QUARTERLY REPORT ON BUSINESS ACTIVITIES
of SHELLY GROUP AD

first quarter of 2024

consolidated basis

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

These Notes to the Quarterly Report on the Business Activities of SHELLY GROUP AD (former company name ALLTERCO JSCo) on an consolidated basis present information about the company, relevant to the end of first quarter of 2024 for the period 01.01.2024 –31.03.2024 (the "reporting period').

1. INFORMATION ABOUT THE GROUP

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

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

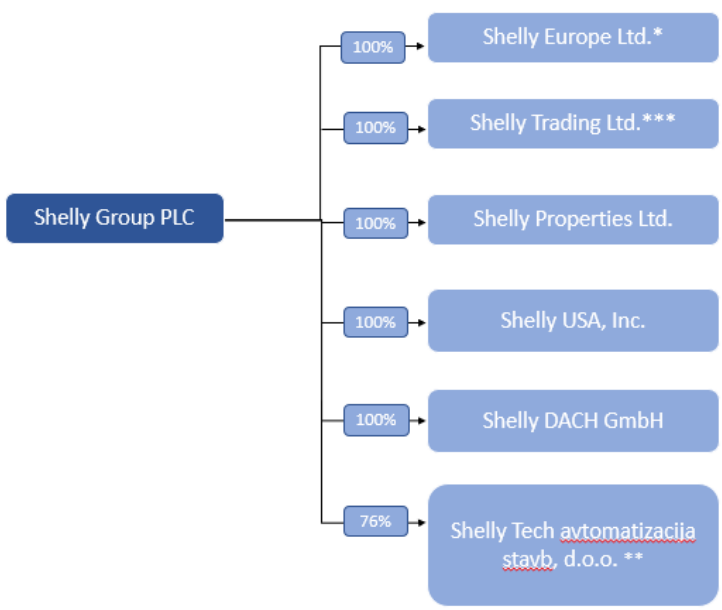
The Company is public listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company's capital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

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

The company operates according to Bulgarian legislation.

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

1.1. Structure of the economic group at the end of the reporting quarter for 2023



* During the reporting period the subsidiary Shelly Europe Ltd. (*former company name "Alterco Robotics"*) has closed its branch in Ireland.

** In January 2024 the Company the Company exercised its Call Option to acquire an additional 16% stake in the capital of its Slovenian IoT subsidiary Shelly Tech (formerly known as GOAP Računalniški inženiring in avtomatizacija proces d.o.o. Nova Gorica) (the "Slovenian Company"). The exercise of the Call Option is the second stage of the acquisition of the Slovenian Company on the ground of an Option Agreement between Shelly Group and the shareholders of the Slovenian Company entered into and disclosed in January 2023. The total acquisition price of the 16% interest 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 shares of the Slovenian company held by three individual partners are subject to an additional Call/Put option exercisable in 2026 in accordance with the terms of the Option Agreement.

***The subsidiary Shelly Trading Ltd. has registered a branch in the United Kingdom.

SHELLY GROUP AD has participation in a company in China, Allterco Asia Ltd. (associated company) with headquarters and registered office in Shenzhen, Guangdong Province. The capital of the new company is CNY 100 000, as the participation of SHELLY GROUP AD is 30% with an option to acquire additional up to 50% and reach a controlling stake of up to 80%.

SHELLY GROUP AD has participation of 625 new preference shares representing 10% of the capital of Corner Solutions Ltd. The participation was acquired for the price of BGN 196 thousand (EUR 100 000) as a result of an Investment Agreement that was entered into in the reporting quarter by and between Shelly Group AD and Vitosha Venture Partners - Fund I KD, UIC: 206223492, as co-investors, on one hand, and Ground Solutions Group AD, its founders Mr. Vladimir Konstantinov Todorov, Mr. Denis Krasimirov Florov, Mr. Nikola Konstantinov Ruychev and Corner Solutions Ltd, with UIC 206375571, on the other hand.

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

The core business of the Company and its economic group during the 2024 reporting period remains the development, manufacture and sale of IoT devices. At present, the major share of the Group's revenue is generated from the sale of Shelly branded products.

