

**SHELLY GROUP SE
CONSOLIDATED FINANCIAL STATEMENTS**

31 December 2024



All amounts are in thousand Bulgarian leva unless otherwise stated

ASSETS	Note	December 31, 2024	December 31, 2023 (recalculated)
<i>Non-current assets</i>			
Property, plant and equipment	3.01	2 196	5 373
Intangible assets	3.02	13 358	7 547
Right-of-use assets	3.03	10 703	422
Goodwill	3.04	3 638	3 514
Investments in associates	3.05	160	403
Trade receivables	3.06	-	1 027
Deferred tax assets	3.07	973	926
<i>Total non-current assets</i>		31 028	19 212
<i>Current assets</i>			
Inventory	3.08	45 558	18 273
Receivables on loans granted	3.09	-	550
Trade receivables	3.10	68 140	52 279
Other receivables	3.11	10 989	6 590
Cash and cash equivalents	3.12	27 353	30 778
<i>Total current assets</i>		152 040	108 470
TOTAL ASSETS		183 068	127 682

Date: February 24, 2025

Prepared by:

/Sylvia Ivanova Tomova/

Executive Director:

/Dimitar Stoyanov Dimitrov/

The consolidated statement of financial position shall be read together with the accompanying notes on pages 7-60.
The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

LIABILITIES	Note	December 31, 2024	December 31, 2023 (recalculated)
<i>Non-current liabilities</i>			
Bank loans	3.13	-	1 019
Lease liabilities	3.14	9 600	443
Retirement benefit obligations	3.15	327	197
<i>Total non-current liabilities</i>		9 927	1 659
<i>Current liabilities</i>			
Bank loans	3.13	1 586	670
Lease liabilities	3.14	1 333	216
Trade payables	3.16	7 979	4 104
Payables to employees and social security	3.17	2 367	2 453
Other liabilities	3.18	10 841	8 977
<i>Total current liabilities</i>		24 106	16 420
TOTAL LIABILITIES		34 033	18 079
EQUITY			
Share capital	3.19	18 106	18 051
Retained earnings	3.20	123 701	83 165
Legal reserves	3.21	1 929	2 804
Premium reserve	3.22	5 403	5 403
Reserves from revaluation of defined benefits plans		(88)	3
Exchange differences from translation of foreign subsidiaries' financial statements		514	953
Equity attributable to Parent Company's equity holders		149 565	110 379
Non-controlling interest		(530)	(776)
TOTAL EQUITY		149 035	109 603
TOTAL EQUITY AND LIABILITIES		183 068	127 682

Date: February 24, 2025

Prepared by:

/Sylvia Ivanova Tomova/

Executive Director:

/Dimitar Stoyanov Dimitrov/

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All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	For period ended December 31, 2024	For period ended December 31, 2023
Sales revenue	4.01	208 704	146 542
Cost of sales	4.01	(84 277)	(62 852)
Gross profit		124 427	83 690
Other operating income	4.02	4 702	936
Sales expenses	4.03	(36 068)	(10 172)
Administrative expenses	4.04	(38 718)	(27 331)
Impairment expenses		-	(3 267)
Other operating expenses	4.05	(3 074)	(6 456)
Profit from operating activity		50 269	37 400
Finance income	4.06	20	199
Finance expense	4.07	(139)	(114)
Share of associated companies' profit/(loss)	3.05	(25)	49
Profit before tax		50 126	37 534
Income tax expense	4.08	(6 261)	(4 585)
Profit for the period from continuing operations		43 865	32 949
Profit/(Loss) for the period from discontinued operations	2.9	1 242	-
Net profit		45 107	32 949
Other comprehensive income:			
Items, that will not be reclassified to profit or loss			
Other long-term capital instruments		-	443
Deferred tax related to equity instruments		-	(56)
Actuarial gain (loss)		(100)	5
Deferred tax on actuarial gain		9	(2)
Exchange differences from translation of foreign subsidiaries' financial statements		(74)	49
Effect from business combinations		(973)	535
Other comprehensive income for the year after taxes		(1 138)	974
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		43 969	33 923
Net profit attributable to:			
Owners of the Parent Company		45 293	33 593
Non-controlling interest		(186)	(644)
Other comprehensive income attributable to:			
Owners of the Parent Company		(1 570)	1 106
Non-controlling interest		432	(132)
Total comprehensive income attributable to:			
Owners of the Parent Company		43 723	34 699
Non-controlling interest		246	(776)
Earnings per share	4.09	2.49	1.83

Date: February 24, 2025

Prepared by:

/Sylvia Ivanova Tomova/

Executive Director:

/Dimitar Stoyanov Dimitrov/

The consolidated statement of comprehensive income shall be read together with the accompanying notes on pages 7-60. The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

SHELLY GROUP SE
UIC 201047670

All amounts are in thousand Bulgarian leva unless otherwise stated

	Share capital	Retained earnings	Revaluation reserve	Premium reserve	Legal reserves	Redeemed shares	Reserves from revaluation of defined benefits plans	Exchange differences from translation of foreign subsidiaries' financial statements	Total	Non-controlling interests	Total equity
Balance at January 1, 2023	18 000	55 117	(507)	5 403	1 800	(780)	-	39	79 072	-	79 072
Total comprehensive income, net, incl.	-	32 391	387	-	1 004	-	3	914	34 699	(776)	33 923
<i>Net profit</i>	-	33 593	-	-	-	-	-	-	33 593	(644)	32 949
<i>Other comprehensive income</i>	-	-	443	-	-	-	-	-	443	-	443
<i>Deferred tax</i>	-	-	(56)	-	-	-	-	-	(56)	-	(56)
<i>Actuarial gain</i>	-	-	-	-	-	-	5	-	5	-	5
<i>Deferred tax</i>	-	-	-	-	-	-	(2)	-	(2)	-	(2)
<i>Exchange differences from translation of foreign subsidiaries' financial statements</i>	-	-	-	-	-	-	-	49	49	-	49
<i>Effect from business combination</i>	-	(1 202)	-	-	1 004	-	-	865	667	(132)	535
Redeemed shares	-	280	-	-	-	780	-	-	1 060	-	1 060
Increase of share capital	51	-	-	-	-	-	-	-	51	-	51
Dividends (BGN 0.25 per share)	-	(4 500)	-	-	-	-	-	-	(4 500)	-	(4 500)
Other adjustments	-	(123)	120	-	-	-	-	-	(3)	-	(3)
Balance at December 31, 2023	18 051	83 165	-	5 403	2 804	-	3	953	110 379	(776)	109 603
Balance at January 1, 2024	18 051	83 165	-	5 403	2 804	-	3	953	110 379	(776)	109 603
Total comprehensive income, net, incl.	-	45 133	-	-	(880)	-	(91)	(439)	43 723	246	43 969
<i>Net profit</i>	-	45 293	-	-	-	-	-	-	45 293	(186)	45 107
<i>Exchange differences from translation of foreign subsidiaries' financial statements</i>	-	-	-	-	-	-	-	(67)	(67)	(7)	(74)
<i>Actuarial gain (loss)</i>	-	-	-	-	-	-	(100)	-	(100)	-	(100)
<i>Deferred tax on actuarial gain</i>	-	-	-	-	-	-	9	-	9	-	9
<i>Effect from business combination</i>	-	(160)	-	-	(880)	-	-	(372)	(1 412)	439	(973)
Replenishment of reserve	-	(6)	-	-	6	-	-	-	-	-	-
Capital increase	55	-	-	-	-	-	-	-	55	-	55
Dividend	-	(4 590)	-	-	-	-	-	-	(4 590)	-	(4 590)
Other	-	(1)	-	-	(1)	-	-	-	(2)	-	(2)
Balance at December 31, 2024	18 106	123 701	-	5 403	1 929	-	(88)	514	149 565	(530)	149 035

Date: February 24, 2025

Prepared by:
/Sylvia Ivanova Tomova/

Executive Director:
/Dimitar Stoyanov Dimitrov/

The consolidated statement of changes in equity shall be read together with the accompanying notes on pages 7-60. The notes are an integral part of these consolidated financial statements.

	Note	For period ended December 31, 2024	For period ended December 31, 2023
<u>Cash flows from operating activities</u>			
Proceeds from customers		167 039	116 214
Payments to suppliers		(132 795)	(75 912)
Taxes (refunds) paid		(2 105)	(2 345)
Corporate tax paid		(5 311)	(5 077)
Payments to employees and social security institutions		(21 110)	(17 219)
Other payments, net		(291)	(637)
<i>Net cash flows from operating activities</i>		<u>5 427</u>	<u>15 024</u>
<u>Cash flows from investing activities</u>			
Payments for acquisition of property, plant and equipment and intangible assets		(7 791)	(4 765)
Loans granted / returned		548	(548)
Proceeds from sale of property, plant and equipment		-	84
Proceeds from the sale of investments		5 799	1 462
Purchase of investments		(2 284)	(4 448)
Other proceeds, net		-	149
<i>Net cash flows (used in)/from investing activities</i>		<u>(3 728)</u>	<u>(8 066)</u>
<u>Cash flows from financing activities</u>			
Increase of share capital		55	51
Redeemed shares		-	1 064
Lease payments		(525)	(299)
Loans received		2 099	263
Loans repaid		(2 214)	(726)
Cash flows related to interest and commissions		(15)	(57)
Dividends paid		(4 590)	(4 500)
Other payments, net		(53)	(12)
<i>Net cash flows used in financing activities</i>		<u>(5 243)</u>	<u>(4 216)</u>
<i>Net increase/(decrease) in cash and cash equivalents for the year</i>		<u>(3 544)</u>	<u>2 742</u>
<i>Net exchange differences</i>		119	(112)
Cash and cash equivalents at the beginning of the year		30 778	28 148
<i>Cash and cash equivalents at the end of the year</i>	3.12	<u>27 353</u>	<u>30 778</u>

Date: February 24, 2025

Prepared by:

/Sylvia Ivanova Tomova/

Executive Director:

/Dimitar Stoyanov Dimitrov/

The consolidated statement of cash flows shall be read together with the accompanying notes on pages 7-60. The notes are an integral part of these consolidated financial statements.

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All amounts are in thousand Bulgarian leva unless otherwise stated

1. Information on the Group

1.1. Legal status

Shelly Group SE (the Parent Company, former Allterco AD), Sofia, is entered in the Commercial Register of the Registry Agency with UIC (Unified Identification Code): 201047670 and LEI code 8945007IDGKD0KZ4HD95. The Parent Company is with seat and registered office in Bulgaria, 1407 Sofia, 51 Cherni vrah Blvd., building 3, floor 2 and 3. No changes to the seat and registered office of Shelly Group SE were made during the reporting period. The initial registered fixed capital is BGN 5 488 thousand. At the end of 2015, the capital was increased to BGN 13 500 thousand through cash and non-cash contributions. At the end of 2016, the capital was increased to BGN 15 000 thousand after the successful Initial Public Offering on the Bulgarian Stock Exchange. In 2020, the capital was increased to BGN 18 000 thousand as a result of a procedure for Secondary Public Offering of a new issue of shares.

In July 2023, the capital was increased to BGN 18 050 945. The increase was addressed to employees of Shelly Group SE and its subsidiaries.

In June 2024, the capital was increased to BGN 18 105 559. The increase was addressed to employees of Shelly Group SE and its subsidiaries.

Since December 2021 the shares of Shelly Group SE are traded on the Bulgarian Stock Exchange and since November 22, 2021 the Company's shares are traded on the Frankfurt Stock Exchange.

1.2. Ownership and management

The Shelly Group SE (the Group) includes Shelly Group SE (the Parent Company) and its subsidiaries as listed on the next page, in which the Parent Company has controlling interest directly. Shelly Group SE is a public company in Bulgaria under the Public Offering of Securities Act.

The distribution of the share capital of Shelly Group SE as of December 31, 2024, was as follows:

Name	Number of shares	% of the capital
Dimitar Dimitrov	5 478 120	30.26%
Svetlin Todorov	5 285 620	29.19%
Persons holding less than 5% of the capital		
Other physical persons and legal entities	7 341 819	40.55%
Total	18 105 559	100.00%

The distribution of the share capital of Shelly Group SE as of December 31, 2023, was as follows:

Name	Number of shares	% of the capital
Dimitar Dimitrov	5 776 120	32.00%
Svetlin Todorov	5 485 620	30.39%
Persons holding less than 5% of the capital		
Other physical persons and legal entities	6 789 205	37.61%
Total	18 050 945	100.00%

The composition of the Board of Directors as at December 31, 2024 is as follows:

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

The members of the Board of Directors represent the Parent Company jointly or separately.

