

Subsidiaries are the entities on which Allterco JSCo exercises control as defined in IFRS 10 Consolidated Financial Statements.

The parent-company (the investor) controls the investee company if the investor has:

- Powers on the company;
- Rights on the returns from participation in the company;
- Ability to use its powers over the entity in order to influence the size of return on investment.

Subsidiaries are controlled from the date on which control is acquired by the Group and they cease to consolidate from the date on which control is assumed to have been lost.

## 2.9. Non-current assets classified as held for sale and assets included in disposal groups for release classified as held for sale

In 2018, the Group's management has decided to sell certain subsidiaries. The carrying amount of assets and liabilities, as well as the results of operations related to the companies that are offered for sale are presented below. In accordance with the requirements of IFRS 5 *Non-current assets held for sale* in the accompanying consolidated financial statements the assets, related liabilities and financial results are presented as subject to immediate sale. The Group did not recognize impairment in respect of assets held for sale and related liabilities presented as assets held for sale, as management believes that the expected proceeds received on a current and prospective basis, reduced by the expected costs of the sale, will exceed their book value.

The final contract for the sale of the above mentioned companies was signed on 29.06.2019 and the transaction was finalized on 29.07.2019.

Assets	30 June 2019 (in BGN thousands)	
Property, machinery and equipment		201
Intangible non-current assets		922
Deferred tax assets		36
Inventory		6
Current receivables		4 860
Prepaid expenses		44
Other receivables		150

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Cash and cash equivalents	1 424
<b>Total assets</b>	<b>7 643</b>

Liabilities	30 June 2019 (in BGN thousands)
Financial leasing	30
Bank loans	
Trade payables	5 344
Payables to personnel	49
Social-security payables	46
Tax payables	131
Other payables	120
<b>Total liabilities</b>	<b>5 720</b>

	For the six months of 2019 (in BGN thousands)
Sales revenue	11 933
Cost price of sales	(10 253)
Gross profit	1 680
Other operating income	8
Sales expenses	(21)
<b>Administrative expenses</b>	<b>(1 649)</b>
Other operating expenses	(79)
Profit (loss) from operating activities	(60)
Financial expenses	(63)
Tax expenses	(13)
Net profit	(136)

## 2.10. Minority interest

Minority interest are valued at the proportionate share of identifiable net assets at the acquisition date.

## 2.11. Consolidation

The consolidated financial statements of the group include the consolidated financial statements of the parent company and the financial statements of subsidiaries prepared as at 30 June 2019. All and the assets, liabilities, capital, income, expenses and cash flows of the group companies are presented as such. belonging to one enterprise.

Subsidiaries are those entities that are controlled by the parent company. Control occurs when the parent company exercises its rights arising from its participation in the subsidiary's capital and has the ability to influence its return from investment through its power. The consolidated financial statements have been prepared in accordance with the same accounting policies with respect to similar transactions and business facts of all companies in the group. All mutual interests, as well as significant internal transactions, balances and unrealized gains in the Group are eliminated and the financial statements are prepared using the full consolidation method. The results of operations of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control over them and cease to be consolidated from the

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date on which such control is lost. When a subsidiary is acquired as a result of an internal group restructuring, its net assets and financial result are included from the beginning of the earliest accounting period presented in the financial statements.

## 2.12. Revenues

Revenue from sales and operating expenses have been accrued at the time of their occurrence, regardless of cash receipts and payments. The accounting and recognition of revenue and expenses should be carried out in compliance with the requirement for a causal connection between them.

Revenue is measured at the fair value of the value of the consideration received or to be received or paid remuneration, less any discounts provided.

The Group recognizes revenue when the amount of revenue can be measured reliably, when it is possible for the Group to obtain future economic benefits, and when it meets specific criteria for each of the Group's activities, as specified below.

Amounts collected on behalf of third parties, such as sales taxes and value added tax, are excluded from revenue.

### ▪ *Revenue recognition under customer contracts*

Revenues in the Group are recognized when the control over the goods and/or services promised in the contract with the customer is transferred to the customer. The control is transferred to the customer upon fulfillment of the contractual obligations by transferring the promised goods and/or rendering the promised services.

As a whole, the Group has come to the conclusion that it is the principal in its revenue arrangements, as the Group generally controls the goods or services before transferring them to the customer.

The Group recognizes revenue when it meets its obligations under the terms of the contract, by transferring the promised service to the customer. An asset (good or service) is recognized as transferred after the customer obtains control over that asset.

### ▪ *Evaluation of a contract with a customer*

A contract with a customer is only available when, upon its entry into force, it:

- ✓ has a commercial nature and motive;
- ✓ the parties have approved it (verbally, in writing or on the basis of "established and generally recognized business practice") and have committed themselves to implement it;
- ✓ the rights of each party may be identified with respect to the goods or services to be transferred;
- ✓ payment terms can be identified; and
- ✓ there is a high probability that the remuneration to which the company is entitled in the

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performance of their contractual duties will be received.

In assessing collectability, all relevant facts and circumstances of the transaction should be taken into account, incl. past experience, customary business practices, published rules and statements made by the Company, collaterals and satisfaction opportunities.

A contract for which any of the above mentioned criteria has not yet been fulfilled shall be re-evaluated each accounting period. Remuneration received under such a contract is recognized as a liability (*liability under a contract*) in the statement of financial position until:

- ✓ all criteria for recognition of a contract with a customer are not met;
- ✓ the company fulfilled its obligations and received all or almost all of the remuneration (non-recoverable); and/or
- ✓ when the contract is terminated and the remuneration received is not recoverable.

In the initial evaluation of its contracts with customers, the Company makes an additional analysis and assessment of whether two or more contracts should be considered as one deal and respectively whether the goods and/or services promised in each separate and/or combined contract should be accounted for as one and/or more performance obligations to fulfill.

Any promise to transfer goods and/or services that are separately identifiable (by themselves and in the context of the contract) is accounted as one performance obligations to fulfill.

The Company recognizes revenue for each *individual obligation to fulfill* at the level of an *individual contract with a customer* by analyzing the type, term and conditions for each specific contract.

- ***Measuring revenue under customer contracts***

Revenue is measured on the basis of the *transaction price* set for each contract.

The *transaction price* is the amount of the remuneration to which the Company expects to receive, except for the amounts collected on behalf of third parties. In determining the price of the transaction, the Company takes into account the terms of the contract and its usual commercial practices.

- ***Transaction price and payment terms***

The transaction price typically includes a fixed sale price, according to a common or customer price list.

- ***Variable remuneration***

The variable remuneration is included in the transaction price only in so far as it is probable that no material adjustment will be made to the amount of recognized cumulative revenue.

### ***Income from services***

The Company reports revenue from services, in compliance with the contractual commitments. Revenues from services are recognized upon completion of the services (by sites) recognized as completed.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

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### ***Other revenue/income***

Other revenue and income are recognized when the right to receive them is established. These include rental income, dividends, interest, benefits. Rental income/operating lease/is recognized for a period equal to the term of the contract in accordance with IAS 17 Lease until December 31, 2018. After that date, the new IFRS 16 Leasing is effective.

Depending on the nature of the business and the contracts with customers, management has assessed the breakdown categories of revenue and disclosed them in *Explanatory Note 4.01*.

### **2.13. Expenses**

The expenses of the Group shall be recognized at the time of their occurrence and of the basis of the accrual principles and comparability. Expenses are recognized when there is a decrease in future economic benefits associated with a decrease in an asset or an increase in a liability that can be measured reliably. Recognition of expenses for the current period is made when accrued revenue is accrued. An expense is recognized immediately in the income statement when the expense does not create future economic benefits or when and to the extent that future economic benefits do not meet the requirements or cease to meet the requirements for recognition of an asset in the balance sheet. Expenses are accounted for on an accrual basis and are comparable to recognized revenue. They are measured at the fair value of the consideration paid or pending for payment.

Expenses for future periods shall be deferred for recognition as current expenses in the period in which the obligations under the contracts to which they refer, were performed.