1.2. Management

During the reporting period there has been change in the personnel of the Board of Directors. Based on Resolution of the General Meeting of the Shareholders of 18.12.2023, as of 01.01.2024 Mr. Gregor Bieler (who has resigned his position as a member of the BoD) has been replaced by Mr. Christoph Vilanek. With Resolution of the BoD of 18.12.2023 the as of 01.01.2024 the Board of Directors consists of:

- Christoph Vilanek - Chairman;
- Nikolay Martinov - Deputy Chairman;

- Dimitar Dimitrov - Executive Director and Representative;
- Wolfgang Kirsch - Executive Director and Representative;
- Svetlin Todorov - Member of the Board of Directors and Representative;

The representatives represent the Company together or individually.

1.3. Capital structure

As of the end of the reporting period the issued, subscribed, paid-in and registered capital of the Company amounts to 18 050 945 (eighteen million fifty thousand nine hundred forty-five) BGN, divided into 18 050 945 (eighteen million fifty thousand nine hundred forty-five), and is divided into 18 050 945 (eighteen million fifty thousand nine hundred forty-five) dematerialized ordinary registered voting shares, with a par value of 1 (one) BGN each.

The capital is fully paid in five contributions:

- Non-monetary contribution representing 100% of the shares of Teravoice EAD, with an appraised monetary value of BGN 50,000 (fifty thousand);
- Non-monetary contribution representing 69.60% of the shares of Terra Communications JSCo, with an appraised monetary value of BGN 5,438,000 (five million four hundred and thirty-eight thousand);
- A combination of non-monetary and cash contributions amounting to BGN 8,012,000 (eight million and twelve thousand).
- Cash contributions at the amount of BGN 1,500,000 (one million and five hundred thousand) compared to 1,500,000 (one million and five hundred thousand) subscribed and fully paid-in dematerialized ordinary registered voting shares with a par value of BGN 1 each, as a result of a procedure for Initial Public Offering of a new issue of shares.
- Cash contributions at the amount of BGN 2,999,999 (two million nine hundred ninety-nine thousand nine hundred ninety-nine) against 2,999,999 (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine) subscribed and paid-in dematerialized ordinary registered voting shares with a nominal value of BGN 1 each, as a result of a procedure for Public Offering of a new issue of shares. The public offering of shares from the capital increase of SHELLY GROUP AD was carried out in the period 28.09.2020 - 30.10.2020, on the basis of a Prospectus, together with the supplements thereto, confirmed by the Financial Supervision Commission with Decision № 148- F of 18.02.2020, Decision № 405-E of 11.06.2020, Decision № 601-E of 13.08.2020 and Decision № 791-E of 29.10.2020.
- In July 2023 the Company's capital was increased to 18 050 945 (eighteen million fifty thousand nine hundred forty-five) BGN, divided into 18 050 945 (eighteen million fifty thousand nine hundred forty-five) ordinary registered shares with voting rights, with a par value of 1 (one) BGN per share. The increase was made by cash contributions in the total amount of BGN 50 496 (fifty thousand four hundred ninety-six) in procedure of initial public offering of the issue of shares, held in the period from 28.06.2023 to 29.06.2023, in accordance with the procedure under Art. 112, par. 3 of the Public Offering of Securities Act, without a prospectus and based on Information Document pursuant to Article 1(4)(i) in conjunction with Article 1(5)(h) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market

As of 31 March, 2024 the capital structure of SHELLY GROUP AD is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
Svetlin Todorov	30,39 %
Dimitar Dimitrov	32,00 %
Other individuals and legal entities	37,61 %

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

1.4. Development and research activities

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

2. IMPORTANT EVENTS FOR SHELLY GROUP AD

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

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

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

3.1. Operating income

As of the end of the reporting period, SHELLY GROUP AD reported a consolidated profit of BGN 8 906 thousand, representing an increase of 50.4% compared to 2023.

During the reporting period, SHELLY GROUP AD reported on a consolidated basis revenue from sales of device of BGN 40 009 thousand, an increase of 45.0% compared to the previous year.

In the first quarter of 2024, the Company reported revenue from premium subscription services, which was attributable to the increase in revenue from services.