On 18.12.2023 the General Meeting of Shareholders voted a change in the Board of directors' personnel. As of 01.01.2024 Mr. Christoph Vilanek replaced Mr. Gregor Bieler, who has left the role of board member due to increase in his professional engagements. This change is reflected in the Commercial Register and Register of Non-Profit Entities with the Register Agency on 08.01.2024.

1.3. Scope of activities

The main scope of activity of Shelly Group SE includes the acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, assignment of licenses for the use of patents to companies in which the Parent Company participates; financing of companies in which the Parent Company participates. The Group includes companies engaged in the development, production and trading in smart (IoT) devices and real estate management.

1.4. Group Structure

As of 31.12.2024 and 31.12.2023, the Group includes Shelly Group SE and the following subsidiaries, in the country and abroad, which it controls.

Company name	31 December 2024	31 December 2023
	Percentage of participation	Percentage of participation
<i>In the country</i>		
<i>Shelly Trading Ltd.</i>	100%	100%
<i>Shelly Europe Ltd.</i>	100%	100%
<i>Shelly Properties Ltd</i>	0%	100%
Company name	31 December 2024	31 December 2023
	Percentage of participation	Percentage of participation
<i>Abroad</i>		
<i>Shelly USA, USA</i>	100%	100%

<i>Shelly DACH GMBH, Germany</i>	<i>100%</i>	<i>100%</i>
<i>Shelly Tech d.o.o., Slovenia</i>	<i>76%</i>	<i>60%</i>
<i>Shelly Asia Ltd, China</i>	<i>80%</i>	<i>-</i>

On February 22, 2024, Shelly Group SE exercised its call option to acquire an additional 16% share of the capital of its subsidiary Slovenian IoT company Shelly Tech (formerly known as GOAP).

The exercise of the Call option is the second stage of the acquisition of the Slovenian Company based on an Option Agreement between Shelley Group and the partners in the Slovenian Company entered into and disclosed in January 2023.

The total acquisition price of the 16% stake under the exercised Call option amounts to EUR 586,666.30, calculated in accordance with the terms of the Option Agreement. The remaining 24% of the Company's shares held by three partners are subject to an additional Call/Put option that can be exercised in 2026 according to the agreed terms.

In November 2023, the subsidiary Shelley Trading EOOD opened a branch in Great Britain. In 2024 the Company opened a representative office in the Netherlands.

At the beginning of 2024, the subsidiary Shelly Europe EOOD closed its branch in the Republic of Ireland.

On May 31, 2024, the company exercised its call option to acquire 50% in the associated company Shelly Asia Ltd., (formerly known as Allterco Asia Ltd.), and thus the ownership share reached 80%. The price paid for the newly acquired shares is EUR 520,000.

On September 26th, 2024, the company sold its subsidiary Shelly Properties EOOD.

2. Basis for preparation of the financial statements and material accounting policy information

2.1. Basis for preparation

The Group keeps its current accounting records and prepares its financial statements in accordance with the requirements of the Bulgarian commercial and accounting legislation.

These consolidated financial statements have been prepared in accordance with the requirements of the International Accounting Standards (IAS), published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

As of December 31, 2024, IASs comprises the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the IASB, and the International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASC) and adopted by the EU.

2.2. Initial application of new and amended IFRSs

2.2.1. Standards effective for the current reporting period

The Group's management has complied with all standards and interpretations that are applicable to its activity and have been officially adopted by the EU as of the date of preparation of these consolidated financial statements.

The management has reviewed the changes in the existing accounting standards effective from January 1, 2024 and believes that they do not require changes in terms of the accounting policy applied in the current year.

At the date of preparation of these consolidated financial statements, the following new standards, issued by IASB and adopted by the EU are effective:

- **Amendments to IFRS 16 Leasing - Lease Liability in a Sale and Leaseback** issued by IASB on September 22, 2023 (effective for annual periods beginning on or after January 1, 2024);
- **Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants** (effective for annual periods beginning on or after January 1, 2024);
- **Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements** (effective for annual periods beginning on or after January 1, 2024);

2.2.2. New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 21 Effects on changes of exchange rates - Lack of Exchangeability** (effective for annual periods beginning on or after January 1, 2025)
- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) – European commission has decided not to adopt the standard and wait for a final version of it.
- **Amendment to IFRS 10 Consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures - Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments** (effective date deferred indefinitely, but earlier implementation permitted). The effective date has been postponed indefinitely pending the completion of the equity method valuation project.
- **Annual improvements** – effective date Jan 1, 2006, it is still not accepted by the EU;

- **Amendments in the classification and assessment of financial instruments (Amendments in IFRS 9 and IFRS 7)** – effective date Jan 1, 2026, it is still not accepted by the EU;
- **IFRS 18 Presentation and Disclosure of Financial Statements**, effective date Jan 1, 2027, it is still not accepted by EU;
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** – effective date Jan 1, 2027, it is still not accepted by the EU.

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39 Financial Instruments** - Recognition and Measurement would not significantly impact the consolidated financial statements, if applied as at the reporting date.

2.3. Going concern

The consolidated financial statements of the Group have been prepared on the going concern principle, as it is expected that the Group shall continue its operating activity in near future.

A military conflict between Russia and Ukraine continued during the reporting period, but since the Group does not have transactions and accounts with customers from these two countries, management believes that this event is not expected to directly or indirectly affect the Group's results and financial position in the future.

The military conflict in the Middle East that broke out is also not expected to affect the Group's results and financial situation.

Management has no plans or intentions to sell the business or cease operations, which could materially change the measurement or classification of assets and liabilities reported in the consolidated financial statements.

The assessment of assets and liabilities and the measurement of income and expenses is made in compliance with the historical cost principle. This principle is modified in specific cases by the revaluation of certain assets and/or liabilities to their fair value as of December 31 of the reporting year and December 31 of the previous year, as indicated in the relevant notes below.

2.4. Functional and reporting currency

The reporting currency for the elements of the consolidated financial statements is the Bulgarian lev (BGN), which is the functional currency of Shelly Group SE.

The data in the elements of the consolidated financial statements and the notes thereto are presented in

thousands of BGN, unless explicitly stated otherwise. The amounts over BGN 500 are rounded up to 1 thousand for disclosure in the consolidated financial statements and the notes.

The companies of the Group keep their accounting registers in the functional currency of the country in which they operate. The effects of exchange differences relating to the settlement of foreign currency transactions or the reporting of transactions in a foreign currency at rates that are different from those at which they were originally recognised shall be included in the statement of comprehensive income at the time they arise, treated as “other operating income and expenses” except those related to investments and loans denominated in foreign currency, which are presented as “finance income” and “finance expenses”.

Non-monetary assets and liabilities originally denominated in a foreign currency are accounted for in a functional currency using the historical exchange rate at the date of the transaction and subsequently not revalued at a closing rate.

2.5. Comparative data

According to the Bulgarian accounting legislation and IAS, the financial year ends on December 31 and enterprises are required to present annual financial statements as of the same date, together with comparative data as of that date for the previous year.

If necessary, the data presented for the previous year are adjusted for better comparability with the data from the current period.

During 2024 the Company found a mistake in the reported long-term retirement benefit obligation (note 3.15), related to a technical error in the opening balance for the current period.

The result of the correction made is a decrease in the opening balance of the retirement benefit liability with BGN 74 thousand (from BGN 271 thousand to BGN 197 thousand). Accordingly, the comparative data for the previous year was amended as follows: the long-term retirement obligation was decreased by BGN 74 thousand and the long-term leasing liabilities were increased with the same amount (see 3.14).

2.6. Transactions and balances

A transaction in 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 respective month;

(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 recalculated using the exchange rates at 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 consolidated statement of financial position and consolidated statement of comprehensive income of foreign companies of the Group, using a functional currency other than Bulgarian lev, are retranslated 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; Monetary positions in foreign currency as of December 31, 2023 and December 31, 2022 are retranslated in these financial statements at the closing exchange of the BNB. As of December 31, 2023 – BGN - 1.76998 for 1 USD; BGN 1.73998 for 10 NOK and BGN 1,95583 for 1 EUR, and as of December 31, 2024 – BGN 1,8826 for 1 USD; BGN 1,95583 for 1 EUR and BGN 0,249115 for 1 CNY .
- 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 period;
- All exchange rate differences obtained are recognized as other comprehensive income.
- The cumulative amount of these exchange rate differences is presented in a separate component of equity until the foreign operation is disposed.
- Share capital and other components of equity are translated using the historical rate, i.e. the exchange rate at the date of issue of share capital, or at the date of the associated transaction for other components of equity.

2.7. Accounting estimates and judgements

The application of the IAS requires the Group's management to apply certain accounting assumptions and judgments when preparing the annual consolidated financial statements and when determining the value of some of the assets, liabilities, income, expenses and contingent assets and liabilities.

All assessments are based on the management's best judgment as of the date of preparation of these consolidated financial statements. Actual results could differ from those presented in these consolidated financial statements.

In preparing these consolidated financial statements, the management used judgments related to the following items:

- Right-of-use assets – period of use of the assets and discount factor (Note 3.03)
- Trade receivables – need for impairment (Note 3.10)
- Retirement benefits obligations (Note 3.15)
- Deferred tax assets (Note 3.07)

- Warranty service provision (Note 3.18)

2.8. Subsidiaries and associated companies

Subsidiaries are the entities over which Shelly Group SE exercises control as defined in IFRS 10 Consolidated Financial Statements.

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

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

Subsidiaries are considered controlled starting from the date on which control is acquired by the Group and they cease to be consolidated on the date when it is assumed that the control has been lost.

Associated company is a company in which the Group has significant influence on decisions regarding operating and financial policies, but without being able to fully control those policies.

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

In 2024, the management of the Group decided to sell the subsidiary Shelly Properties EOOD.

In case of sale or other form of loss (transfer) of control over a subsidiary:

- The assets and liabilities (including if there is associated goodwill) of the subsidiary are written off at book value on the date of loss of control.
- The non-controlling interest in this subsidiary is written off at book value in the consolidated statement of financial position as of the date of loss of control, incl. any components of other comprehensive income related thereto.
- The consideration received from the transaction, event or operation that led to the loss of control is recognized at fair value;
- Any resulting difference is recognized as “gain or loss on disposal (sale) of a subsidiary” in the consolidated statement of comprehensive income belonging to the parent company. Profits or losses from the sale (release) of a given subsidiary (enterprise) from the Group also include the book value of the goodwill, deductible for the sold (released) company (enterprise).

The effect of the sale done on 26.09.2024 is presented below:

- Consideration paid – BGN 6 796 thousand
- Assets held for sale – BGN 5 592 thousand
- Liabilities held of sale – BGN 38 thousand
- Net Assets – BGN 5 554 thousand
- Finance result from discontinued operations - BGN 1 242 thousand

Cash generated from the sale and reported in the cashflow report are as follows:

- Cash equivalents from discontinued operations – BGN 1 320 thousand
- Cash from sales of discontinued operations – BGN 6 763 thousand
- Net cash flow from discontinued operations – BGN 5 443 thousand

The cash flows from discontinued operations related to the sale transaction of the subsidiary - Shelly Properties EOOD, are indicated in the cash flows from investment activities in the line "Proceeds from the sale of investments".

The book values of the assets and liabilities held for sale as of 26.09.2024 – the date of the sale transaction, on which date effective control of the sold subsidiary is transferred, are as follows:

Assets	26 September 2024
	In BGN thousands
Goodwill	126
Property, plant and equipment	4 140
Trade receivables	3
Advances to suppliers	1
Other receivables	2
Cash and cash equivalents	1 320
Total Assets	5 592

Liabilities	26 September 2024
	In BGN thousands
Trade payables	9
Tax liabilities	16
Payables to employees	1
Other payables	7
Prepaid income	5
Total liabilities	38

The revenues and expenses realized up to the date of the sale, respectively as a result of the activities of the subsidiary, are as follows:

	26 September 2024
	In BGN thousands
Gross Sales Revenue	552
Gross Cost	(420)
Gross profit (loss) before taxes	132
Taxes	(14)
Net profit(loss)	118
Elimination of intercompany transactions	(526)
Net profit(loss)	(394)

2.10. Non-Controlling interest

The non-controlling interest is valued at the proportionate share of identifiable net assets at the date of acquisition.