Financial expenses consist of interest expenses and other direct costs related to loans.

### **2.14. Property, plant and equipment**

Property, plant and equipment (non-current tangible assets) are presented in the financial statements at acquisition cost (cost) less accumulated depreciation and impairment losses.

#### **Initial measurement**

Upon initial acquisition, property, machinery and equipment are valued at acquisition cost (cost), which includes the purchase price, customs charges and any directly attributable costs of bringing the asset to working condition. Direct expenses are as follows: expenses for preparation of the object, expenses for initial supply and processing, expenses for installation, expenses for project related personnel remuneration fees, non-refundable taxes, etc.

When acquiring property, plant and equipment on a deferred payment basis, the purchase price is equivalent to the present value of the liability, discounted based on the interest rate on the borrowed resources of the company with a similar maturity and purpose. The difference between the cash price equivalent and the general payment is recognized as interest over the course of the loan unless it is capitalized in accordance with IAS 23.

#### **Measurement after recognition**

Unless otherwise stated, all amounts are in BGN thousand.

The approach chosen by the Group for the subsequent balance sheet assessment of property, plant and equipment is the acquisition cost model - less any subsequent depreciation and any accumulated impairment losses.

For all other classes of non-current tangible assets, the company has applied the acquisition cost model.

### **Depreciation Methods**

The Company uses a straight-line depreciation method for non-current tangible assets. Depreciation of assets begins when they are available for use. The useful lives of groups of assets are determined in accordance with: the physical wear and tear, the specifics of the equipment, future intentions for use and expected obsolescence. The useful lives of asset classes are as follows:

Transportation vehicles	4 years
Computer equipment	2-5 years
Office equipment	3- 6,67 years
Other non-current tangible assets	6,67 years

The useful life of non-current tangible assets is reviewed at the end of each year and, if significant deviations are found against future expectations for the useful life of the assets, it same is adjusted prospectively.

### **Derecognition of non-current tangible assets**

The carrying amount of an item of property, plant and equipment is derecognized: on disposal, when no other economic benefits are expected from its use, or if the asset is not available for some reason.

Gains or losses from the derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the asset is derecognized (unless IAS 17/IFRS 16 requires otherwise in the sale and leaseback). Gains and losses on disposal of non-current assets are determined by reducing the proceeds from proceeds from the sale (disposal) by the carrying amount of the asset and the costs associated with the sale. They are reported net in Other operating income in the statement of comprehensive income. The portion of the revaluation reserve relating to the derecognized asset is transferred directly to retained earnings.

The receivable from disposal of an item of property, plant and equipment is initially recognized at fair value.

### **Intangible assets**

Intangible assets are presented in the financial statements at acquisition cost (cost) less accumulated depreciation and impairment losses. Improvements to a leased asset are included in the cost.

Unless otherwise stated, all amounts are in BGN thousand.

The Group applies a straight-line method of depreciation of intangible assets over a specified useful life of 2 years for software products, 6.67 years for the software platform, 3 years for the ISO certificates.

Net book value of intangible assets is subject to review for impairment, when events or changes in circumstances have occurred, which evidence that their net book value might exceeds their recoverable amount. The impairment is then included as an expense in the statement of comprehensive income.

### **Initial measurement**

Externally created intangible assets are valued at acquisition cost, which includes the purchase price, import duties, non-recoverable taxes and costs of preparing the asset for its intended use. Direct expenses are as follows: costs for preparation (the place where the asset will be used), initial delivery costs, installation costs, project related personnel fees, non-recoverable taxes, etc.

Intangible assets are recognized if they meet the definition of intangible assets specified in IAS38, namely:

- Meets the definition of an intangible asset;
- It's cost can be measured reliably upon acquisition;
- The use of the asset is expected to bring economic benefits that are demonstrated by the availability or plan to acquire sufficient resources, to enable the entity to obtain the expected economic benefits; the ability to effectively perform its functional role in accordance with the enterprise's intention to use it or have clearly defined and specified technical feasibility.

### **Subsequent expenses**

Costs related to the maintenance of initially established standard functionalities incurred after the intangible non-current assets are commissioned are recognized as current at the time they are incurred. Costs that increase the expected future economic benefits of using an intangible asset over the originally determined standard functionalities adjust the carrying amount of the intangible asset.

## **2.15. Leases – accounting policy until 31 December 2018**

### **Operating lease**

Lease where the lessor continues to hold a substantial portion of all the risks and rewards of ownership of the asset shall be classified as operating lease.

Operating lease payments are recognized as an expense in the statement of comprehensive income, as an “administrative expense” on a straight-line basis over the lease term. based on the straight-line method over the lease term. The initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the assets leased out and recognized on a straight-line basis over the lease term.

Unless otherwise stated, all amounts are in BGN thousand.

## Finance lease

The lease under which all risks and rewards of ownership of the asset are transferred to the company is classified as a finance lease and the leased asset is capitalized on the lessee's statement of financial position by presenting it as property, plant and equipment. Upon initial recognition, leased assets are carried at the lower value of at their current fair value or the present value of the minimum lease payments. Minimum lease payments are apportioned between financial expenses (interest) and a decrease in the lease liability (principal). Financial expenses are allocated to each period over the lease term so that a constant interest rate is reached on the remaining outstanding portion of the principal on the lease liability. Interest expenses are included in the statement of comprehensive income as "Financial expenses".

Assets acquired under a finance lease are depreciated based on the useful life of the asset and within the lease term.

## 2.16. Provisions

Provisions are recognized when the Group has a present (constructive or legal) liability as a result of a past event, and it is probable that the discharge/settlement of that liability is related to a drain of resources. The provisions are measured based on management's best estimate as of the date the financial statements are prepared for the expenses required to settle the relevant liability. The estimate is discounted when the liability is long-term. When part of the resources that will be used to settle the liability to be recovered from a third party is expected, the company recognizes a receivable if there is a high degree of certainty that this receivable will be collected, its value can also be reliably determined within the same item in the statement of comprehensive income, where the provision is presented itself.

## 2.17. Inventory

Inventories are accounted at the lower of the following acquisition cost (cost) and net realizable value.

The costs incurred to bring an inventory to its present condition and location are included in the cost of acquisition (cost) as follows:

- Materials - the purchase price and all related costs of delivery;
- Goods - the purchase price and all related costs of delivery, customs duties, transport costs, non-recoverable taxes and other costs incurred in order to bring the goods in ready for use state.

In the use (sale) of inventory, the first-in-first-out method is used.

## 2.18. Pension and other payables to staff

The employment and social security relations with the employees of the Group are based on the provisions of the Labor Code and the provisions of the existing social security legislation in the Republic of Bulgaria and the law of the country in which a subsidiary is incorporated. The

Unless otherwise stated, all amounts are in BGN thousand.

Group accrues and realizes staff income by type, as follows:

### **Short-term income**

Short-term are those staff benefits in the form of remuneration, bonuses and social allowances and benefits that are due within 12 months as of the end of the accounting period in which the staff have worked for them or fulfilled the necessary conditions for their receipt. They are recognized as current expense in the Statement of Comprehensive Income in the accounting period in which the work is performed and as a current liability in the Statement of Financial Position (after deducting any amounts and deductions already paid).

At the date of preparation of the financial statements, the Company assesses the expected amount of accumulated unused paid leave, which is expected to be paid to employees. The estimate includes the non-discounted amount of the remuneration due, as well as the cost of the compulsory state social security contributions paid by the employer owed on these amounts. The amount of estimated unused paid leave is recognized as current expense in the statement of comprehensive income. The Company recognizes as a current liability in the statement of financial position the non-discounted amount of estimated expenses for unused paid annual leave for previous accounting periods.

### **Program with defined social security contributions**

The insurance and retirement plans implemented by the Companies in their capacity as an employer are based on the Bulgarian social security legislation and are defined contribution plans. According to them, the employer pays certain social security contributions on a monthly basis, based on statutory rates, and there is no legal or constructive liability to pay future insurance contributions to the insurance funds in cases where they do not have sufficient cash to pay to the respective persons the amounts earned by them for their work experience. The liabilities with respect to health insurance are similar.