REVENUE	3 months of 2023 thousand BGN	y/y change %	3 months of 2024 thousand BGN
Sale of goods and production	27 595	45.0%	40 009
Revenue from services and rents	13	1091.7%	155

Other operating revenue	41	553.7%	268
Total operating revenue	**27 649**	**46.23%**	**40 432**
Share in the profit of associated companies	34	-85.3%	5
Financial revenue	-	-	3
Profit form operation with financial assets	**27 683**	**46.1%**	**40 440**

3.2. Operating expenses

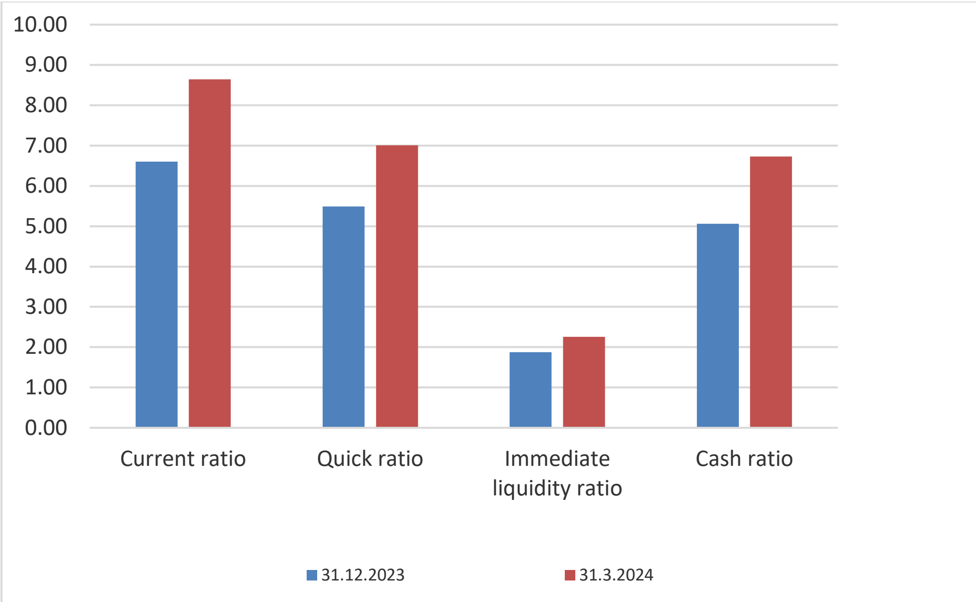
As of the end of the reporting period the total operating expenses of SHELLY GROUP AD increased by 55.6 % compared to the same reporting period of the previous year. This is mainly due to increase of the expenses for marketing and sales by 323.2% and external services with 30.0%.

The biggest part of the reported operating expenses for the reporting period belongs to the expenses for salaries and social securities with 43.3 % share in total expenses, followed by the expenses for marketing and sales with a share of 25.7% and the expenses for external services with a share of 22.2 %.

EXPENSES	3 months of 2023 thousand BGN	y/y change %	3 months of 2024 thousand BGN
Materials	(113)	-20.4%	(90)
External services	(2 511)	7.0%	(2 686)
Depreciation	(156)	30.1%	(203)
Salaries	(4 036)	30.0%	(5 246)
Other administrative expenses	(13)	69.2%	(22)
Total administrative expenses	**(6 829)**	20.8%	**(8 247)**
Marketing and Sales	(734)	323.2%	(3 107)
Other operating expenses	(221)	242.5%	(757)
Total Operating Expenses	**(7 784)**	**55.6%**	**(12 111)**

3.3. Financial indicators

Liquidity Ratios



LIQUIDITY RATIOS	31-12-23	31-03-24
Current ratio	6.61	8.64
Quick ratio	5.49	7.01
Absolute liquidity ratio	1.87	2.26
Cash ratio	5.06	6.73