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and non-controlling interests is adjusted to reflect changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

The non-controlling interest is valued at the proportionate share of identifiable net assets at the date of acquisition.

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and non-controlling interests is adjusted to reflect changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

2.11. Consolidation

The consolidated financial statements of the Group include the financial statements of the parent company and the subsidiaries. All assets, liabilities, capital, income, expenses and cash flows of the group companies are presented as such as they belong to just one entity.

Subsidiaries are those entities that are controlled by the parent company. Control occurs when the parent company exercises its rights on variable return arising from its participation in the subsidiary's capital and has the ability to influence this return from investment through its power. The consolidated financial statements have been prepared following 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 financial 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 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. Definition and assessment of the items of the consolidated financial statements

2.12.1. Revenue

The Group recognises revenue from the following major sources:

- Sale of electronic devices

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group sells electronic devices both to the wholesale market and directly to customers through its own website and through direct sales. Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see note 3.18).

For sales of electronic equipment to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For internet sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are shipped to the customer's specific location. When the customer initially purchases the goods online the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Under the Group's standard contract terms, customers have a right of return within 14 days. In case of returned goods, the Group adjusts the recognized revenue by reducing it by the value of the returned goods. At the same time, the Group has an obligation to receive back the returned goods, if the customer decides to exercise its right to return the goods and accordingly reduces the cost of goods sold and increases its stock.

The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Revenue from services

The Group reports revenue from services, complying with the commitments under the contract. Revenue from services is reported upon final completion of the services (by objects) recognized as performed.

During the reporting period, the Group started offering its customers a subscription to cloud services. The subscription can be paid in monthly instalments or once for a calendar year. In the event that a customer pays an annual subscription, the entire amount is initially recognized as a contractual liability, and each month 1/12 of the amount paid is recognized as revenue.

Other income/revenue

Other income and revenue are recognized when the right to receive them is established.

The Group companies apply IFRS 15 and the management carefully examines its trade practices for possible changes at the time of revenue recognition. No change in the performance obligations and the price allocation in the contracts and revenue recognition is needed for the reporting period.

2.12.2. Expenses

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, would be performed.

Financial expenses consist of interest expenses and other direct costs related to loans as well as bank fees and losses from foreign currency exchange.

2.12.3. Property, plant and equipment

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

Initial recognition

Upon initial acquisition, property, plant and equipment are evaluated at acquisition cost (cost price), which includes the purchase price, including customs charges and any directly attributable costs of bringing the asset to working condition. The direct costs are as follows: costs of site preparation, costs of initial delivering and handling, installation costs, costs for personnel remuneration fees related to the project, 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 on the basis of the interest rate on the borrowed resources of the Group with a similar maturity and purpose. The difference between the cash price equivalent and the total payment is recognized as interest over the course of the loan, unless it is capitalized in accordance with IAS 23.

Measurement after recognition

The approach chosen by the Group for the subsequent measurement 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 Group applies the acquisition cost model.

Depreciation Methods

The Group uses the straight-line method of depreciation of non-current tangible assets. Depreciation of assets begins when they are available for use. The useful life by groups of assets is determined in accordance with: physical wear and tear, specifics of the equipment, future intentions for use and actual obsolescence.

The useful life by classes of assets is as follows:

Vehicles	4 years
Buildings	25 years
Computer equipment	2-5 years
Office equipment	5- 6,67 years
Other non-current tangible assets	6,67 years

The determined 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 is adjusted prospectively.

Derecognition of non-current tangible assets

The carrying amount of an item of property, plant and equipment is written off: when it is sold, when no other economic benefits are expected from its use, or when it is disposed.

Gains or losses arising on the derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the asset is written off. Gains and losses on disposals of non-current assets are determined when the proceeds from sale (disposal) are reduced by the book value of the asset and the costs related to the sale. They are stated net, to "Other operating income" in the statement of comprehensive income.

The amount of consideration to be included in the gain or loss arising from the derecognition of an item of property, plant and equipment is determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of IFRS 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in IFRS 15.

2.12.4. Intangible assets

Intangible assets are presented in the financial statements at acquisition price (cost price) less accumulated depreciation and impairment losses.

The Group applies a straight-line method of depreciation of intangible assets with a useful life of 2 years for the software products, 6.67 years for the prototypes and software development, 3 years for an ISO certificate.

The book value of the intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the book value amount could exceed their recoverable amount. Then the impairment is included as an expense in the consolidated statement of comprehensive income.

Initial recognition

Externally generated intangible assets on their acquisition are measured at acquisition price, which includes purchase price, import duties, non-refundable taxes and expenses of preparing the asset for its intended use. The direct expenses are: costs of employee benefits (as defined in IAS 19) and professional fees arising directly

from bringing the asset to its working condition; costs for testing whether the asset is functioning properly, expenses for fees of persons related to the project, non-refundable taxes, etc.

Intangible assets are recognized if they meet the definition of intangible assets set out in IAS 38 Intangible Assets, namely:

- Meet the definition of an intangible asset;
- Upon their acquisition they can be reliably measured;
- Economic benefits are expected from the use of the asset, as evidenced by the availability or plan to obtain sufficient resources to enable the Group to obtain the expected economic benefits; the ability to effectively perform its functional role in accordance with the intention of the Group regarding its use or there is a clearly defined and specified technical feasibility.

Subsequent costs

Expenses related to the maintenance of initially established standard efficiency, incurred after the commissioning of intangible non-current assets, are recognized as current at the time when they are incurred.

The carrying amount of the respective intangible asset is adjusted by the expenses that lead to increase of the expected future economic benefits from the use of an intangible asset above the initially determined standard efficiency.

2.12.5. Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Initially, it is measured in the consolidated financial statements as the excess of the sum of the consideration transferred over the amount of the net assets of the acquired company and subsequently it is presented at acquisition cost less impairment losses. Goodwill is not amortized.

The goodwill originating as a result of the acquisition of a subsidiary is presented in the consolidated statement of financial position as a part of non-current assets and the goodwill originating as a result of acquisition of joint-ventures or associated companies is included in the total value of investment and is reported as “investments in associated companies”.

The goodwill associated with the acquisition of associated companies is tested for impairment as part of the total value of the investment. Separately recognized goodwill on the acquisition of subsidiaries is tested mandatorily for impairment at least once annually. Impairment losses on goodwill are not reversed subsequently. Gains or losses on sale (disposal) of a subsidiary of the Group also include the book value of the goodwill, associated with the sold (disposed) company.

Any goodwill amount recognized in the financial statements is attributable to a certain cash generating object at the time a business combination is completed, and this object is applied when tests for impairment are conducted. For determining the cash-generating objects, are considered only objects that are expected to

generate future economic benefits and that are subject to the business combination, which generated the goodwill.

Losses from impairment of goodwill are presented in the consolidated statement of comprehensive income (in profit or loss for the year) as part of item “Impairment expenses”.

2.12.6. Other long-term equity investments

Other long-term financial investments are non-derivative financial assets in the form of shares and participation of other companies (minority interest) held with a long-term perspective.

Initial recognition

Capital investments are initially recognized at acquisition cost, which is the fair value of the remuneration paid, including direct acquisition cost of the investment (the financial asset). All purchases and sales of capital investments are recognized on the “trading date” of the transaction, i.e., the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

Capital investments owned by the Group are subsequently measured at fair value. The results of the subsequent measurement to fair value are presented in the statement of comprehensive income (in other components of comprehensive income) and respectively in the reserve related to financial assets at fair value, through other comprehensive income. These results are transferred to retained earnings on disposal (sale) of the respective investment.

2.12.7. Investments in associated companies

These investments are reported in the consolidated financial statements of the Group by the equity method. By this method, the share of the Group in the comprehensive income of an associated company is consolidated on one line, so that the value of the investment corresponds to its share in the net assets as of December 31 for the respective year or at the end of the respective reporting period. The Group recognizes its share in losses in associated companies up to the amount of its investment, including internal loans granted, unless it has undertaken an obligation to pay such liabilities on behalf of the associated company.

As of December 31, 2024, the Group reports a share in the loss of associated companies amounting to BGN 25 thousand. The value of the investment indicated in the consolidated statement of financial position has been decreased by the same amount.

2.12.8. Inventories

Inventories are accounted at the lower of the two following values: price for acquisition (cost) and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completing the production cycle and the estimated costs necessary to make the sale. In the event that inventories have already been depreciated to net realizable value and in a subsequent accounting period it turns out that the conditions that led to their

impairment are no longer present, their new net realizable value is assumed. The amount of the refund can only be up to the amount of the book value of the inventory before the impairment. The amount of the reversal of the inventory value is reported as a reduction in the cost of materials for the period in which the reversal occurs.

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 weighted average method is used.

2.12.9. Financial instruments

A financial instrument is any contract that simultaneously gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual terms of the relevant financial instrument that gave rise to this asset or liability.

a) Financial assets

Initial recognition and measurement

Upon initial recognition, financial assets are classified as financial assets that are subsequently measured at amortized cost, at fair value in other comprehensive income (OCI) and as financial assets at fair value in profit or loss. Financial assets are classified upon their initial acquisition according to the characteristics of the contractual cash flows of the financial asset and the Group's business management model. The Group initially measures the financial asset at fair value plus transaction costs, in the case of financial assets that are not measured at fair value through profit or loss.

Trade receivables that do not have a significant financing component, and for which the Group has applied a practically expedient measure, are stated at the transaction price determined according to IFRS 15. The Group reclassifies financial assets only when its business model changes.

In order to be classified and measured at amortized cost or at fair value in OCI, the financial asset should generate cash flows that represent "solely payments of principal and interest" (SPPI) on the outstanding principal amount. This measurement is called the "SPPI test" and is performed at the relevant instrument level. The Group's business model for managing financial assets refers to how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both.

Purchases or sales of financial assets, the terms of which require the delivery of the assets within a certain period of time, usually established by a regulatory provision or current practice in the relevant market (regular

purchases), are recognized on the date of trading (transaction), i.e. on the date on which the Group has committed to buy or sell the asset.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value in other comprehensive income with "recycling" of cumulative profit or loss (debt instruments);
- Financial assets designated as financial assets at fair value in other comprehensive income with no "recycling" of cumulative profit or loss at their derecognition (equity instruments) (measurement alternative);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model aimed at obtaining the contractual cash flows, and
- The terms of the contract for the financial asset give rise to cash flows on specific dates that represent solely payments of principal and interest on the outstanding principal amount. Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade and other receivables, term deposits and cash at bank accounts.

Financial assets designated as financial assets at fair value in other comprehensive income (equity instruments)

Upon initial recognition, the Group may elect to classify irrevocably as equity instruments designated as measured at fair value in other comprehensive income when they meet the equity requirements under IAS 32 Financial Instruments: Presentation and when they are not held for trading. The classification is determined on an individual instrument basis. These investments in equity instruments are held for medium to long-term purpose and accordingly, the Group elected to designate them as equity instruments at fair value through other comprehensive income as it believes that recognising short-term fluctuations in these investments fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long term purposes.

Gains and losses on these financial assets are never "recycled" in profit or loss. Dividends are recognized as income in the statement of comprehensive income when the right to payment is established, except when the

Group derives benefits from these receipts as a refund of part of the acquisition price of the financial asset, in which case the gains are reported in other comprehensive income. Equity instruments designated as measured at fair value in other comprehensive income are not in the scope of IFRS 9 expected credit loss model.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that do not qualify for classification at amortized cost or at fair value through other comprehensive income and financial assets designated at initial recognition as measured at fair value through profit or loss, or financial assets that are required to be measured at fair value. Derivatives, including separated embedded derivatives, are classified as held for trading unless designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value in profit or loss, regardless of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value in other comprehensive income as described above, debt instruments may be designated as measured at fair value in profit or loss upon initial recognition, if thus eliminates or substantially reduces the accounting mismatch. Financial assets at fair value through profit or loss are reflected in the statement of financial position at fair value, and the net changes in fair value are recognized in the statement of comprehensive income

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the Group's statement of financial position) when:

- the rights to receive 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 the obligation to pay the received cash flows in full, without significant delay, to a third party through a transfer agreement; where either (a) the Group has transferred substantially all the risks and rewards of ownership of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has not retained control.

When the Group has transferred its rights to receive cash flows from the asset or entered into a transfer agreement, it evaluates whether and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, nor has it transferred control over it, it still recognizes the transferred asset to the extent of its continuing involvement in it.