The amounts of the social security contributions are approved specifically by the State Social Insurance Budget Act and the Budget of the National Health Insurance Fund Act for the respective year. Social security and health insurance contributions payable by the employer are recognized as current expense in the statement of comprehensive income in the accounting period of accrual of the related income to which they relate and as a current liability in the statement of financial position at non-discounted amount.

The companies included in the consolidated statement operating in countries outside Bulgaria, the insurance and pension plans are based on the legislation of the respective country.

There is no established and functioning private voluntary insurance for within the Companies

### **Long-term employee benefits**

According to the Labor Code, Companies operating in Bulgaria are obliged to pay compensation to employees at retirement age, depending on their work experience. By their characteristics, these schemes are "defined benefit plans". Provisions of long-term employee benefits for retirement benefits are not recognized in the statement of comprehensive income, as

Unless otherwise stated, all amounts are in BGN thousand.

there are no employees who will retire in the next 5 years.

## 2.19. Share capital

The Group has adopted the financial concept of reporting the capital. The capital is presented in valued at nominal monetary units. Profit for the accounting period is considered to be acquired only if the total equity amount at the end of the period exceeds the cash amount at the beginning of the period, after deducting profit to owners or their investments in capital during the period.

Allterco JSCo is a joint-stock company and is obliged to register in the Commercial Register its statutory share capital, which shall serve as a security for the receivables of the creditors of the Company. The shareholders are responsible for the liabilities of the Company up to the amount of their shareholding in the capital and may claim the return of that holding only in bankruptcy or liquidation proceedings.

**Equity** is the residual value of an entity's assets after deducting all its liabilities. This includes:

**Registered capital** - is presented in the Statement of financial position according to the number of issued shares multiplied by par value per share.

**Financial result** - is formed as the difference between the revenue and the accrued expenses. This includes:

- a) undistributed profit;
- b) uncovered loss;

(c) the balance sheet profit or loss for the current year, which is presented in the statement of financial position after deduction of tax expense.

Equity is decreased by the dividends paid to the shareholders during the period in which they will be distributed (voted by the General Meeting).

In accordance with the requirements of the Commercial Law and the Statute of Allterco JSCO is obliged to form reserves at the expense of:

- at least one-tenth of the annual profit, until the funds accumulated reach 25 per cent of the share capital;
- the funds received above the nominal value of the shares issued (premium reserve);

**Currency exchange rate reserve formed from the translation of financial statements of foreign subsidiaries** - arises from the net effects of foreign currency translation of subsidiaries from their functional currencies into Bulgarian levs for the purposes of consolidation.

### Income tax

Income tax for the year represents the sum of current and deferred taxes.

Current income taxes are determined in accordance with the requirements of the relevant legislation. The nominal tax rate in Bulgaria for 2019 and 2018 is 10%, for Singapore - 17%;

Unless otherwise stated, all amounts are in BGN thousand.

Romania - 16%; in Macedonia - 10%; in Malaysia, for profit up to the MYR 500,000 is 20% and for the excess is 25%, for the United States of America: 15 - 35% and for Thailand 20%.

Deferred income taxes are determined using the balance sheet liability method with respect to any temporary differences that exist between the carrying amounts and the tax bases of the individual assets and liabilities at the date of preparation of the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences:

Deferred tax assets shall be recognized for all deductible temporary differences and for unused tax losses, to the extent that it is probable they will reverse when sufficient taxable profit or taxable temporary differences is expected to be granted in the future, which can offset these deductible differences.

The carrying amount of all deferred tax assets is reviewed at each financial statement date and if necessary it is reduced to the extent that it is probable that they will reverse and generate sufficient taxable profit from which they can be deducted.

Deferred taxes relating to items that are accounted for directly in own equity or other balance item are also accounted for directly in the respective equity component or the balance item.

Deferred tax assets and liabilities are estimated at the tax rates that are expected to apply to the period during which the assets will be realized and the liabilities will be settled (repaid), based on the tax legislation that is in force or is expected with a high degree of certainty and are offset in a separate item in the statement of financial position.

As of 30.06.2019, 31.12.2018 there are deferred income taxes only for Bulgarian companies and they are estimated at a rate of 10%.

### **Earnings per share**

The basic earnings per share are calculated by dividing the net profit or loss for the period that is subject to distribution among shareholders – holders of ordinary shares, by the average weighted number of ordinary shares held during the period.

The weighted average number of shares represent the number of shares of common stock hold at beginning of the period, adjusted by the number of repurchased ordinary shares issued during the period multiplied by a time-weighting factor. This factor represents the number of days in which specific shares have been held relative to the total number of days in the period.

Diluted earnings per share should not be calculated because there are no dilutive potential shares issued.

### **2.20. Cash and cash equivalents**

Cash includes cash on hand and current accounts, and cash equivalents are short-term deposits with banks whose original maturity is less than 3 months.

The cash flow statement is presented using the direct method.

Unless otherwise stated, all amounts are in BGN thousand.

For the purpose of preparing the cash flow statement:

✓ Cash inflows from customers and cash payments to suppliers are presented gross, including VAT;

✓ VAT on purchases and sales of non-current assets is stated in the cash flows from operating activities, to the extent it participates and is recovered in the operating cash flows of the Company for the relevant accounting period.

✓ Interest on loans and deposits granted/received is included as part of cash flow from financing activities.

Cash and cash equivalents are subsequently presented at amortized cost, without any accumulated adjustments for expected credit losses.

## 2.21. Financial instruments

### Financial assets

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument of another enterprise.

#### *Initial recognition, classification and measurement*

Upon initial recognition, financial assets are classified into three groups, according to which they are subsequently measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and the business model of the Company.

The business model of the Company for management of financial assets reflects how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows are the result of contractual cash flows, the sale of financial assets, or both.

#### *Measurement*

The Group initially evaluates financial assets at fair value, and in the case of financial assets that are not carried at fair value through profit or loss, the direct transaction costs are added. An exception is trade receivables that do not contain a material financing component - they are estimated based on the transaction price determined in accordance with IFRS 15 and the invoice issued.

#### *Subsequent measurement*

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (reclassified to profit or loss);

Unless otherwise stated, all amounts are in BGN thousand.

- Equity instruments carried at fair value through other comprehensive income (without reclassification in profit or loss);
- Financial assets (debt instruments, equity instruments and derivatives) measured at fair value through profit or loss.

During the current period, the Group reports financial assets in one of these categories - financial assets at amortized cost.

### **Financial assets at amortized cost (debt instruments)**

This category is the most significant for the company.

The Group measures financial assets at amortized cost when both of the following conditions are satisfied:

- the financial asset is held and used within a business model that aims to hold the asset in order to obtain contractual cash flows from it, and
- the terms of the contract of the financial asset generate cash flows at specific dates, which represent only principal payments and interest on the principal outstanding.

The Group's management has assessed that financial assets representing cash in banks, interest-bearing receivables from related parties, trade receivables and other receivables (ie trade receivables and others) are held by the Group in order to obtain the agreed cash flows and it is expected to result in cash flows that represent solely principal and interest payments under the business model applied.

Financial assets at amortized cost are subsequently measured using the effective interest rate method (EIR). They are subject to impairment. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the asset is written off, modified or impaired.

### *Derecognition*

A financial asset is derecognized in the statement of financial position of the Group when:

- the rights to obtain cash flows from the asset have expired, or
- the rights to receive cash flows from the asset have been transferred or the Group has assumed an obligation to pay in full the received cash flows, without material delay, to a third party through a transfer agreement. In this case, the Group recognizes the liability associated with it. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement, which is in the form of a guarantee on the transferred asset, is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Group may be required to pay.