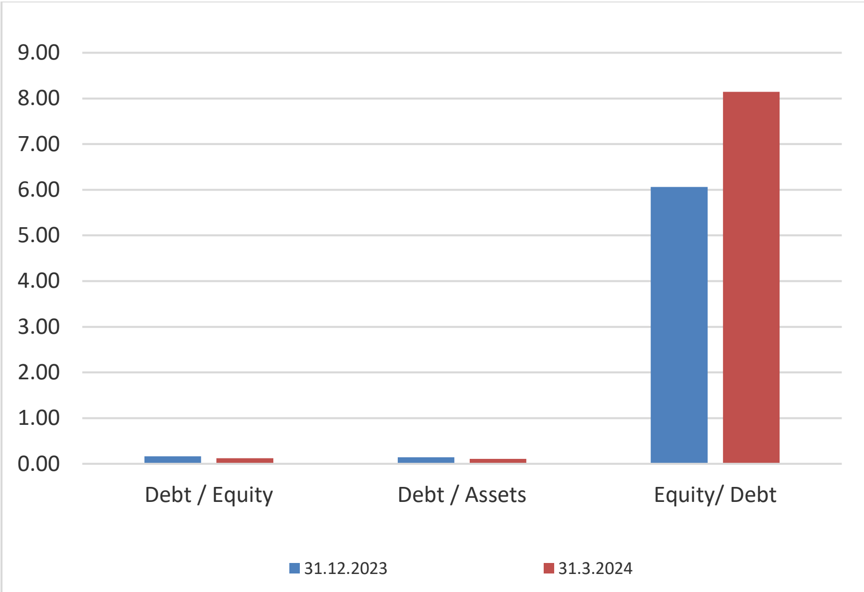
The current liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 3.1 % compared to the end of 2023, while the current liabilities decreased by 21.1%.

The quick liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 15.7 % compared to the end of 2023, while the current liabilities decreased by 21.1%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: the current liabilities decreased by 21.1% compared to the end of 2023, while cash decreased by 5.0%.

The cash ratio at the end of the reporting period increased due to the following: The current liabilities decreased by 21.1% compared to the end of 2023, while cash decreased by 5.0%, the commercial receivables increased by 10.9%.

Financial autonomy coefficients



DEBT RATIOS	31-12-23	31-03-24
Debt / Equity	0.16	0.12
Debt / Assets	0.14	0.11
Equity/ Debt	6.06	8.15

The change in the debt/equity ratio at the end of the reporting period is due to the following: the Company's total liabilities decreased by 20.4% compared to the end of 2023, and the equity increased by 7.0%.

The change in the debt/assets ratio at the end of the reporting period is due to the following: the Company's total assets increased by 3.1% compared to the end of 2023, while the Company's total liabilities decreased by 20.4%.

The change in equity/ debt ratio at the end of the reporting period is due to the following: the total liabilities of the Company decreased by 20.4% compared to the end of 2023, and the equity increased by 7.0%.

4. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

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

4.1. SYSTEMIC RISKS

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

Type of risk	Description
POLITICAL RISK	Political risk is the likelihood of a change of Government, or of a sudden change in its policy, of occurrence of internal political turmoil and adverse changes in European and/or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors will incur losses. On 5 March 2024, Prime Minister Nikolay Denkov deposited the resignation of the cabinet before the Parliament. The next day, the cabinet's resignation was accepted by parliament with 216 votes in favour. Early parliamentary elections are scheduled for June 2024. Political risks for Bulgaria internationally are related to the commitments undertaken to implement serious structural reforms in the country in its capacity as an equal member of the EU, increasing social stability, limiting inefficient spending, on the one hand, as well as the strong destabilization of the countries of The Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves generated by these factors, and the potential instability of other key countries in the immediate proximity of the Balkan Other factors that also affect this risk are the possible legislative changes and in particular those concerning the economic and investment climate in the country.
GENERAL MACROECONOMIC RISK	According to the National Statistical Institute, in March 2024, the overall business climate indicator remains roughly at its February level (from 22.6% to 23.0%). An increase in the indicator was observed in the retail trade and services sectors, while industry and construction registered a decrease.[1] Overall, average annual real GDP growth is expected to be 0.6% in 2024 and accelerate to 1.5% in 2025 and 1.6% in 2026. Compared with the December 2023 euro area macroeconomic forecasts of the Eurosystem experts, the GDP growth forecast has been revised down for 2024 due to the carry-over effects of previous surprise negative results and weaker incoming information on future developments, it has not been revised up for 2025 and it has been revised up slightly for 2026...[2]
INTEREST RATE RISK	Interest rate risk is related to possible negative changes in interest rates established by the financial institutions of the Republic of Bulgaria. At its meeting on 7 March 2024 the Governing Council decided to keep the ECB's three key interest rates unchanged. The Governing Council is determined to ensure a timely return of inflation to the medium-term target of 2%. On the basis of its current assessment, it considers that the ECB's key interest rates are at a level which, if sustained for a sufficiently long period, will contribute substantially to achieving this objective. .[3]