In this case, the Group also recognizes the related obligation. The transferred asset and related liability are valued on a basis that reflects the rights and obligations that the Group has retained. A continuing involvement being a security of the transferred asset is valued at the lower of the original book value of the asset and the

maximum amount of consideration that the Group may be required to pay. The Group applies the same derecognition policies for impaired financial assets.

Impairment of financial assets

Additional disclosures related to impairment of financial assets, are included in the following notes as well:

- Significant judgements in applying the Group's accounting policy. Key estimates and assumptions with high uncertainty. (Note 2.12.17);
- Trade and other receivables (Notes 3.11 and 3.10).

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments that are not measured at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due under the terms of the contract and any cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the terms of the contract.

ECL are recognized in three stages. For exposures for which there has been no significant increase in credit risk since initial recognition. Allowances for ECL are recognized for credit losses that arise as a result of default events that are possible occur within the next 12 months (12-month ECL). For exposures for which there has been a significant increase in credit risk since initial recognition, an allowance for expected credit loss is required in respect of credit losses expected over the remaining term of the exposure, regardless of when the default occurs (ECL over the lifetime of the instrument). A significant increase in credit risk is observed in the case of material financial difficulties of the debtor, probability of declaring bankruptcy and liquidation, financial restructuring or inability to repay the debt (overdue for more than 30 days) are taken as an indicator for impairment of the asset.

Regarding cash and cash equivalents, the Group applies the credit ratings of the banks and publicly available information on default rates for banks for in order to prepare an impairment assessment. The Group uses historical experience in order to determined loss given default. As significant increase in credit risk has not been identified, the Group applies 12-month ECL.

The Group considers a financial instrument in default when contractual payments are overdue for 90 days. However, in certain cases, it may consider a financial asset to be in default when internal or external information provides an indication that it is unlikely that the Group will receive the outstanding contractual amounts in full before taking into account any credit improvements. All financial assets measured at amortized cost are subject to collective impairment, except for those in default (phase 3).

Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, incl. derivatives or as financial liabilities at amortized value, incl. loans and other borrowings and trade

and other payable as appropriate. Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowed funds and liabilities, net of direct transaction costs.

The Group's financial liabilities include trade and other payables, bank loans and lease liabilities.

Subsequent measurement

Financial liabilities are measured according to their classification as specified below:

Financial liabilities at amortized cost

The Group's financial liabilities at amortized cost are reported at amortized cost after applying the effective interest method.

Derecognition

A financial liability is derecognized when the obligation is discharged, cancelled or expires. When an existing financial liability is exchanged with another from the same creditor under substantially different terms, or the terms of an existing liability are substantially changed, this exchange or modification is treated as extinguishment of the original financial liability and recognition of a new financial liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

The main financial instruments included in the consolidated statement of financial position of the Group are presented below.

Trade and other receivables

Trade receivables are amounts owed by customers for goods sold and services performed in the ordinary course of business. They are usually due for short-term settlement and are therefore classified as current. Trade receivables are initially recognized at the amount of the unconditional consideration due, unless they contain significant financing components.

The Group holds trade receivables for the purpose of collecting contractual cash flows and therefore measures them at amortized cost using the effective interest method. No discounting is applied when the effect is immaterial.

Future cash flows determined for a group of financial assets that are collectively measured for impairment are determined on the basis of historical information regarding financial assets with credit risk characteristics similar to the characteristics of the group of financial assets.

Assets that are subject to individual impairment are not included in an impairment group.

The Group applies a simplified approach in recognizing impairment of trade and other receivables and recognizes loss allowance for lifetime expected credit losses. In estimating expected credit losses on trade receivables, the Company uses a provision matrix.

When estimating expected credit losses on trade receivables, the Group uses its historical experience of credit losses on trade receivables to estimate the expected credit losses for the entire life of the financial assets.

Borrowings

Borrowings are recognized initially at fair value, which is formed by the cash proceeds received, less the inherent transaction costs. After their initial recognition, interest-bearing loans are measured at amortized cost, where any difference between the initial cost and the maturity value is recognized in profit or loss over the period of the loan by applying the effective interest method.

Finance costs, including direct borrowing costs, are included in profit or loss using the effective interest method, except for transaction costs on bank overdrafts, which are recognized in profit or loss on a straight-line basis for the period, for which the overdraft was agreed upon.

Loans are classified as current when they are to be settled within twelve months from the end of the reporting period.

Payables to suppliers, other current liabilities and advances received

Trade and other payables arise as a result of goods or services received. Current liabilities are not amortized.

Trade payables are recognized initially at fair value and subsequently at amortized cost using the effective interest method.

2.12.10. Cash and cash equivalents

Cash includes cash on hand and current accounts, and cash equivalents include short-term bank deposits with an original maturity of less than 3 months. The consolidated statement of cash flows is presented using the direct method.

Cash and cash equivalents are subsequently presented at amortised cost, excluding the accumulated allowance for expected credit losses.

2.12.11. Lease

On the effective date of the contract, the Group assesses whether the contract is or contains a lease. In particular, whether the contract transfers the right to control the use of the identified asset for a certain period of time.

The Group as a lessee

The Group applies a unified approach to the recognition and assessment of all leases, except for short-term leases (i.e., leases with a lease term of up to 12 months) and leases of low-value assets. The Group recognises lease liabilities for the payment of lease instalments and right-of-use assets, representing the right to use the assets.

Right-of-use assets

The Group recognizes right-of-use assets from the inception date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at acquisition cost less accumulated depreciation and impairment losses and adjusted for any revaluation of lease liabilities.

The acquisition cost of right-of-use assets includes the amount of recognized lease liabilities, the initial direct costs incurred and the lease payments made on or before the inception date of the lease, an estimate of the costs to be incurred by the lessee in dismantling and relocating the asset, the restoration of the site on which it is located or the restoration of the asset to the condition required under the terms of the lease, less any incentives received under the lease. The right-of-use assets are depreciated on a straight-line basis over the lease term.

If at the end of the lease term the ownership of the leased asset is transferred to the Group, or the acquisition cost reflects the exercise of a purchase option, depreciation is calculated using the expected useful life of the asset.

Lease liabilities

From the inception date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any eligible lease incentives, variable lease payments depending on an index or an interest rate, and amounts that are expected to be paid under guarantees for residual value.

Lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option, as well as penalties for terminating the lease, if the lease term reflects the Group's exercising an option to terminate the lease.

Variable lease payments, not depending on an index or an interest rate, are recognised as expense in the period in which the event or condition triggering the payment occurs.

In calculating the present value of lease payments, the Group uses an intrinsic interest rate at the inception date of the lease because the interest rate implicit in the lease cannot be determined reliably. After the inception date, the amount of lease liabilities is increased by the interest and reduced by the lease payments made.

In addition, the carrying amount of lease liabilities is revalued, if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in the index or interest rate used to determine those lease payments) or a change in the measurement of the option to purchase the underlying asset

Short-term leases and low-value assets leases

The Group applies recognition exemption for short-term leases to its short-term building leases (for example, leases with lease term of 12 months or less from the inception date and not containing a purchase option). The Group also applies the recognition exemption of low-value assets leases to leases of office equipment which

is considered low-value. Lease payments on short-term leases and low-value assets leases are carried as an expense on the straight-line basis over the lease term.

Subleasing

Subleasing according to IFRS 16 is a business agreement with stipulated that an asset is subleased by the lease (intermediate lessor) to a third party and the main lease agreement between the lease and the lessor remains valid.

Classification of sublease contracts

The intermediate lessor classifies a subleasing contract as financial or operating leasing in the following way: If the main lease contract is a short-term lease, the sublease agreement is classified as operating lease. In all other cases the sublease agreement is classified according to the assets with right of use arising from the main leasing agreement, and not according to the underlying assets of the agreement (like property or machinery).

2.12.12. Provisions

Provisions are recognised when the Group has a current (constructive or legal) liability as a result of a past event, and it is probable that the repayment/settlement of this liability will involve an outflow of resources. Provisions are estimated based on management's best estimate as at the date of preparation of the financial statements of the costs necessary to settle the respective liability. The estimate is discounted when the maturity is long-term. When part of the resources to be used to settle the liability is expected to be recovered by a third party, the Group recognises a receivable in case it is highly probable to be received, its value can be reliably measured as well as an income (credit) under the same item in the consolidated statement of financial position, where the provision itself is presented.

The Group charges warranty service provisions. Liabilities for warranty service provisions are accrued based on management's best judgment of the potential amount of costs that the Group will incur upon the occurrence of a warranty event, based on the accumulated experience of goods/products sold.

2.12.13. Payables to employees

Defined benefit plans

The Government of Bulgaria is responsible for providing pensions under defined benefit plans. The liabilities under the Group commitment to transfer accrued amounts to defined benefit plans are recognised in the statement of comprehensive income when they are incurred.

Paid annual leave

The Group recognises as a liability the undiscounted amount of the estimated costs of paid annual leave, in accordance with the Labor Code and its internal rules, expected to be paid to employees in exchange for their labor for the past reporting period.

Retirement benefit plans

In accordance with the requirements of the Labor Code, upon termination of the employment contract of an employee who has acquired the right to a pension, the Group pays the employee a compensation in the amount of two gross salaries, if the accumulated service at the Group is less than ten years, or six gross salaries, in case of accumulated service time at the Group of over ten consecutive years.

Based on their characteristics, these schemes are retirement benefit plans.

The measurement of long-term employee benefits is carried out using the projected unit credit method and the estimate at the date of the statement of financial position is made by licensed actuaries. The amount recognised in the statement of financial position is the present value of the liabilities. The revaluations of the retirement benefit plan liability (actuarial gain or loss), arising from experience and changes in actuarial financial and demographic assumptions, are recognised in equity through other comprehensive income as a reserve for retirement liabilities. The amounts released from this reserve are transferred through other comprehensive income into retained earnings.

2.12.14. Share capital and reserves

The Group has adopted the capital maintenance financial concept. Maintaining the share capital is assessed in nominal monetary units. Profit for the reporting period is considered acquired only if the cash /financial/ amount of equity at the end of the period exceeds the cash amount at the beginning of the period, after deducting the distributions between the owners or the capital invested by them during the period.

Shelly Group ES is a joint-stock company and is obliged to register in the Commercial Register a certain amount of share capital to serve as collateral for the claims of creditors of the Parent Company. The shareholders are responsible for the Parent Company's liabilities up to the amount of their shareholding in the capital and can claim the return of this shareholding only in bankruptcy or liquidation proceedings. The Parent Company reports its share capital at the nominal value of the shares registered in court.

Equity is the residual value of the Group company's assets after deducting all of their liabilities. It includes:

Share capital is presented in the consolidated statement of financial position at nominal value per share according to the number of shares issued.

Financial result is the difference between the revenue and the related costs charged.

Equity is reported less the distributed dividends of the owned shares during the period in which they will be distributed (by decision of the General Meeting).

According to the requirements of the Commerce Act and the Articles of Association of the Parent Company Shelly Group SE, the Group is obliged to allocate reserves at the expense of:

- at least one tenth of the profit, which is allocated until the funds reach 10 percent of the share capital;
- the funds received above the nominal value of the shares upon their issuance (premium reserve).

Redeemed shares are presented in the consolidated statement of financial position at cost (acquisition price), with their gross purchase price reduced by the Group's equity capital. Profit or loss from the sale of redeemed shares are presented directly in the Group's equity, under the "Redeemed shares".

In past periods, the Group reported share-based payments to employees in Bulgarian subsidiaries. Share-based payments to employees related to services rendered are settled through equity instruments. Transferred capital instruments are measured at their fair value on the date of transfer. Share-based payment expense is recognised in the period in which the services are received.

Reserve from recalculation of the currency of the presented foreign activity - arises from the net effects of the translation of the accounts of subsidiaries abroad from their functional currencies into Bulgarian leva, for consolidation purposes.

Revaluation reserve is the difference between the previous book value of fixed assets reported at fair value through other comprehensive income and their fair values as of the date of this consolidated financial statements.

2.12.15. Income tax expense

Income tax expense is the amount of current income tax and the tax effect on temporary tax differences. Current taxes on the profit of Bulgarian companies are determined in accordance with the requirements of the Bulgarian tax legislation. The nominal tax rate in Bulgaria for 2024 and 2023 is 10%.

Subsidiaries abroad are charged according to the requirements of the relevant tax laws by country, at the following nominal tax rates:

Country	Nominal tax rates per year	
	2024	2023
Germany	30%	30%
USA	15-35%	15-35 %
China	25%	-
Slovenia	19%	19%

Deferred income tax is calculated using the balance sheet liability method. Deferred tax liabilities are calculated and recognised for all taxable temporary differences, while deferred tax assets are recognised only if likely to be reversed and if the Group will be able to generate sufficient profit in the future from which they can be deducted.