### *Impairment of financial assets*

The Group recognizes an adjustment (impairment allowance) for expected credit losses on all debt instruments that are not carried at fair value through profit or loss. Expected credit losses are calculated

Unless otherwise stated, all amounts are in BGN thousand.

as the difference between the contractual cash flows payable under the terms of the contract and all the cash flows that the Group expects to receive discounted at the original effective interest rate.

At each accounting date, the Company determines whether the debt instrument is assessed as such with low credit risk using all reasonable and reasoned information that is available without incurring unnecessary expense or effort. In making this assessment, the Group reviews the internal credit rating of the debt instrument. In addition, the Group assesses whether there is a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial instrument as default when contractual payments are overdue for more than 60 days. However, in certain cases, it may treat a financial asset as default when internal or external information provides an indication that it is unlikely that the Group will receive the full amount of the outstanding contractual amounts before taking into account any were credit enhancements held by it. Financial assets are written off when there is no reasonable expectation of collection of contractual cash flows.

To calculate the expected credit losses of *trade receivables and assets under customer contracts*, the Group has chosen and applies a simplified matrix-based approach to calculating expected credit losses and does not track subsequent changes in their credit risk. In this approach, it recognizes an adjustment (impairment allowance) based on the expected credit loss for the entire receivable period at each reporting date. The Group has developed and applies a provisioning matrix based on historical experience with respect to credit losses, adjusted for debt-specific and economic environment, and correlated with the percentage of credit losses.

Financial assets are written-off when there is no reasonable expectation of collection of contractual cash flows.

## **Financial liabilities**

### *Initial recognition, classification and measurement*

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and trade and other payables, net of directly related transaction costs.

### *Subsequent measurement*

Subsequent measurement of financial liabilities depends on their classification as described below.

### *Financial liabilities measured at amortized cost*

This category is essential for the Group. Subsequent to their initial recognition, the Group measures interest-bearing loans and borrowings at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the corresponding financial liability is derecognized, as well as through amortization at the effective interest rate method.

Amortized cost is calculated by taking into account any discounts or acquisitions, as well as fees or expenses, which are an integral part of the effective interest rate. Depreciation is included as a “financial expense” in the statement of comprehensive income (in profit or loss for the year).

### *Derecognition*

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

Financial liabilities are derecognized when the liability is discharged or terminated or expires. When an existing financial liability is replaced by another of the same lender under substantially different conditions, or the terms of an existing liability are substantially altered, such exchange or modification shall be treated as extinguishment of the original liability and recognition a new one. The difference in the carrying amount of a financial liability settled or transferred to another party in cash and/or non-monetary assets is recognized in profit or loss for the period.

### ***Financial liabilities and equity instruments***

The Group classifies debt and equity instruments either as financial liabilities or as equity, depending on the nature and terms of the contract with the relevant counterparty regarding those instruments.

#### ***Financial liabilities***

Financial liabilities include loans (credits), payables to suppliers and other counterparties. They are initially recognized in the balance sheet at fair value, net of direct transaction costs, and subsequently at amortized cost using the effective interest method.

### **2.22. Judgments that are crucial in applying accounting policies of the Group Key high uncertainty estimates and assumptions made by the management "**

In the process of applying accounting policies, the Group's management makes judgments that have a material effect on these financial statements. Such judgments by definition are rarely equal to actual results.

As a result of their nature, they are subject to constant review and updating and include historical experience and other factors, including expectations for future events, that management believes are reasonable in the current circumstances.

The estimates and assumptions that carry a significant risk of a material adjustment in the carrying amounts of assets and liabilities in the next financial year are set out below.

#### ***Impairment of investments in subsidiaries***

The management analyzes and evaluates whether there are any indicators of impairment of its investments in subsidiaries. The following are recognized as major indicators of impairment: significant reduced volume or ceased operations of the subsidiaries in which it has invested; incurring losses over a longer period, changes in market conditions with the expected long-term or medium-term adverse effect on the business, restructuring of the Group as a result of the sale of part of the business or change in the strategic focus of the Group, and accounting of negative net assets or assets below the registered share capital.

Tests and judgments of the Investment Impairment Management have been made through the prism of its plans and intentions for the future economic benefits expected to be obtained from subsidiaries, including trading and manufacturing experience, securing positions in foreign markets, future sales expectations, and more.

#### ***Employee retirement benefits***

Unless otherwise stated, all amounts are in BGN thousand.

The obligation for employee benefits upon retirement is determined by actuarial valuation. This assessment requires assumptions about the discount rate, future wage increases, staff turnover and mortality rates. Due to the long-term nature of staff retirement income, these assumptions are subject to considerable uncertainty. As of the accounting date, the average age of the Group's employees is relatively low, therefore, there is no actuarial assessment of the obligation for employee benefits upon retirement.

#### ***Useful life of property, plant and equipment and intangible assets***

The financial statements of property, plant and equipment and intangible assets include the use of estimates of their useful lives and carrying values, which are based on judgments made by the Group's management.

#### ***Impairment of receivables***

Management estimates the amount and timing of expected future cash flows related to receivables based on experience in current circumstances in the following groups: individual accounts, households and other small consumers and legal claims. Due to the inherent uncertainty of this assessment, the actual results may differ from those expected. The Company's management reviews the estimates from previous years against the actual results from the previous year.

In connection with the application of IFRS 9 Financial Instruments, the Group companies have used their accumulated experience in the area of credit losses, and have taken into account current conditions and their forecasts to estimate the expected credit losses on their trade receivables.

#### **2.23. Fair values**

Fair value is the price that could be obtained from the sale of an asset or could be paid for the transfer of a liability in the ordinary course of trade between market participants at the date of assessment (starting price). Fair value assessment is based on the assumption that the transaction to sell an asset or transfer a liability has been carried out:

- on the principal market of the respective asset or liability, or
- in the absence of a principal market. most advantageous market for the asset or liability.

The access to the principal or the most advantageous market should be available for the Company.

The fair value of an asset or liability is estimated by making the assumptions that market participants would make when establishing the price of the asset or liability. assuming that they act in their best economic interest.

All assets and liabilities that are measured at fair value or for which fair value disclosure is required in the financial statements, are grouped into categories according to the fair value hierarchy, as described below, based on the lowest level of input used, which has a significant impact on fair value measurement in general:

- Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities are used;

*Unless otherwise stated, all amounts are in BGN thousand.*

- Level 2: incoming data other than quoted prices included in Level 1 that directly (i.e. as prices) or indirectly (i.e. derived from prices) are available for viewing for the asset or liability.
- Level 3: incoming data for the asset or liability that are not based on observable market data (unobservable incoming data).

If incoming data used to estimate the fair value of the asset or liability can be categorized into different levels from the fair value hierarchy, then the fair value measurement is categorized in its entirety at this level from the fair value hierarchy whose input it is relevant to the overall assessment.

The company recognizes transfers between hierarchy levels in the fair value hierarchy at the end of the accounting period of the change occurrence.

More information about the assumptions made in estimating fair values is included in the relevant appendices.

Unless otherwise stated, all amounts are in BGN thousand.