[1] https://www.nsi.bg/sites/default/files/files/pressreleases/Economy2024-03_VMKA13V.pdf
[2] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202402_bg.pdf
[3] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202402_bg.pdf

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Basic Interest Rate

<table>
<tr><th>Date</th><th>Percentage</th></tr>
<tr><td>01.04.2024</td><td>3.79</td></tr>
<tr><td>01.03.2024</td><td>3.80</td></tr>
<tr><td>01.02.2024</td><td>3.79</td></tr>
<tr><td>01.01.2024</td><td>3.79</td></tr>
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*Source: BNB[4]

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<td>INFLATION RISK</td>
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Inflation risk is a general price increase in which money depreciates and households and firms are likely to suffer a loss.

The consumer price index is the official measure of inflation in the Republic of Bulgaria. It assesses the overall relative change in the prices of goods and services used by households for personal (non-productive) consumption and is calculated by applying the structure of final monetary consumption expenditure of Bulgarian households.

According to the NSI,in March 2024, monthly inflation is 0.2% and annual inflation is 3.0%. Inflation is measured by the CPI, where monthly inflation is for March 2024 compared to the previous month and annual inflation is for March 2024 compared to the same month of the previous year.[5]

The Harmonized Index of Consumer Prices is a comparable measure of inflation for EU countries. It is one of the criteria for price stability and for Bulgaria's accession to the euro area. The HICP, like the CPI, measures the overall relative change in the price level of goods and services.

According to the NSI, in March 2024 monthly inflation is 0.2% and annual inflation for March 2024 compared to March 2023 is 3.1%1 . Year-to-date inflation (March 2024 to December 2023) is 0.7% and the average annual inflation rate for April 2023 to March 2024 compared to April 2022 to March 2023 is 6.2%.[6]

According to the March 2024 macroeconomic projections for the euro area by the ECB's experts, inflation has been revised down, especially for 2024, largely reflecting the smaller contribution of energy prices. The experts now forecast inflation to average 2.3% in 2024, 2.0% in 2025 and 1.9% in 2026. Inflation forecasts (excluding the energy and food components) have also been revised downwards, to average 2.6% in 2024, 2.1% in 2025 and 2.0% in 2026 [...] The experts have revised down their 2024 growth forecast to 0.6%, with economic activity expected to remain weak in the short term. They then expect the

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[4] https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm
[5] https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2024-03_IF8MJCQ.pdf
[6] https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2024-03_IF8MJCQ.pdf

	economy to pick up and grow by 1.5% in 2025 and 1.6% in 2026, driven initially by consumption and subsequently by investment [...]Inflation eased slightly to 2.8% in January, and according to Eurostat's preliminary estimate, fell further to 2.6% in February. Food inflation fell again to 5.6% in January and 4.0% in February, with energy prices continuing to decline year-on-year in these two months, but at a slower pace than in December. Commodity inflation also continued to fall, reaching 2.0% in January and 1.6% in February. After holding at 4.0% for three consecutive months, services inflation fell slightly to 3.9% in February. [7]
CURRENCY RISK	Exposure to currency risk is the dependence and effects of changes in exchange rates. Systemic currency risk is the probability of a possible change in the currency regime of the country (currency board), which would lead either to BGN devaluation or to BGN appreciation compared to foreign currencies. Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than BGN and EUR. Since, according to the current legislation in the country the Bulgarian lev is fixed to the euro in the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian levs in circulation equal to the bank's foreign exchange reserves, the risk of devaluation of the BGN compared to the European currency is minimal and consists in the eventual early abolition of the currency board in the country. At this stage, this seems unlikely, as the currency board is expected to be abolished upon the adoption of the EUR in Bulgaria as an official unit of payment. Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country must maintain the exchange rate compared to the EUR within +/- 15% on the background of the central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly less than the allowed ones of ± 15%. On July 10, 2020, Bulgaria joined the ERM II exchange rate mechanism, known as the 'euro area's waiting room'. The central rate of the Bulgarian lev is fixed at EUR 1 = BGN 1.95583. Around this central exchange rate of the BGN, the standard range of plus or minus 15 percent will be maintained. Bulgaria joins the exchange rate mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB.[8] At the same time, our country must enter into close cooperation with the unified banking supervision. The fixed exchange rate of the BGN to the EUR does not eliminate for the Bulgarian currency the risk of unfavorable movements of the euro exchange rate against other major currencies (US dollar, British pound, Swiss franc) on the international financial markets, but at present the company does not consider that such a risk would be material to its business. The company may be affected by currency risk depending on the type of cash flow currency and the type of currency of the company's potential loans. The SHELLY GROUP AD Group companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA, Latin America and Australia. At present, the main revenues from the Group's IoT business are in BGN or EUR, and the costs of delivery of goods in this segment are mainly in US dollars and are largely tied to the Chinese yuan, which is why the appreciation of the US dollar or Chinese yuan would have an adverse