The effect of recognising deferred tax assets and/or liabilities is reported where the effect of the event that gave rise to them is presented.

For events affecting profit or loss and other comprehensive income, the effect of deferred tax assets and liabilities is recognised in the consolidated statement of comprehensive income.

For events that are initially recognised in equity (revaluation reserve) deferred tax assets and liabilities are recognised in the consolidated statement of comprehensive income.

Deferred tax assets and/or liabilities are presented offset the consolidated statement of financial position as they are subject to a uniform taxation regime in the country.

As of December 31, 2024, the Group recognises income tax expenses only for Bulgarian companies and at a 10% tax rate, for the German entity at 30% tax rate, for the Chinese subsidiary at a tax rate 25% and for the Slovenian entity at 19% tax rate.

2.12.16. Earnings per share

Earnings per share are calculated by dividing the net profit or loss for the period attributable to shareholders by the weighted average number of ordinary shares held for the period.

The weighted average number of shares is the number of ordinary shares held at the beginning of the period, adjusted by the number of ordinary shares repurchased and newly issued during the period, multiplied by the time average factor. This factor represents the number of days particular shares were held compared to the total number of days during the period.

Diluted earnings per share are not calculated because there are no potentially diluted shares issued.

2.12.17. Significant judgements in applying the Group's accounting policy

Key estimates and assumptions with high uncertainty

When applying the accounting policy, the Group's management makes certain estimates that have a significant effect on these financial statements. Such estimates, by definition, rarely equal actual results.

Given their nature, these estimates are subject to ongoing review and updating and summarize historical experience and other factors, including expectations of future events that management believes are reasonable under current circumstances.

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

Defined benefit plans

The employee defined benefit obligation is determined by actuarial valuation. This estimate requires assumptions on the discount rate, future wage growth, staff turnover and mortality rates. Due to the long-term nature of defined benefit plans, these assumptions are subject to significant uncertainty. The Group prepared an actuarial valuation of defined benefits and reported them in the consolidated financial statements at the end of 2023 and 2024 (note 3.15).

Useful lives of property, plant and equipment and intangible assets

Financial reporting of property, plant and equipment and intangible assets includes the use of estimates of their expected useful lives and carrying amounts, based on the Group management's judgments.

Impairment of receivables

Management estimates the volume and timing of expected future cash flows related to receivables based on experience versus current circumstances. Due to the inherent uncertainty of this estimate, actual results may differ. Group's management compares prior year estimates with actual results.

The Group uses a simplified approach in reporting trade and other receivables and recognises an impairment loss as expected credit losses over the entire term. They represent the expected shortfall in contractual cash flows, given the possibility of default at any point in the life of the financial instrument. The Group uses its experience, external indicators and information to calculate expected credit losses in the long-term. Impairments recognised for the reporting period are disclosed in Note 4.05.

Impairment of property, plant and equipment

At the date of preparation of the financial statements, the Group's management organizes an impairment review of property, plant and equipment.

As of December 31, 2024, such review was carried out, as a result of which management considered that no impairment indicators were available. No impairment loss on property, plant and equipment is reported in the consolidated financial statements.

Impairment of inventories

At the date of preparation of the financial statements, the Group's management reviews and analyses existing inventories. A review and analysis of all available inventories is made in terms of basic indicators – uniformity, commercial appearance, expiry date, etc., and expert prices are determined.

The proposed expert prices are consistent with the prices reached under concluded contracts for realization on the domestic and foreign markets, the dynamics of supply and demand of inventories, the latest price levels and trends in transactions with similar inventories. For the calculation of the net realisable value of individual types of inventories, the estimated direct costs associated with sales are excluded from determined expert selling prices. When assessing the inventories for which sales contracts are concluded, the net realisable value is determined based on the contract price less the cost of sales. Inventories not related to sales contracts are valued according to assumptions about the possibilities for their future disposal.

As of December 31, 2024, no impairment of inventory was recognized

The impairment of inventories is calculated as the difference between their carrying amount, as recognized in the consolidated statement of financial position prior to review and analysis, and their net realisable value, determined on the basis of expert prices as set out above.

Income taxes

The companies in the Group are tax entities under the jurisdiction of the tax administration in the country in which they operate. A significant estimate needs to be made to determine the tax provision. There are numerous examples for which the tax finally determined is unspecified in the normal course of business. Group companies recognise liabilities for expected tax payables based on the judgement of the management of the

relevant company and the Group. When the final tax result of such events is different from the amounts originally recognized, those differences will affect current income tax and deferred tax provisions in the tax revisions period.

Leases

Determining the lease term for contracts with renewal and termination options – the Group as a lessee

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by an option to extend it if it is reasonably certain that the option will be exercised, or any periods covered by a termination option if it is reasonably certain that the option will not be exercised (note 3.1).

2.12.18. Fair values

Some of the Group's accounting policies and disclosures require a fair value measurement of financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable data as far as possible.

Fair values are categorized at different levels in the fair value hierarchy based on the inputs to the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that, directly (i.e., as prices) or indirectly (i.e., derived from prices), are available for observation for the asset or liability.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input data).

If the inputs used to measure the fair value of an asset or liability can be categorized at different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety at that level of the fair value hierarchy whose input information is relevant to the overall assessment.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurs. In 2023 and in 2024 there have been no transfers between the levels of the fair value hierarchy.

More information on the assumptions made in measuring fair values is included in the relevant notes.

3. Notes to the consolidated statement of financial position

3.01. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Computers	Office equipment	Other	Assets under construction	Total
01.01.2023									
Cost	1 476	3 088	892	458	298	225	237	82	6 756
Depreciation	-	(333)	(868)	(425)	(253)	(126)	(98)	-	(2 103)
Book value	1 476	2 755	24	33	45	99	139	82	4 653
Additions (cost)	-	-	289	411	259	41	169	304	1 473
Purchase	-	-	134	411	133	11	45	288	1 022
Transfer	-	-	100	-	9	-	-	-	109
Business combination	-	-	55	-	117	30	124	16	342

Disposals (book value)	-	-	-	(225)	(8)	(10)	(64)	(109)	(416)
Purchase	-	-	-	(76)	(8)	-	-	-	(84)
Transfer	-	-	-	-	-	(10)	(64)	(109)	(183)
Business combination	-	-	-	(149)	-	-	-	-	(149)
Depreciation for the period	-	(111)	(35)	(107)	(54)	(21)	(36)	-	(364)
Change in depreciation	-	-	(22)	225	(82)	(28)	(52)	(14)	27
Depreciation of assets written off	-	-	-	225	8	2	57	-	292
Business combination	-	-	(22)	-	(90)	(30)	(109)	(14)	(265)
Book value at the end 31.12.2023	1 476	2 644	256	337	160	81	156	263	5 373
Cost	1 476	3 088	1 181	644	549	256	342	277	7 813
Depreciation	-	(444)	(925)	(307)	(389)	(175)	(186)	(14)	(2 440)
Book value	1 476	2 644	256	337	160	81	156	263	5 373
01.01.2024									
Cost	1 476	3 088	1 181	644	549	256	342	277	7 813
Depreciation	-	(444)	(925)	(307)	(389)	(175)	(186)	(14)	(2 440)
Book value	1 476	2 644	256	337	160	81	156	263	5 373
Additions (cost)	-	-	88	390	291	137	964	982	2 852
Purchase	-	-	79	390	291	137	85	982	1 964
Transfer	-	-	9	-	-	-	879	-	888
Disposals (book value)	(1 476)	(2 774)	(176)	(431)	(9)	(66)	(131)	(1 176)	(6 239)
Sale	(1 476)	(2 774)	(176)	(431)	-	(50)	(130)	-	(5 037)
Transfer	-	-	-	-	(9)	(16)	(1)	(1 176)	(1 202)
Depreciation for the period	-	(87)	(88)	(116)	(144)	(12)	(40)	-	(487)
Change in depreciation	-	217	133	260	-	17	70	-	697
Amortization of sold assets	-	217	133	260	-	17	70	-	697
Book value at the end 31.12.2024	-	-	213	440	298	157	1 019	69	2 169
Cost	-	314	1 093	603	831	327	1 175	83	4 426
Depreciation	-	(314)	(880)	(163)	(533)	(170)	(156)	(14)	(2 230)
Book value	-	-	213	440	298	157	1 019	69	2 169

3.02. Intangible assets

	Software	ISO Certificates and intellectual property rights	Patents, licenses, trademarks, prototypes and development	Other	Assets under construction	Total
01.01.2023						
Cost	331	12	3 535	264	1 591	5 733
Amortization	(275)	(7)	(1 195)	(36)	-	(1 513)
Book value	56	5	2 340	228	1 591	4 220
Additions (cost)	9	46	1 711	1 317	3 421	6 504
Purchase	9	-	-	295	879	1 183
Self-constructed	-	-	-	-	2 542	2 542
Business combination	-	46	-	880	-	926
Transfer	-	-	1 711	142	-	1 853
Disposals (book value)	-	-	(605)	-	(2 281)	(2 886)
Book value written-off	-	-	(605)	-	(428)	(1 033)
Transfer	-	-	-	-	(1 853)	(1 853)
Amortization for the period	(51)	(3)	(524)	(66)	-	(644)
Change in amortization	-	-	353	-	-	353

Amortization of assets written off	-	-	353	-	-	353
Book value at the end	14	48	3 275	1 479	2 731	7 547
31.12.2023						
Cost	340	58	4 641	1 581	2 731	9 351
Amortization	(326)	(10)	(1 366)	(102)	-	(1 804)
Book value	14	48	3 275	1 479	2 731	7 547
01.01.2024	-	-	-	-	-	-
Cost	340	58	4 641	1 581	2 731	9 351
Amortization	(326)	(10)	(1 366)	(102)	-	(1 085)
Book value	14	48	3 275	1 479	2 731	7 547
Additions (cost)	70	23	4 882	1 666	5 772	12 413
Purchase	70	7	-	169	1 480	1 726
Self-constructed	-	-	-	-	3 980	3 980
Business combination	-	-	-	909	-	909
Transfer	-	16	4 882	588	312	5 798
Disposals (book value)	-	-	(16)	-	(5 468)	(5 484)
Transfer	-	-	(16)	-	(5 468)	(5 484)
Amortization for the period	(7)	(26)	(832)	(253)	-	(1 118)
Change in amortization	-	-	-	-	-	-
Book value at the end	77	45	7 309	2 892	3 035	13 358
31.12.2024						
Cost	410	81	9 507	3 247	3 035	16 28
Amortization	(333)	(36)	(2 198)	(355)	-	(2 922)
Book value	77	45	7 309	2 892	3 035	13 358

During 2023 the Group has written off research and development expenditure at the amount of BGN 623 thousand. As of December 31, 2024 there are no written off research and development expenses.

3.03. Right-of-use assets

	December 31, 2024			December 31, 2023		
	Vehicles	Buildings	Total	Vehicles	Buildings	Total
At the beginning of the period						
Cost	397	517	914	394	108	502
Depreciation	(260)	(232)	(492)	(183)	(23)	(206)
Book value	137	285	422	211	85	296
Additions (cost)	118	10 632	10 750	3	409	412
Operating lease	118	10 632	10 750	3	-	3
Business combination	-	-	-	-	409	409
Disposals (book value)	(162)	(12)	(174)	-	-	-
Book value written off	(162)	(12)	(174)	-	-	-
Depreciation for the period	(71)	(312)	(383)	(77)	(117)	(194)
Change in amortization	88	-	88	-	(92)	(92)
Book value written off	88	-	88	-	(92)	(92)
Business combination	-	-	-	-	(92)	(92)
Book value at the end of the period				137	285	422
Cost	353	11 137	11 490	397	517	914

Depreciation	(243)	(544)	(787)	(260)	(232)	(492)
Book value	110	10 593	10 703	137	285	422

The Group has concluded lease contracts for the lease of office premises and vehicles.

3.04. Goodwill

Name	December 31, 2024	December 31, 2023
Shelly Properties EOOD	-	126
Shelly Tech d.o.o, Slovenia	3 388	3 388
Shelly Asia Ltd.	250	-
Total:	3 638	3 514

The Group has not recognized any impairment of goodwill as at 31 December 2024.

As of December 31, 2023, the Group reports goodwill impairment in its subsidiary Shelly USA in the amount of BGN 34 thousand.