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Notes to the consolidated statement of financial position

#### 3.01. Property, plant and equipment

	Land	Buildings	Plant and equipment	Vehicles	Computer equipment	Office equipment	Non-current assets acquired under financing contracts	Others	Expenses for acquisition of fixed tangible assets	Total
<b>01.01.2018</b>										
Acquisition cost	465	3 056	14	734	268	176	436	155	31	5 335
Depreciation	-	-	(4)	(412)	(168)	(156)	(7)	(112)	-	(859)
Book value	465	3 056	10	322	100	20	429	43	31	4 476
<b>Acquisitions (at cost)</b>	-	67	641	101	420	11	646	3	127	2 016
Purchase	-	-	641	19	413	11	646	3	127	1 860
Financial leasing	-	-	-	82	-	-	-	-	-	82
In an economic manner	-	-	-	-	7	-	-	-	-	7
Overhaul	-	67	-	-	-	-	-	-	-	67
<b>Reductions (book value)</b>	-	-	-	(24)	(24)	-	(1 075)	-	(98)	(1 221)
Sale	-	-	-	(24)	-	-	-	-	-	(24)
Put into operation	-	-	-	-	-	-	(1 075)	-	(67)	(1 142)
Reclassification	-	-	-	-	(24)	-	-	-	(31)	(55)
<b>Depreciation for the period</b>	-	(84)	(18)	(107)	(113)	(6)	-	(17)	-	(345)
<b>Changes in depreciation</b>	-	-	(7)	181	-	-	-	-	-	174
Depreciation on derecognized assets	-	-	-	181	-	-	-	-	-	181
Other manner	-	-	(7)	-	-	-	-	-	-	(7)
<b>31.12.2018</b>										
Accounted value	465	3 123	662	630	664	187	7	158	60	5 956
Depreciation	-	(84)	(29)	(338)	(281)	(162)	(7)	(129)	-	(1 030)
Assets intended for sale	-	-	(1)	(58)	(204)	(15)	-	(14)	-	(292)
Book value	465	3 039	632	234	179	10	-	15	60	4 634
<b>01.01.2019</b>										
Acquisition cost	465	3 123	662	630	664	187	7	158	60	5 956
Depreciation	-	(84)	(29)	(338)	(281)	(162)	(7)	(129)	-	(1 030)
Assets intended for sale	-	-	(1)	(58)	(204)	(15)	-	(14)	-	(292)
Book value	465	3 039	632	234	179	10	-	15	60	4 634
<b>Acquisitions (at cost)</b>	-	-	60	11	4	8	-	5	-	88
<b>Reductions (book value)</b>	-	-	-	(31)	-	-	-	-	-	31
Sale	-	-	-	(31)	-	-	-	-	-	31
<b>Depreciation for the period</b>	-	(62)	(2)	(56)	(210)	(7)	-	(9)	-	(346)
<b>Changes in depreciation</b>	-	-	-	31	-	-	-	-	-	31
Depreciation on derecognized assets	-	-	-	31	-	-	-	-	-	31
<b>Carrying value at the end</b>	-	-	-	-	-	-	-	-	-	-
<b>30.06.2019</b>										
Acquisition cost	465	3 123	722	641	668	195	7	163	60	6 044
Depreciation	-	(146)	(31)	(394)	(491)	(169)	(7)	(138)	-	(1 376)
Assets held for sale	-	-	-	(46)	(134)	(9)	-	(13)	-	(202)
Book value	465	2 977	691	201	43	17	-	12	60	4 466

Unless otherwise stated, all amounts are in BGN thousand.

### 3.02. Intangible assets

	Software platform and internally generated platforms	Software products	ISO certificates and intellectual property rights	Patents, licenses, trademarks, prototypes	Internally developed Products and other	Expenses for acquisition of intangible fixed assets	Total
<b>01.01.2018</b>							
Acquisition cost	909	292	893	1 951	31	-	4 076
Depreciation	(429)	(54)	(22)	(54)	(1)	-	(560)
Book value	480	238	871	1 897	30	-	3 516
Acquisitions (at cost)	-	-	-	804	693	2 351	3 848
Purchase	-	-	-	-	220	495	715
Internally generated	-	-	-	-	362	1 154	1 516
Put into operation	-	-	-	804	111	-	915
Reclassification	-	-	-	-	-	702	702
Reductions (book value)	-	-	-	(702)	-	(1 497)	(2 199)
Put into operation	-	-	-	-	-	(1 265)	(1 265)
Reclassification	-	-	-	(702)	-	-	(702)
Other manner	-	-	-	-	-	(232)	(232)
Depreciation for the period	(78)	(31)	(82)	(229)	(45)	-	(465)
<b>31.12.2018</b>							
Acquisition cost	909	292	893	2 053	724	854	5 725
Depreciation	(507)	(85)	(104)	(283)	(46)	-	(1 025)
Assets intended for sale	(401)	(207)	-	(495)	-	-	(1 103)
Book value	1	-	789	1 275	678	854	3 597
<b>01.01.2019</b>							
Acquisition cost	909	292	893	2 053	724	854	5 725
Depreciation	(507)	(85)	(104)	(283)	(46)	-	(1 025)
Assets intended for sale	(401)	(207)	-	(495)	-	-	(1 103)
Book value	1	-	789	1 275	678	854	3 597
Acquisitions (at cost)							
Purchase	59	18	-	-	-	-	77
Internally generated	-	-	-	-	497	-	497
Depreciation for the period	(99)	(32)	(64)	(188)	(39)	-	(422)
<b>30.06.2019</b>							
Acquisition cost	968	310	893	2 053	724	1 351	6 299
Depreciation	(606)	(117)	(168)	(471)	(85)	-	(1 447)
Assets intended for sale	(362)	(193)	-	(367)	-	-	(922)
Book value	-	-	725	1 215	639	1 351	3 930

Unless otherwise stated, all amounts are in BGN thousand.

### 3.03. Goodwill

Name	30 June 2019	31 December 2018
Tera Communications AD	7 396	7 396
Global Teracomm Inc., USA	34	34
Allterco Sdn, Malaysia	30	30
Allterco PTE Ltd, Singapore	7 995	7 995
Allterco Properties EOOD (Solely-owned Limited Liability Company)	126	126
<b>Total:</b>	<b>15 581</b>	<b>15 581</b>

### 3.04. Deferred tax assets

	30 June 2019	31 December 2018
<b>Deferred tax assets</b>		
Accruals for unused leave	17	17
Provisions for liabilities	38	38
Impairment of receivables	1	2
Assets intended for sale	<b>(36)</b>	<b>(36)</b>
<b>Total assets by deferred assets</b>	<b>20</b>	<b>21</b>
<b>Deferred tax liabilities</b>		
Provision for receivables	-	-
<b>Total deferred taxes liabilities</b>	-	-
<b>Total deferred taxes (assets)/liabilities</b>	<b>(20)</b>	<b>(21)</b>

### 3.05. Inventory

	30 June 2019	31 December 2018
Materials	-	2
Goods	1 267	969
Assets intended for sale	(6)	(7)
<b>Total:</b>	<b>1 261</b>	<b>964</b>

### 3.06. Trade receivables

	30 June 2019	31 December 2018
Receivables from customers	8 597	11 598
Advances to suppliers	1 999	1 189
Assets intended for sale	(4 893)	(5 134)
<b>Total:</b>	<b>5 703</b>	<b>7 653</b>

Unless otherwise stated, all amounts are in BGN thousand.

### 3.07. Other receivables

	30 June 2019	31 December 2018
<b>TAX RECEIVABLES</b>	<b>421</b>	<b>275</b>
Corporate tax	73	43
VAT refund receivable	389	280
Customs fees	-	1
Assets intended for sale	(41)	(49)
<b>OTHER RECEIVABLES</b>	<b>469</b>	<b>155</b>
Receivables on court disputes	101	146
Receivables from insurance policies	-	22
Deposits in trading companies and guarantees	37	37
Other receivables	406	8
Assets intended for sale	(75)	(58)
<b>total:</b>	<b>890</b>	<b>430</b>

### 3.08. Cash and cash equivalents

	30 June 2019	31 December 2018
Cash on hand	46	82
Cash funds in current accounts	3 052	2 276
Restricted cash (guarantees)	290	290
Assets intended for sale	(1424)	(2 105)
<b>Total:</b>	<b>1 964</b>	<b>543</b>

### 3.09. Prepaid expenses

	30 June 2019			31 December 2018		
	up to one year	More than one year	Total	up to one year	More than one year	Total
<b>Operating activity</b>						
Insurances	3	-	3	3	-	3
Training	-	-	-	28	-	28
Others	52	-	52	59	-	59
Assets intended for sale	(44)	-	(44)	(73)	-	(73)
<b>Total</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>17</b>	<b>-</b>	<b>17</b>

Unless otherwise stated, all amounts are in BGN thousand.

### 3.10. Bank loans

The amortizable portion of bank loans is as follows:

	<u>30 June 2019</u>	<u>31 December 2018</u>
Raiffeisenbank EAD, including:	3 275	4 132
- up to one year	373	1 206
- more than one year	2 902	2 926
DSK Bank EAD (Solely-owned PLC) (Solely-owned PLC)		233
- up to one year		233
- more than one year		-
Liabilities related to assets intended for sale		(233)
<b>Total bank loans - non-current portion:</b>	<u>2 902</u>	<u>2 926</u>
<b>Total Bank Loans - current portion:</b>	<u>373</u>	<u>1 206</u>

<b>Bank</b>	<b>Raiffeisenbank EAD</b>
Date of conclusion of the contract	25.8.2017
Agreed amount of the loan:	1 620 000
Original currency	EUR
Purpose	Financing up to 90% (excluding VAT) of the purchase price of all company shares representing 100% of the capital of the jointly-owned debtor Allterco Properties EOOD (Solely-owned Limited Liability Company), designated in the concluded between the Borrower and JFC Developments OOD (Ltd.) Share Purchase Agreement
Term	10.5.2029
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC) (Solely-owned PLC)</b>
Date of the Loan Agreement	October 06,2017
Contractual amount	1 140 thousand BGN)
Original currency	BGN
Maturity	25.09.2022
Purpose	Investment
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC) (Solely-owned PLC)</b>
Date of the Loan Agreement	09 November 2018
Contractual amount	BGN 1,600 thousand
Original currency	BGN
Maturity	25 October 2021
Purpose	Investment
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC) (Solely-owned PLC)</b>
Date of the Loan Agreement	28 September 2018

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Contractual amount	BGN 750 thousand
Original currency	BGN
Maturity	25 September 2020
Purpose	Working Capital
<b>Bank</b>	<b>DSK Bank EAD (Solely-owned PLC) (Solely-owned PLC)</b>
Date of conclusion of the contract	24 November 2017
Agreed amount of the loan:	279 thousand BGN)
Original currency	BGN
Purpose	Financing the costs of the implementation of the project "Improvement of the management and organization model and creation of growth capacity of Tera Communications JSCO under a grant contract under the Innovation and Competitiveness Operational Program 2014-2020"
Term	24 May 2019
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC) (Solely-owned PLC)</b>
Date of contract	August, 2015
Total amount	up to EUR 500,000 thousand
Purpose	Working Capital
Currency	EUR
Fixed maturity	31.07.2018
Collaterals	Pledge of receivables

### 3.11. Financial leasing

	30 June 2019			31 December 2018		
	up to one year	More than one year	Total	up to one year	More than one year	Total
Finance lease liabilities	103	111	<b>184</b>	80	144	<b>224</b>
Liabilities related to assets intended for sale	(30)	-	<b>(30)</b>	(19)	(27)	<b>(46)</b>
Finance lease liabilities	73	111	<b>184</b>	61	117	<b>178</b>

Unless otherwise stated, all amounts are in BGN thousand.

### 3.12. Trade liabilities

	<u>30 June 2019</u>	<u>31 December 2018</u>
Suppliers	6 971	6 891
Advances from clients	46	75
Liabilities related to assets intended for sale	(5 464)	(4 835)
<b>Total:</b>	<b><u>1 553</u></b>	<b><u>2 131</u></b>

### 3.13. Payables to personnel

	<u>30 June 2019</u>	<u>31 December 2018</u>
Payables to personnel	79	100
Liabilities under unused paid leave	51	142
Liabilities related to assets intended for sale	(49)	(108)
<b>Total:</b>	<b><u>81</u></b>	<b><u>134</u></b>

### 3.14. Tax liabilities

	<u>30 June 2019</u>	<u>31 December 2018</u>
Corporate tax	63	432
Value Added Tax and GST	183	184
Income tax	106	47
Personal use tax		12
Tax on representation expenses		8
Tax on social expenses		2
Other taxes	138	3
Liabilities related to assets intended for sale	(131)	(340)
<b>Total:</b>	<b><u>359</u></b>	<b><u>348</u></b>

### 3.15. Other payables

	<u>30 June 2019</u>	<u>31 December 2018</u>
Liabilities for acquisition of shares, incl.	675	705
- up to 1 year	675	705
- over 1 years		-
Guarantees		66
Liabilities to employees		6
Other payables		3
Liabilities related to assets intended for sale		(2)
<b>Total other liabilities - non-current portion:</b>		<b><u>-</u></b>
<b>Total other liabilities - current portion:</b>	<b><u>675</u></b>	<b><u>778</u></b>

Unless otherwise stated, all amounts are in BGN thousand.

### 3.16. Equity

Allterco JSCo was incorporated in 2010. The Company's share capital as of December 31, 2018 is BGN 15 000 000 (fifteen million) BGN and is divided in 15 000 000 (fifteen million) ordinary registered shares with a nominal value of BGN 1 each. The share capital is fully paid in by four contributions:

The first issue was made at the incorporation of the Company in the form of a non-monetary contribution of BGN 50,000. Dimitar Stoyanov Dimitrov has made a non-monetary contribution of BGN 25,000, consisting of ordinary registered voting shares with a par value of BGN 1 for each share of the capital of Teravoice EAD. Svetlin Iliev Todorov has made a non-monetary contribution of BGN 25,000, consisting of ordinary registered voting shares with a par value of BGN 1 for each share of Teravoice EAD's capital.

In 2010, a second non-monetary contribution amounting to BGN 5,438,000 was made and the contributors are Dimitar Stoyanov Dimitrov and Svetlin Iliev Todorov. The non-monetary contribution represents shares, with monetary valuation, prepared according to prepared by the Registry Agency - Commercial Register. Appointment of Experts N20100325163625-26.03.2010 pursuant to Art. 72, para. 2 of the Commercial Act, for a total value of BGN 5,438,000.. Dimitar Stoyanov Dimitrov has made a non-monetary contribution to the value of BGN 2,719,000, consisting of 1,500 ordinary registered voting shares of Tera Communications AD's capital. Dimitar Stoyanov Dimitrov has made a non-monetary contribution amounting to BGN 2,719,000, consisting of 1,500 ordinary registered voting shares of the capital of Tera Communications AD.

At the end of 2015, a new issue of 8,012,000 (eight million and twelve thousand) ordinary registered voting shares was issued, with a par value of BGN 1 (one) each.

At the end of 2016 the capital of "ALLTERCO" JSCo was increased by a new issue in the amount of 1,500,000 (one million and five hundred thousand) shares based on the successfully conducted an IPO, as stipulated in the Prospectus for public offering of shares, confirmed by the Financial Supervision by Decision No. 487-E of 08.07.2016 was entered in the Commercial Register under No. 20161108100414 dated 08.11.2016.

In September 2018, two of the major shareholders sold 14,630 shares, each of them.

At the end of the accounting periods the shareholders of the company are:

Name	as at 31 December 2018	
	Number of shares:	in the capital
Svetlin Todorov	5 776 120 pcs.	38.51%
Dimitar Dimitrov	5 776 120/pc	38.51%
Viktor Atanasov	1 120 500 pcs.	7.47 %
Persons holding less than 5% of the capital		
Other individuals and legal entities	2 327 260 pcs.	15.51 %
<b>Total</b>	<b>15 000 000 pcs</b>	<b>100.00%</b>

Unless otherwise stated, all amounts are in BGN thousand.