As of December 31, 2024, the goodwill related to Shelly Properties Ltd. has been written off from group's assets as the subsidiary was sold on 26-th of September 2024.

On May 31, 2024, Shelly Group AD exercised its call option to acquire 50% in the associated company Shelly Asia Ltd., and thus the share of ownership reached 80%. In this consolidated financial statement, the acquisition of Shelly Asia Ltd. is treated as a business combination within the meaning of IFRS 3 "Business Combinations". The determination of the fair value of the identifiable net assets in the newly acquired company was carried out based on an assessment by independent appraisers. The Group has complied with the requirement of IFRS 3, which allows the period of assessment of the effects of the business combination to be up to one year from the acquisition date and as of 31.12.2024 the assessment of the business combination has already been completed, as a result of which the final value of the recognized goodwill is BGN 250 thousand.

The effect of the acquisition (reputation) of 50% equity of Chinese company reported as of December 31, 2024 is as follows:

	Book Value in BGN thousand	Adjustment	Fair value in BGN thousand
Fair value of acquired net assets:			
Inventory	401	-	401
Trade receivables	35	-	35
Cash and cash equivalents	385	-	385
Prepaid expenses	1	-	1
Intangible assets(clients)	-	909	909
Total assets	822	909	1 731
Current liabilities	(198)	-	(198)
Total liabilities	(198)		(198)
Total owner's equity	624	909	1 533
Transferred remuneration			
Net assets attributable to the owners of the parent company	624	393	1 017

Non-controlling interest	-	766	766
Transferred remuneration	624	1 159	1 783
Goodwill arising on acquisition	-	(250)	(250)
Total owner's equity	624	909	1 533

3.05. Investments in associates

Until the end of May 2024, SHELLY GROUP SE reports participation in an associated company - Shelly Asia Ltd., with headquarters and management address in Shenzhen, Guangdong Province, China. The capital of this company is CNY 100,000, and the participation of SHELLY GROUP SE is 30% (BGN 8,000). After 31.05.2024, the investment in the Chinese company is presented as an investment in a subsidiary in connection with an exercised option by SHELLY GROUP SE to acquire additional up to 50% and reach a controlling stake of up to 80% of the capital of Shelly Asia ltd. In 2023, Shelly Group SE participated in the capital increase and registration of new privileged company shares from the capital of Corner Solutions Ltd. As a result, the Company acquired 625 new preferred company shares, representing 10% of the capital of Corner Solutions ltd. after the increase, for a price of BGN 196 thousand (EUR 100 thousand).

Movement of investments in associates is as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Balance as of January 01	403	158
Acquisition of shares	-	196
Transfer of shares to subsidiaries	(218)	-
Share in net current profit (loss) for the year	(25)	49
Balance as of the year end	160	403

3.06. Long-term trade receivables

In September 2021 the Group sold its business located, through ALLTERCO PTE, ALLTERCO SDN and ALLTERCO CO. LTD in Singapore, Malaysia and Thailand, respectively. As part of the clauses of the sales contract, the payment of part of the value of the transaction is deferred. In July 2023 an agreement was signed for rescheduling the payment of BGN 1 027 thousand until the end of 2025. At the end of 2024 the due amount was reclassified as short-term receivable based on its due date.

3.07. Deferred tax assets

	December 31, 2024	December 31, 2023
Deferred tax assets		
Deferred tax on provision for expenses	161	410
Deferred tax on unused paid leave	95	59
Deferred tax on impairment of receivables	299	308
Deferred tax asset on impairment of stocks	88	64

Deferred tax for returned goods	298	-
Deferred tax on unused benefits of individuals	21	77
Deferred tax asset related to the application of IFRS 16	-	1
Deferred tax on long-term employee benefits	22	9
Total assets	984	928
Deferred tax liabilities		
Deferred tax related to the application of IFRS 16	(11)	(2)
Total liabilities	(11)	(2)
Total deferred tax assets/(liabilities)	973	926

3.08. Inventory

	December 31, 2024	December 31, 2023
Goods	39 241	14 948
Goods in transit	104	2 004
Deliveries	2 428	1 299
Materials	3 785	22
Total:	45 558	18 273

As of December 31, 2024, the consolidated statement of financial position includes:

- Deliveries representing components for production, purchased on behalf of the Group, by its main suppliers of production services amounting to BGN 2 428 thousand. The components are available in the warehouses of the suppliers, and the Group holds the title on the components;
- Goods in transit that are not available in the Group's warehouses, but which it owns under purchase agreements.

It is the policy of the Group companies to strive to maintain optimal stock levels equal to the estimated sales for several months ahead. The Group's management believes that the trend for the foreseeable future is for stock levels to increase as a result of growing sales as well as an increasing assortment of devices.

During 2023 the Group has accrued impairment of goods in the amount of BGN 645 thousand. The impairment is related to the imposed restriction for sale of one type of product on the territory of the EU.

As of December 31, 2024 the Group has not recognized impairment of goods and materials inventory.

3.09. Receivables on loans granted

On June 23, 2023, Shelly Group ES has provided short-term loan to third party in the amount of BGN 548 thousand for a term of 1 year at 1% annual interest rate. The loan is not secured. As of December 31 2024, the loan is fully repaid.

3.10. Trade receivables

	December 31, 2024	December 31, 2023
Receivables from clients	62 408	45 126
Impairment of receivables from clients, net	(335)	(2 042)
Advances to suppliers	6 067	10 249
Advances written off	-	(1 054)
Total:	68 140	52 279

The movement in impairment of trade receivables during the year is as follows:

	December 31, 2024	December 31, 2023
Impairment at the beginning of the period	2 042	526
Reintegrated and written off impairment	(1 707)	-
Impairment charged for the period	-	1 516
Impairment at the period end, net	335	2 042

3.11. Other receivables

	December 31, 2024	December 31, 2023
TAX RECEIVABLES, including:	9 868	6 124
<i>VAT recoverable</i>	5 293	6 118
<i>Corporate tax advance payments</i>	4 429	6
Other taxes	146	-
OTHER RECEIVABLES, including:	1 121	466
<i>Deposits in commercial entities and guarantees</i>	150	106
<i>Petty cash</i>	77	-
<i>Prepaid expenses</i>	873	338
<i>Other receivables</i>	21	22
Total:	10 989	6 590

The prepaid expenses include:

	December 31, 2024	December 31, 2023
Information services	308	5
Insurance	150	77
Licenses/certificates	134	161
Membership fees	11	10
Subscriptions	36	55
Exhibitions	173	4
Analysis and publications	3	13
Other	58	13
Total	873	338

3.12. Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand	41	49
Cash in current bank accounts	26 724	30 693
Debit cards	-	26
Restricted Cash	578	-
Cash equivalents	10	10
Total:	27 353	30 778

Restricted cash represents funds related to deposits and bank guarantees provided by subsidiaries of the group.

Debit cards are connected and included into the bank accounts.

	December 31, 2024	December 31, 2023
By currency		
EUR	22 163	23 402
BGN	1 993	4 915
USD	2 024	1 243
Other	1 173	1 218
Total:	27 353	30 778

The Group's cash is in bank accounts with banks with a stable long-term rating. The Management has assessed the expected credit losses on Cash and cash equivalents. The estimated credit losses are insignificant and are not recognized in the consolidated financial statements of the Group as of December 31, 2024.

3.13. Bank loans

Bank loan liabilities are as follows:

	December 31, 2024	December 31, 2023
UBB, incl.:	519	1 321
– up to one year	519	302
– over one year	-	1 019
DSK Bank AD, incl.:	-	167
– up to one year	-	167
– over one year	-	-
Other short-term financing in Shelly USA	963	188
Other short-term financing in Shelly Tech	98	-
Other short-term financing Shelly DACH	6	13
Total bank loans – non-current portion:	-	1 019
Total bank loans – current portion:	1 586	670

The subsidiaries Shelly USA and Shelly DACH use financing under company credit card. The Slovenian company Shelly Tech d.o.o. uses factoring services.

A Group company has an agreed bank financing in the form of an overdraft, with a total limit of 10 million |BGN. As of 31.12.2024 the utilized amount is 519 BGN thousand. Details of the parameters of the provided financing are presented in note 5.

3.14. Lease liabilities

	December 31, 2024	December 31, 2023 (recalculated)
Lease liabilities		
- up to 1 year	1 333	216
- more than 1 year	9 600	443
Total	10 933	659

The liabilities under lease contracts presented in the consolidated statement of financial position include the Group's liabilities under lease contracts for offices and vehicles, which are recognized in accordance with the requirements of IFRS 16 Leases.

3.15. Retirement benefits obligation

As of December 31, 2023, the Group has obligations for a defined benefit plan upon retirement of BGN 327 thousand. The amount of the obligation is determined on the basis of an actuarial assessment based on assumptions about mortality, disability, probability of leaving, salary growth, etc.

The movements of the present value of the defined benefits plan upon retirement:

	December 31, 2024	December 31, 2023 (recalculated)
Liabilities at the beginning of the year	197	112
Liabilities paid during the year	(3)	(30)
Expenses recognized in profit or loss	-	-
Current service expense	42	118
Actuarial gain, recognized in other comprehensive income	91	(3)
Liabilities at the end of the year	327	197

In the case of early retirement due to disability, the staff shall be entitled to a benefit of up to two months' salaries, increased by 100% for a minimum period of five years and provided that no such benefits have been received during the last five years of service.

The demographic statistical assumptions used are based on the following:

- turnover rate of the Group's staff over the past few years;
- mortality of the population of Bulgaria in the period 2021 – 2023 according to the data of the National Statistical Institute;
- statistics of the National Center for Health Information on disability of the population and premature retirement.

3.16. Trade payables

	December 31, 2024	December 31, 2023
Suppliers	7 535	3 782
Advances on customers	444	322
Total:	7 979	4 104

3.17. Payables to employees and social security obligations

	December 31, 2024	December 31, 2023
Payables to employees	922	1 260
Liabilities for unused paid leave	992	695
Liabilities to insurance companies	453	498
Total:	2 367	2 453

3.18. Other liabilities

	December 31, 2024	December 31, 2023
Tax payables, including	9 444	4 543
Corporate tax	5 497	536
Value Added Tax	1 846	1 262
Income tax	102	113
Payables to customs	1 925	2 555
Other taxes	74	77
Other liabilities, including	1 397	4 434
Liabilities for participations	295	415
Warranty service provisions	1 073	650
Liability provisions	-	2 976
Guarantees/Rental deposits	15	15
Deferred income	5	7
Other	9	371
Total other liabilities	10 841	8 977

At the end of 2023 the Group reports a provision related to an inspection made by a state authority in the Republic of Germany, related to the security of one of the devices sold. An order was issued to stop the sale of the specific device in the EU and to notify customers of the potential risks associated with the use of the device. At the end December 31th 2024 the provision was released in full.

3.19. Share capital

Shelly Group SE was registered in 2010. The share capital of the Parent Company as of December 31, 2024 amounts to BGN 18 105 559 and is distributed in 18 105 559 ordinary shares with par value of BGN 1 each. The share capital is fully paid in the following instalments:

The first issue was made upon the establishment of the Parent Company in the form of a non-monetary contribution in the amount of BGN 50 000 consisting ordinary registered voting shares of Teravoice AD's

capital.

In 2010 a second non-monetary contribution was made in the amount of BGN 5 438 000 with the objective to acquire shares from the capital of Tera Communications AD at the total cash value of BGN 5 438 000.

At the end of 2015, a new issue of 8 012 000 ordinary registered voting shares was issued, with a nominal value of BGN 1 (one) each.

At the end of 2016 the capital of Shelly Group SE was increased with a new issue in the amount of 1 500 000 shares on the basis of a successful initial public offering, according to the Prospectus for public offering of shares.

In 2020 the capital of the Parent Company was increased by cash contributions in the total amount of 2 999 999 against 2 999 999 subscribed and paid dematerialized ordinary registered voting shares with a nominal value of BGN 1 as a result of a procedure for Public Offering of a new issue of shares.

In July 2023 the Parent Company successfully completed the public offering of shares from its capital increase. The capital increase was addressed to employees of Shelly Group SE and its subsidiaries. The registered increase of capital amounts to BGN 50 946, representing 50 946 ordinary, dematerialized, registered shares with voting right and par value of BGN 1 each. The capital of Shelly Group SE after the increase is BGN 18 050 945, representing 18 050 945 ordinary, dematerialized, registered shares with voting right and par value BGN 1 each.