Name	as of 30 June 2019	
	Number of shares:	% in the capital
Svetlin Todorov	5 776 120 pcs.	38.51%
Dimitar Dimitrov	5 776 120 pcs	38.51%
Viktor Atanasov	1 120 500 pcs.	7.47 %
Persons holding less than 5% of the capital		
Other individuals and legal entities	2 327 260 pcs.	15.51 %
<b>Total</b>	<b>15 000 000 pcs</b>	<b>100.00%</b>

### Earnings per share

	Six months of 2019	Six months of 2018
Net profit for the accounting period in BGN thousands (incl. Minority interest)	859	(247)
Average number of shares:	15 000 000	15 000 000
<b>Earnings per share in BGN:</b>	<b>0.057</b>	<b>(0.016)</b>

### 3.17. Retained earnings

	30 June 2019	31 December 2018
<b>Opening balance</b>	<b>12 227</b>	<b>9 576</b>
Change in minority interest	-	3
Net profit (to owners of parent-company)	747	2 648
Transfer to reserves	(247)	-
<b>Retained earnings</b>	<b>12 727</b>	<b>12 227</b>

## 4. Notes to the consolidated statement of comprehensive income

### 4.01. Sales revenue and direct cost

	For the six months of 2019			For the six months of 2018		
	Goods	Services	Total:	Goods	Services	Total:
<b>Sales revenue</b>	6 764	17 280	24 044	1 841	16 314	18 155
<i>Cost of goods sold</i>	(2 988)	-	(2 988)	(858)	-	(858)
<i>Cost of services rendered</i>		(14 050)	(14 050)		(12 608)	(12 608)
<b>Cost of sales</b>	(2 988)	(14 050)	(17 038)	(858)	(12 608)	(13 466)
<b>Gross profit</b>	<b>3 776</b>	<b>3 230</b>	<b>7 006</b>	<b>1 841</b>	<b>3 706</b>	<b>4 689</b>

Unless otherwise stated, all amounts are in BGN thousand.

#### 4.02. Other operating income

	<u>For the six months of 2019</u>	<u>For the six months of 2018</u>
Profit from sale of tangible fixed assets	-	30
Rent and utility costs	-	24
Written off liabilities	-	2
Insurance contract income	-	7
Foreign exchange rate differences gains	82	55
Other operating income	10	13
<b>Total:</b>	<u><u>92</u></u>	<u><u>131</u></u>

#### 4.03. Administrative expenses

	<u>For the six months of 2019</u>	<u>For the six months of 2018</u>
Materials expenses	163	114
External services	1 246	1 149
Depreciation and amortization	768	326
Salary and social security expenses	2 887	2 904
Other administrative expenses	356	230
<b>Total:</b>	<u><u>5 420</u></u>	<u><u>4 723</u></u>

#### 4.04. Other operating expenses

	<u>For the six months of 2019</u>	<u>For the six months of 2018</u>
Bank fees	44	32
Foreign exchange related expenses	381	88
<b>Total:</b>	<u><u>425</u></u>	<u><u>120</u></u>

#### 4.05. Financial expenses

	<u>For the six months of 2019</u>	<u>For the six months of 2018</u>
Interest on financial leases	3	6
Interest on short-term loans	6	17
Interest on an investment loan	39	48
Other interest	47	13
<b>Total:</b>	<u><u>95</u></u>	<u><u>84</u></u>

### 5. Transactions with related entities

The companies included in the Group are disclosed in item 1.4. During the year, the Group did not engage in transactions with related parties outside the Group which should be disclosed in the consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

## 6. Financial instruments by category

The accounting policies for financial instruments are applied to the units listed below  
 Structure of financial assets and liabilities as of December 31 by category:

	30 June 2019				31 December 2018					
	Cash	Financial assets at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets at fair value through profit and loss;	Total	Cash	Financial assets at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets at fair value through profit and loss;	Total
<i>Financial assets according to the statement of financial position</i>										
Cash and cash equivalents	1 964	-	-	-	1 964	543	-	-	-	543
Trade receivables		5 703	-	-	5 703	-	7 652	-	-	7 652
Deposits in trading companies and guarantees		37	-	-	37	-	37	-	-	37
<b>TOTAL FINANCIAL ASSETS</b>	<b>1 964</b>	<b>5 740</b>	<b>-</b>	<b>-</b>	<b>7 704</b>	<b>3 060</b>	<b>10 226</b>	<b>-</b>	<b>-</b>	<b>13286</b>

	30 June 2019				31 December 2018			
	Financial liabilities accounted at amortized cost	Financial liabilities at specific value (Pooled category)	Financial liabilities at fair value through profit and loss;	Total	Financial liabilities accounted at amortized cost	Financial liabilities at specific value (Pooled category)	Financial liabilities at fair value through profit and loss;	Total
Financial leasing	184	-	-	184	178	-	-	178
Bank loans	3 275	-	-	3 275	4 132	-	-	4 132
Trade liabilities	1 553	-	-	1 553	2 131	-	-	2 131
Liabilities for participations	675	-	-	675	705	-	-	705
Guarantees	-	-	-	-	66	-	-	66
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5 687</b>	<b>0</b>	<b>0</b>	<b>5 687</b>	<b>6 507</b>	<b>0</b>	<b>0</b>	<b>6 507</b>

## 7. Financial risk management

In the ordinary course of business, Group companies may be exposed to various financial risks, the most important of which are as follows: market risk (including foreign exchange risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk. Overall financial risk management is focused on forecasting the performance of certain areas of the financial markets to minimize potential adverse effects that could affect the financial performance. Financial risks are

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Unless otherwise stated, all amounts are in BGN thousand.

currently identified, measured and monitored through various control mechanisms to determine the adequate prices of the materials, goods and services used by the Group companies and the borrowed capital, as well as to adequately assess the market circumstances, the investments they made and the forms of maintaining liquidity reserves without exposure to unjustified concentration of a financial risk.

Financial risk management is currently carried out under the direct management of the Group's management and financial experts in accordance with a policy established by the Board of Directors of the Parent-company, which has developed the basic principles of general financial risk management, on the basis of which the specific procedures for managing the individual specific financial risks, such as currency, price, interest, credit and liquidity risk and risks arising from usage of derivative and non-derivative instruments.

The various types of financial risks to which Group companies are exposed in the course of their business operations are described below, as well as the approach taken to manage them.

## **Market Risk.**

### **a. Currency Risk**

#### *a. Currency Risk*

The Group companies carry out their transactions locally, some in the European Union and others in third countries (Asia). The biggest portion of purchases made by Group companies are denominated in Bulgarian lev (BGN), Euro, Singapore dollars, Romanian lei, Serbian dinars and US dollars. There are also small portion of supplies in Australian dollars, Macedonian Denars and Malaysian Ringgit. In order to control foreign exchange risk, a system for planning of deliveries from countries inside and outside the European Union was introduced, as well as procedures for daily monitoring of movements in foreign exchange rates of foreign currencies and control of forthcoming payments.

#### *Currency sensitivity analysis*

The Group companies are not exposed to currency risk with respect to their euro transactions.

Currency risk is associated mainly to payments in US dollars and other foreign currency. As of June 30, 2019, about half of the Group's financial assets are currencies other than BGN or EUR.

### **b. Price risk**

Group companies are exposed to a specific price risk with respect to the prices of the services provided. Minimizing the risk of negative changes in the prices of services subject to business transactions is achieved by periodically analyzing and discussing contractual relations in order to review and update prices in the light of market changes.

The Group companies do not hold investments in subsidiaries, the shares of which are listed on stock exchanges - accordingly, they are not exposed to financial risks from negative changes in the stock markets. The Group does not have a portfolio of available-for-sale short-term financial investments.

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### **Risk of interest-bearing cash flows**

There is no significant concentration of interest-bearing assets in the Group companies, except for bank deposits and free cash on current accounts with banks. For this reason, income and operating cash flows are largely independent of changes in market interest rates.

At the same time, the cash outflows of the Group companies are exposed to interest rate risk due to the use of bank loans in EUR agreed at a variable interest rate.

Cash in current accounts with banks is subject to interest at interest rates according to the tariffs of the respective banks, which are kept relatively constant over a longer period of time.

The exposure of the Group companies to changes in market interest rates is constantly monitored and analyzed. Different scenarios of refinancing, renewal of existing interest rates and alternative financing are simulated. The simulations cover only significant positions bearing interest rate.

### **Credit Risk**

The financial assets of the Group companies are concentrated in two groups - cash (cash on hand and in bank accounts) and receivables from customers.

Credit risk is basically the risk that the customers of the Group companies will not be able to pay the amounts due in full and in the usual terms. Receivables from customers are presented in the Consolidated statement of financial position at fair value. An impairment charge for doubtful and difficult-to-collect receivables has been accrued since, according to previous experience, there were events leading to losses from uncollectability.

The Group companies do not have a significant concentration of credit risk. Their policy is to negotiate a credit period that is longer than 60 days only with customers who have a long history and commercial cooperation with them. Payments from customers are made both in cash and by bank transfer.

Most of the Group's revenue is generated by mobile operators, which in most cases are large companies with very good credit ratings.

The collectability and concentration of trade receivables is monitored on an ongoing basis, in accordance with the established policy of the Group companies. For this purpose every day the Finance and Accounting Departments review of the open positions on customers and receipts and make an analysis of outstanding amounts.

As of June 30, 2019, the cash and banks transfers are allocated to different banks, which limits the risk with respect to cash and cash equivalents.

### **Liquidity Risk**

Liquidity risk is the risk that the companies face difficulties in meeting their obligations in respect of financial liabilities settled with cash or other financial assets. Most customers of the Group companies are mobile operators that have a very good credit rating and meet payment deadlines.

Unless otherwise stated, all amounts are in BGN thousand.

The Group's companies maintain a conservative liquidity management policy aimed at constantly maintaining an optimum cash reserve and ability to finance their business. They also use borrowed credit resources.

To control liquidity risk, Group companies control the timely payment of new liabilities and the accumulated old ones are repaid by clients on the basis of individual settlement.

The Group companies monitor and control the actual and projected cash flows for future periods and try to match the maturities of assets and liabilities. On an ongoing basis the maturity and timely payment are monitored from financial and accounting department and daily information on available cash and future payments is provided to the management.

### Capital risk management

The Parent-company manages its capital in a way that is aimed at ensuring that it will continue to function as a going concern, will maintain optimal capital structure to reduce capital costs and will provide appropriate return on investment to its shareholders and economic benefits for all stakeholders and participants in its business.

Allterco JSCo monitors the security and structure of capital on an ongoing basis based on the ratio of indebtedness. This is the ratio between net debt capital to total capital. Net debt capital is defined as the difference between all borrowings (current and non-current) as reported in the Consolidated Statement of Financial Position and Cash and Cash Equivalents. The total amount of committed capital is equal to the sum of equity capital and net debt capital.

The strategy of the Company's management is to maintain a debt ratio that is not higher than 50%.

The table below shows the ratios of indebtedness based on capital structure as of:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Total debt capital, incl.:	11 909	13 373
- Bank loans	3275	4132
- Finance lease liabilities	184	178
Reduced by cash and cash equivalents	1 964	543
<b>Net debt capital</b>	<b>9 945</b>	<b>12 830</b>
Total equity	29 560	28 924
<b>Total capital</b>	<b>39 505</b>	<b>41 754</b>
<b>Ratios of indebtedness</b>	<b>25.17%</b>	<b>30.73%</b>

## 8. Fair value

Usually external independent appraisers are used for the assessment of the fair value of significant tangible assets. The need of external appraisers is assessed annually by the management of the Company. External appraisers are selected based on their professional experience, qualities and reputation. After discussions with the appraisers, the Management have to decide which appraisal techniques and input data are most appropriate to be used in each particular case.

The Group's policy is to disclose in its financial statements the fair value of financial assets and liabilities for which market prices are quoted.

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Unless otherwise stated, all amounts are in BGN thousand.

For the purpose of fair value disclosure, the Company determines different classes of assets and liabilities, depending on their nature, characteristics and risk, and on the relevant level in the fair value hierarchy set out in Significant Accounting Policies.

The Company's management has estimated that the fair values of cash and cash equivalents, trade receivables, trade payables, finance lease and bank loans close to their book values due to the short-term nature of these instruments and their timely repayment and repayment over time.

The table below shows the balanced amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. Fair value information is not presented if the book value is reasonably close to fair value.

<b>As of 30 June 2019</b>	<b>Book value</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Financial assets</b>				
Cash and cash equivalents	1 964	-	-	-
Trade receivables	5 703	-	-	-
Deposits in trading companies and guarantees	37	-	-	-
<b>TOTAL ASSETS</b>	<b>7 704</b>	-	-	-
<b>Financial liabilities</b>				
Financial leasing	184	-	184	-
Bank loans	2 902	-	2 902	-
Trade payables	3 275	-	-	-
Liabilities for acquisition of shares	675	-	-	-
Guarantees	0	-	-	-
<b>TOTAL LIABILITIES</b>	<b>7 007</b>	-	<b>3 057</b>	-
<b>As of 31 December 2018</b>	<b>Book value</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Financial assets</b>				
Cash and cash equivalents	543	-	-	-
Trade receivables	7 652	-	-	-
Deposits in trading companies and guarantees	37	-	-	-
<b>TOTAL ASSETS</b>	<b>8 232</b>	-	-	-
<b>Financial liabilities</b>				
Finance lease	178	-	178	-
Bank loans	4 132	-	4 132	-
Trade payables	2 131	-	-	-
Liabilities for acquisition fo shares	705	-	-	-
Guarantees	66	-	-	-
<b>TOTAL LIABILITIES</b>	<b>6 507</b>	-	<b>4 310</b>	-

## 9. Events occurring after the date of preparation of the consolidated financial statements

Following the date of preparation of the six-month financial statements of the company on a

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consolidated basis, the following significant events have occurred:

On 29.07.2019, the company successfully completed the sale process of 100% of its participation in the capital of 5 subsidiaries.

Following the transaction, LINK Mobility Group acquired 100% of the capital of ALLTERCO JSCo's subsidiaries: TERA VOICE EAD (Solely-owned PLC) (Solely-owned PLC), TERA COMMUNICATIONS AD, ALLTERPAY EOOD (Solely-owned Limited Liability Company), TERACOMM RO SRL (Romania) and TERA COMMUNICATIONS DOOEL (Macedonia). Pursuant to the contract as of July 29, 2019, as agreed, ALLTERCO JSCo received a partial payment of the agreed price, namely - 60% cash payment and 20% in the form of shares in the capital of the sole owner of LINK Mobility Group - ASA Viktory Partners VIII Norway Holding AS. The balance of the sale price becomes payable under the terms of deferred payment for a period of 2 years.

Upon completion of the transaction, ALLTERCO JSCo ceased its activities related to the telecommunications business in Europe.

Following the sale of Allterco JSCo 's telecommunications business in Europe, 5 subsidiaries emerged from the holding group, reducing the total number of companies in the group from 12 to 7 companies. As a result, the need for administrative maintenance of a subsidiary specialized in accounting services and tax consulting was reduced operationally. On the other hand, the development of the IoT business necessitates the operative separation of the production from the commercial activity, which is why the management of the holding initiates a change, namely by listing No. 20190809162235 in Bulgarian business register / register of non-profit legal entities a change of the company name from Allterco Finance to Allterco Trading change in the subject of activity from accounting services of activities related to the purchase, sale and distribution of goods at retail and retail, as well as a change in the representative of the company from Svetozar Iliev to Mirche Atanasovski.

After the end of the accounting period, Allterco JSCo also provided additional cash contributions to two of its subsidiaries, namely Allterco Properties EOOD (Solely-owned Limited Liability Company) and Allterco Trading OOD (Ltd.) (formerly Allterco Finance OOD (Ltd.)). The additional cash contributions are EUR 900,000 each and are granted for a period of 1 year, at an annual interest rate of 1%, which is calculated on a 360-day basis.

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*I, the undersigned Djeylian Ahmed Mancheva certify herewith the fidelity of the translation performed from Bulgarian into English of the attached document. The translation consists of 41 (forty-one) pages.*

Sworn translator: [See official translation](#)   
Djeylian Ahmed Mancheva