In June 2024, the Company successfully completed the offering of shares from the increase in its registered capital. The capital increase was addressed to employees of SHELLY GROUP SE and its subsidiaries. The registered capital increase is in the amount of BGN 54 614, representing 54 614 ordinary, non-cash, registered voting shares with a nominal value of BGN 1 each. The capital of SHELLY GROUP SE after the increase is BGN 18 105 559, representing 18 105 559 ordinary, non-cash, registered shares with voting rights and a nominal value of BGN 1 each.

The shareholders in the Parent Company are disclosed in Note 1.2.

3.20. Retained earnings

	For the year ended December 31, 2024	For the year ended December 31, 2023
Balance at the beginning of the year	83 165	55 117
Net profit for the year	45 293	33 593
Effect of sale of repurchased shares	-	280
Profit distribution for dividends	(4 590)	(4 500)
Effect of increase in controlling interest and business combination	(160)	(1 202)
Reserves transfer	(6)	-
Other changes	(1)	(123)
Balance at the year end	123 701	83 165

3.21. Legal reserves

	For the year ended December 31, 2024	For the year ended December 31, 2023
Balance at the beginning of the year	2 804	1 800
Additional legal reserve	6	-
Effect of business combination and increase in controlling interest	(882)	1 004
Other	(1)	-
Balance at the year end	1 929	2 804

3.22. Share premium reserve

As of December 31, 2023 and December 31, 2024 the reserves from issue of shares amount to BGN 5 403 thousand. They are formed by the excess of proceeds from new shares issued in 2020 above their nominal value in the amount of BGN 6 000 thousand, reduced by the costs related to the capital increase amounting to BGN 297 thousand, and by BGN 300 thousand, that were transferred to Legal reserves by decision of the General Meeting of the Shareholders held on June 28, 2021.

4. Notes to the consolidated statement of comprehensive income

4.01. Sales revenue and cost of sales

	Year ended December 31, 2024			Year ended December 31, 2023		
	Devices	Services and rent	Total	Devices	Services and rent	Total
REVENUE	207 709	995	208 704	146 301	241	146 542
<i>Book value of goods sold</i>	(82 473)	-	(82 473)	(61 708)	-	(61 708)
<i>Direct cost</i>	(1 804)	-	(1 804)	(1 144)	-	(1 144)
COST OF SALES	(84 277)	-	(84 277)	(62 852)	-	(62 852)
GROSS PROFIT	123 432	995	124 427	83 449	241	83 690

4.02. Other operating revenue

	Year ended December 31, 2024	Year ended December 31, 2023
Insurance claims received	44	30
Profit from sales of assets	34	83
Liabilities written off	90	73
Written off impairment	74	294
Reversal of impaired receivables	857	-
Claims to suppliers	1 342	8
Financing/ electricity price compensations	2	6
Gains on currency transactions and exchange rate gains, net	1 407	-
Sales of prototypes	-	244

Other operating income	852	198
Total:	4 702	936

4.03. Sales expenses

	Year ended December 31, 2024	Year ended December 31, 2023
Transport of goods to customers	(2 369)	(2 287)
Certification of products	(213)	(339)
Exhibitions	(2 271)	(633)
Advertising	(30 238)	(6 041)
Fee and commissions	(240)	(390)
Representative costs	(552)	(318)
Other	(185)	(164)
Total	(36 068)	(10 172)

4.04. Administrative expenses

	Year ended December 31, 2024	Year ended December 31, 2023
Materials	(617)	(461)
Hired services	(12 769)	(6 789)
Depreciation/amortization expenses	(1 157)	(689)
Employees expenses	(23 808)	(18 820)
Other administrative expenses	(1 367)	(572)
Total:	(39 718)	(27 331)

4.05. Other operating expenses

	Year ended December 31, 2024	Year ended December 31, 2023
Bank fees and charges	(544)	(613)
Receivables written off	(396)	-
Interest, fines and penalties	(123)	(10)
Written-off prototypes and development costs	-	(683)
Provision for product guarantee	(1 025)	(650)
Provision for liability	-	(2 796)
Donations	(10)	(142)
Foreign exchange rate expenses	-	(622)
Other	(976)	(760)
Total:	(3 074)	(6 456)

4.06. Financial income

	Year ended December 31, 2024	Year ended December 31, 2023
Income from sale of investments	-	1 455
Book value of sold investments	-	(1 274)
Income from interest	20	18
Total	20	199

4.07. Financial expenses

	Year ended December 31, 2024	Year ended December 31, 2023
Lease interest	(31)	(4)
Loans interest	(51)	(82)
Bank financial services	(57)	(28)
Total:	(139)	(114)

4.08. Income tax expense

	Year ended December 31, 2024	Year ended December 31, 2023
Current tax expense	(6 309)	(5 209)
Tax effect from temporary differences	48	624
Tax expense	(6 261)	(4 585)

4.09. Earnings per share, net

	Year ended December 31, 2024	Year ended December 31, 2023
Net profit for the reporting period in thousand BGN	45 107	32 949
Weighted-average number of shares	18 081 918	18 004 306
Basic earnings per share in BGN:	2.49	1.83

As of the end of 2024 the Parent Company's share capital is increased by 54 614 shares up to 18 105 559 shares.

5. Contingent liabilities and commitments

Contract	Annex	Creditor	Debtor	Joint debtor / Guarantor	Amount / Limit	Financial conditions	Maturity	Collateral provided by the borrower
Overdraft November 28, 2024 – Agreement pursuant to Art. 114, para. 10 of POSA		UBB AD	Shelly Europe EOOD		BGN 10 000 thousand	Value of short-term interest rate of UBB increased by 2.5% management fee; processing fee	October 30.,2025	Pledge of receivables on accounts of Shelly Europe EOOD in bank;

Credit limit for bank guarantee April 04, 2024 Agreement pursuant to Art. 114, para. 10 of POSA	-	EUROBAN K BULGARIA EOOD	Shelly Europe EOOD	-	BGN 978 thousand (EUR 500 thousand)	PRIME business clients increased by 1.5%; management fee; commission for issuing bank guarantee	April 03, 2025	Deposit of funds on accounts of Shelly Europe EOOD for the period of the guarantee
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As of December 31, 2024 the amount used under the bank guarantee of Eurobank Bulgaria EOOD is BGN 408 thousand and is in connection with the conclusion of a lease agreement for office premises for a period of 10 years. As of December 31, 2024 the amount used under the overdraft is 519 BGN thousand.

6. Related party transactions

During the reporting period Shelly Group SE has no transactions concluded with interested parties within the meaning of the POSA.

Shelly Group SE has no transactions which are beyond of its ordinary business activity or significantly deviate from market conditions with its subsidiaries and associated companies. Transactions with subsidiaries within its ordinary business activity are excluded from consolidation.

Key management

During the reporting period the members of the Board of Directors of the Parent Company received gross remuneration totalling BGN 1 617 thousand (2023: BGN 1 039 thousand.) from Shelly Group SE.

The remuneration paid was in accordance with the disclosed Remuneration policy of the members of the Board of Directors of the Parent Company.

At the General Meeting of Shareholders held on December 13, 2022, a decision was adopted to amend the Remuneration policy, as well as schemes were approved to provide members of the Board of Directors of Shelly Group SE with variable remuneration in shares of the Parent Company for the period 2022 - 2025.

7. Financial instruments by categories

The structure of the financial assets and liabilities by categories is as follows:

December 31, 2024			
<i>Financial assets according to the Statement of financial position</i>	Financial assets at amortized cost - Cash	Financial assets at amortized cost	Total
Cash and cash equivalents	27 353	-	27 353
Trade receivables	-	62 073	62 073
Deposits in commercial companies and guarantees	-	150	150
TOTAL FINANCIAL ASSETS	27 353	62 223	89 576

December 31, 2024		
<i>Financial liabilities according to the Statement of financial position</i>	Financial liabilities at amortized cost	Total
Lease liabilities	10 933	10 933
Bank loans	1 586	1 586

Trade liabilities	7 979	7 979
Contributory obligations	295	295
Guarantees	15	15
TOTAL FINANCIAL LIABILITIES	20 808	20 808

December 31, 2023			
<i>Financial assets according to the Statement of financial position</i>	Financial assets at amortized cost - Cash	Financial assets at amortized cost	Total
Cash and cash equivalents	30 778	-	30 778
Long term trade receivables	-	1 027	1 027
Receivables on granted loans	-	550	550
Trade receivables	-	43 084	43 084
Deposits in commercial companies and guarantees	-	106	106
TOTAL FINANCIAL ASSETS	30 778	44 767	75 545

December 31, 2023 (recalculated)		
<i>Financial liabilities according to the Statement of financial position</i>	Financial liabilities at amortized cost	Total
Lease liabilities	659	659
Bank loans	1 689	1 689
Trade liabilities	3 782	3 782
Contributory obligations	415	415
Guarantees	15	15
TOTAL FINANCIAL LIABILITIES	6 560	6 560

The fair value of the bank loans that the Group is using, is determined based on market interest rate applicable for similar instruments with similar term.

8. Financial risk management

In the course of their usual business activity, the companies of the Group may be exposed to various financial risks, the most important of which are: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management is focused on forecasting changes in financial markets in order to minimize the potential negative effects that could affect the financial results. Financial risks are currently identified, measured and monitored using various control mechanisms to adequately assess market conditions and their effects by the companies of the Group to avoid unjustified concentration of any specific risk.

Risk management is carried out on an ongoing basis under the direct supervision of the management and the Group's financial experts in accordance with the policy set by the Board of Directors of the Parent Company who developed the basic principles of general financial risk management. Based on these principles, the specific procedures for managing separate specific financial risks have been defined.

The following describes the different types of risks to which the companies within the Group are exposed, as well as the approach taken in managing these risks.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices.

a. Currency risk

The companies within the Group carry out their transactions on the domestic market, in the European Union and in third countries (Asia and USA). The companies within the Group carry out their main deliveries in Bulgarian leva, euros and US dollars. To control the currency risk, a system has been introduced for planning supplies from countries in and outside the European Union, as well as procedures for monitoring movements in exchange rates of foreign currencies and control of incoming payments.

The tables below summarize the currency risk exposure:

December 31, 2024	In EUR	In USD	In other foreign currency	In BGN	Total
Cash and cash equivalents	22 163	2 024	1 173	1 993	27 353
Trade receivables	59 687	327	1 283	776	62 073
Deposits in commercial companies	47	30	-	73	150
TOTAL ASSETS	81 897	2 381	2 456	2 842	89 576
Lease liabilities	143	-	278	10 512	10 933
Bank loans	104	963	-	519	1 586
Trade payables	4 901	338	472	2 268	7 979
Contributory obligations	-	-	-	295	295
Guarantees	-	-	-	15	15
TOTAL LIABILITIES	5 148	1 301	750	13 609	20 808
December 31, 2023 (recalculated)	In EUR	In USD	In other foreign currency	In BGN	Total
Cash and cash equivalents	23 402	1 243	1 218	4 915	30 778
Long-term trade receivables	1 027	-	-	-	1 027
Receivables from granted loans	550	-	-	-	550
Trade receivables	41 453	164	-	1 467	43 084
Deposits in commercial companies	-	-	-	106	106
TOTAL ASSETS	66 432	1 407	1 218	6 488	75 545
Lease liabilities	493	-	-	166	659
Bank loans	1 501	188	-	-	1 689
Trade payables	1 922	258	-	1 602	3 782
Contributory obligations	-	-	-	415	415
Guarantees	-	-	-	15	15

TOTAL LIABILITIES	3 916	446	-	2 198	6 560
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Currency sensitivity analysis

The companies within the Group are not exposed to currency risk in relation to their exposures in euro, because the exchange rate of the BGN to EUR is fixed.

There is a currency risk exposure mainly in USD. As of 31.12.2024 91% of the Group's assets are in EUR, 3% in USD. After the acquisition in the Chinese subsidiary Shelly Asia Ltd. The group is exposed to currency risk of changes in Chinese yuan.

In the table below, a sensitivity analysis is presented to the possible changes in the exchange rate BGN/USD, BGN/NOK and BGN/CNY and the profit before taxes (through changes in the book values of monetary assets and liabilities), provided that all other variables are assumed to be constant.

	Increase/ Decrease in exchange rate BGN/ foreign currency	Effect on the profit before tax BGN/USD	Effect on the profit before tax BGN/NOK	Effect on the profit before tax BGN/CNY
	%			
31.12.2024	+/-1.00%	24	n/a	11
31.12.2023	+/-1.00%	14	12	n/a

b. Price risk

The companies within the Group are exposed to a specific price risk regarding the prices of the goods and services offered. Minimizing the price risk for negative price changes is achieved by periodically reviewing contractual relationships and revising and updating prices in relation to market changes.

Risk of the interest-bearing cash flows

The companies within the Group do not have a significant concentration of interest-bearing assets, except for loans granted and cash on current accounts with banks, therefore the revenue and operating cash flows are not largely dependent on changes in market interest rates.

At the same time, the cash outflows of the companies within the Group are exposed to interest rate risk from utilizing a bank loans and lease, agreed with a variable interest rate.

Cash on current accounts with banks bear interest at interest rates according to the tariffs of the respective banks.

The exposure of the companies within the Group is currently monitored and analysed to changes in market interest rates. Different refinancing scenarios, renewal of existing interest-bearing positions and alternative financing are considered.

December 31, 2024	Interest-free	With floating interest %	With fixed interest %	Total
Cash and cash equivalents	-	-	27 353	27 353

Trade receivables	62 073	-	-	62 073
Deposits in commercial companies and guarantees	150	-	-	150
TOTAL ASSETS	62 223	-	27 353	89 576
Lease liabilities	-	-	10 933	10 933
Bank loans	-	-	1 586	1 586
Trade payables	7 979	-	-	7 979
Contributory obligations	295	-	-	295
Guarantees	15	-	-	15
TOTAL LIABILITIES	8 289	-	12 519	20 808

December 31, 2023 (recalculated)	Interest-free	With floating interest %	With fixed interest %	Total
Cash and cash equivalents	-	-	30 778	30 778
Trade receivables	43 084	-	-	43 084
Long term trade receivables	1 027	-	-	1 027
Receivables from granted loans	-	-	550	550
Deposits in commercial companies and guarantees	106	-	-	106
TOTAL ASSETS	44 217	-	31 328	75 545
Lease liabilities	-	-	659	659
Bank loans	-	368	1 321	1 689
Trade payables	3 782	-	-	3 782
Contributory obligations	415	-	-	415
Guarantees	15	-	-	15
TOTAL LIABILITIES	4 212	368	1 980	6 560

Credit risk

The financial assets of the companies within the Group are concentrated in two groups: cash (cash on hand and at bank accounts) and receivables from clients.

Credit risk is mainly the risk that the customers of the companies within the Group will not be able to pay in full and within the usual deadlines the amounts owed by them. Trade receivables are presented in the consolidated statement of financial position at amortized cost. An impairment has been charged for doubtful and uncollectible loans, as there have been events identifying uncollectible losses based on past experience.

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

Significant part of Group's revenue is generated by large companies with good credit rating.

The collection and concentration of receivables is monitored on an ongoing basis, according to the established policy of the companies within the Group. For this purpose, the open positions by clients, as well as the

received receipts, are periodically reviewed by the financial and accounting department and the management, and an analysis of the unpaid amounts is performed.

In addition, the Group has an insurance on the receivables for 21 of its largest customers.

As of December 31, 2024 cash and the payment operations of the companies within the Group are spread over several banks which limits the risk for cash and cash equivalents.

Management has defined its policy for assessing credit losses. For trade receivables, the simplified method is applied, with percentages determined based on past experience.

As of December 31, 2023, an impairment of receivables amounting to BGN 1,516 thousand is recognised. As of December 31, 2024, the Group has not recognized any impairment of receivables. During the period the Group has collected impaired receivables in the amount of BGN 384 thousand and has written off receivables in the amount of BGN 850 thousand.

Group's credit risk exposure arising from its financial assets as of December 31, 2023 and December 31, 2023 is presented below:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash and cash equivalents	27 353	30 778
Long-term trade receivables	-	1 027
Receivables on granted loans	-	550
Trade receivables	62 073	43 084
Total	89 426	75 439

The impairment staging of the financial assets of the Parent Company as of December 31, 2023 and December 31, 2024:

	<u>December 31, 2024</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Financial assets				
Cash and cash equivalents	27 353	-	-	27 353
Long-term trade receivables	-	-	-	-
Trade receivables	62 123	-	285	62 408
Total	89 476	-	285	89 761
Booked provisions (ECL) for financial assets	(50)	-	(285)	(335)
Financial assets, net of booked provisions	89 426	-	-	89 426
	<u>December 31, 2023</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Financial assets				
Cash and cash equivalents	30 778	-	-	30 778
Receivables on granted loans	550	-	-	550
Long-term trade receivables	1 027	-	-	1 027
Trade receivables	43 134	-	1 992	45 126
Total	75 489	-	1 992	77 481
Booked provisions (ECL) for financial assets	(50)	-	(1 992)	(2 042)

Financial assets, net of booked provisions	75 439	-	-	75 439
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The changes in the gross carrying amount of the financial assets are presented below:

<i>Gross carrying amount of the financial instruments</i>	<i>Stage 1 - expected credit loss for 12 months period</i>	<i>Stage 2 - expected credit loss for the period of the financial asset life</i>	<i>Stage 3 - expected credit loss for the period of the financial asset life</i>	<i>TOTAL</i>
Gross carrying amount as of December 31, 2023	75 489	-	1 992	77 481
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	640 339	-	-	640 399
Maturity of financial assets	(626 411)	-	(1 707)	(628 118)
Gross carrying amount as of December 31, 2024	89 476	-	285	89 761

<i>Gross carrying amount of the financial instruments</i>	<i>Stage 1 - expected credit loss for 12 months period</i>	<i>Stage 2 - expected credit loss for the period of the financial asset life</i>	<i>Stage 3 - expected credit loss for the period of the financial asset life</i>	<i>TOTAL</i>
Gross carrying amount as of December 31, 2022	48 802	-	850	49 652
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	1 142	1 142
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	497 756	-	-	497 756
Maturity of financial assets	(471 069)	-	-	(471 069)
Gross carrying amount as of December 31, 2023	75 489	-	1 992	77 481

The changes in booked ECL provision for financial assets are presented below:

	<i>Stage 1 – 12 months ECL</i>	<i>Stage 2 – Lifetime ECL</i>	<i>Stage 3 – Lifetime ECL</i>	<i>TOTAL</i>
ECL provision as of December 31, 2023	(50)-	-	(1 992)	(2 042)
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-

Maturity of (written off) financial assets	-	-	1 707	1 707
<i>ECL provision as of December 31, 2024</i>	(50)		(285)	(335)

	<i>Stage 1 – 12 months ECL</i>	<i>Stage 2 – Lifetime ECL</i>	<i>Stage 3 – Lifetime ECL</i>	<i>TOTAL</i>
<i>ECL provision as of December 31, 2022</i>	(50)	-	(476)	(526)
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	(1 516)	(1 516)
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-
Maturity of financial assets	-	-	-	-
<i>ECL provision as of December 31, 2023</i>	(50)	-	(1 992)	(2 042)

Liquidity risk

Liquidity risk is the risk that the Group experiences difficulties meeting its obligations with respect to financial liabilities settled with cash or another financial asset.

The companies within the Group carry out a conservative liquidity management policy, through which they constantly maintain an optimal liquid stock of cash. Borrowed credit resources are also used.

In order to control the liquidity risk, the companies within the Group monitor the timely payment of the incurred liabilities according to agreed terms of payment.

The Companies within the Group monitor and control the actual and projected cash flows for periods ahead and maintain a balance between the maturity limits of the assets and liabilities of the Company. Currently, the maturity and timely execution of payments is monitored by the finance and accounting departments, maintaining daily information on available cash and upcoming payments.

December 31, 2024	Up to 1 m.	1-3 m.	3-6 m.	6-12 m.	1-2 y.	2-5 y.	over 5 y.	Without maturity	Total
Cash and cash equivalents	-	-	-	-	-	-	-	27 353	27 353
Trade receivables	18 220	42 513	-	1 340	-	-	-	-	62 073
Long-term trade receivables	-	-	-	-	-	-	-	-	-
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	150	150
TOTAL ASSETS	18 220	42 513		1 340	-	-	-	27 503	89 576
Lease liabilities	113	226	338	656	1 372	2 994	5 234	-	10 933
Bank loans	519	-	1 067	-	-	-	-	-	1 586
Trade payables	7 909	-	70	-	-	-	-	-	7 979
Contributory obligations	10	20	30	235	-	-	-	-	295
Guarantees	-	-	-	-	-	-	-	15	15
TOTAL LIABILITIES	8 551	246	1 505	891	1 372	2 994	5 234	15	20 808

December 31, 2023 (recalculated)	Up to 1 m.	1-3 m.	3-6 m.	6-12 m.	1-2 y.	2-5 y.	over 5 y.	Without maturity	Total
Cash and cash equivalents	-	-	-	-	-	-	-	30 778	30 778
Receivables on granted loans	-	-	550	-	-	-	-	-	550
Trade receivables	20 113	12 940	7 488	2 543	-	-	-	-	43 084
Long-term trade receivables	-	-	-	-	1 027	-	-	-	1 027
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	106	106
TOTAL ASSETS	20 113	12 940	8 038	2 543	1 027	-	-	30 884	75 545
Lease liabilities	37	74	111	221	216	-	-	-	659
Bank loans	63	126	188	293	473	546	-	-	1 689
Trade payables	2 781	785	216	-	-	-	-	-	3 782
Contributory obligations	10	20	30	355	-	-	-	-	415
Guarantees	-	-	-	-	-	-	-	15	15
TOTAL LIABILITIES	2 891	1 005	545	869	689	546	-	15	6 560

Capital risk management

With the capital management the Parent Company aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return on investment of shareholders, and to maintain optimal capital structure, to reduce capital expenses.

Shelly Group SE currently monitors the capital structure based on the debt ratio. This ratio is calculated between the net debt capital and the total amount of capital. Net debt capital is defined as the difference between all borrowings (current and non-current) as stated in the consolidated statement of financial position and the cash and cash equivalents. The total amount of capital is equal to the equity and net debt capital.

The table below presents the debt ratios based on the capital structure:

	December 31, 2024	December 31, 2023 (recalculated)
Total debt capital, incl.	34 033	18 079
-Bank loans	1 586	1 689
-Lease liabilities	10 933	659
Less: cash and cash equivalents	27 353	30 778
Net debt capital	6 680	(12 699)
Total equity	149 031	109 603
Total capital	155 711	96 904
Debt ratio	4.29%	0.00%

The Group reports a debt ratio of 4.29%, mainly as a result of an increased lease liability related to the presentation of a 10-year office lease agreement in accordance with the requirements of IFRS16.

9. Fair values

For the purposes of disclosing fair value, the Group defines different classes of assets and liabilities depending on their nature, characteristics and risk and the respective level of the fair value hierarchy specified in note 2.11.18. Fair Values.

The Group's management has considered that the book values of cash and cash equivalents, trade and other receivables approximate their fair values due to the short-term nature of these financial instruments.

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

The table below presents the hierarchy of the fair value of the Group's assets and liabilities in accordance with IFRS 13:

December 31, 2024	Book value	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	27 353	-	27 353	-
TOTAL ASSETS	27 353	-	27 353	-
Financial liabilities				
Lease liabilities	10 933	-	10 819	-
Bank loans	1 586	-	1 586	-
TOTAL LIABILITIES	12 519	-	12 405	-
December 31, 2023 (recalculated)	Book value	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	30 778	-	30 778	-
Long term receivables	1 027	-	-	-
TOTAL ASSETS	31 805	-	30 778	-
Financial liabilities				
Lease liabilities	659	-	610	-
Bank loans	1 689	-	1 597	-
TOTAL LIABILITIES	2 348	-	2 207	-

The fair value of the financial liabilities included in Level 2 in the table above was determined in accordance with the generally accepted valuation model based on discounted cash flows, the interest rate on the loan was used as a discount factor.

The fair value of trade receivables, short-term financial assets, trade payables and other liabilities approximates their carrying amount as these assets/liabilities are short-term in nature and there are not subject to effects, that lead to different fair value.

The fair value of financial assets included in Level 1 is determined using the market quotation for the price of the asset at the reporting date.

10. Events after the end of the reporting period

Shelly Group SE has decided to provide its US subsidiary Shelly USA Inc. with financing in the form of an additional cash contribution of USD 700 thousand for a period of one year at an annual interest rate of 1%. This financing is provided in addition to the additional cash contributions provided in 2022 and 2024, in the amount of USD 1 million and USD 400 thousand, respectively, each of which the Board of Directors has decided to extend for a period of another 1 year under the same conditions.