[7] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202402_bg.pdf
[8] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html

	effect on the business performance. In terms of US dollar exposure, the Group companies are expected to have significant US dollar sales revenue in the US and other non-EU markets in the future, which to some extent balances the Group's net exposure to this major currency. To limit the effects of the currency risk, the companies of the Group have introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for ongoing monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Group companies do not use derivative instruments for hedging the currency risk but, if necessary, the management is ready to enter into such transactions.
Credit risk of the state	Credit risk is the probability of deterioration of Bulgaria's international credit ratings, caused by the government's inability to repay its liabilities regularly. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions, both for the state and for individual economic entities, including the Company. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk. Bulgaria's credit rating is presented in the following table: Table 1: Credit risk of Bulgaria .
	Fitch Ratings has affirmed Bulgaria's 'BBB' long-term foreign and local currency sovereign credit rating with a positive outlook. Fitch Ratings has affirmed Bulgaria's Long-Term Foreign and Local Currency Issuer Default Ratings (IDR) at 'BBB' with a Positive Outlook. Bulgaria's ratings are supported by its strong external and public balance sheets versus 'BBB' peers and credible policy framework, underpinned by EU membership and a long-standing currency board. On the other hand, the low level of investments/GDP and unfavourable demographics weigh on potential growth and government finances over the long term. The Positive Outlook reflects the prospects for Bulgaria's euro adoption, which would lead to further improvement in external metrics. Despite a delay in the euro area accession process, there is broad political commitment to euro adoption in 2025. Since the formation of the new government, parliament has passed all remaining post-ERM II commitments, while the amendment of the Central Bank Law should be approved by end-2023. Euro adoption: Bulgaria's HICP inflation is easing but remains significantly above that of the three best performing EU member states, and does not currently comply with the price stability criterion. Given the considerable uncertainty about the inflation trajectory, it remains questionable whether Bulgaria will meet the price stability criterion in mid-2024 (the key date for 2025 euro adoption). Bulgaria is on course to meet all other nominal euro-adoption criteria (public finances, interest rate and exchange rate). Fitch analysts consider euro adoption as supportive to the rating, as all else equal, the output of Fitch's proprietary Sovereign Rating Model (SRM) would improve by around two notches. Growth acceleration: Following the economic expansion in the first half of 2023, despite slowing external demand, high inflation and elevated uncertainty, Fitch has raised its GDP growth forecast for this year to 1.9% (from 1.3% expected in May). Household consumption will likely be supported by higher fiscal spending, the strong labour market, reduction in the saving rate and strong credit growth. Investment growth should gradually improve in the second half of 2023 as EU transfers increase. The GDP growth will speed

	up to 2.8% in 2024 and 3% in 2025, as easing of private consumption will be balanced by stronger investment supported by EU transfers. Fitch analysts take account of the fact that the government is committed to implementation of Recovery and Resilience Facility reforms and recently submitted the second payment request for EUR 724 million (0.8% of 2023 GDP). Gradual easing of inflation: Fitch projects headline HICP inflation will continue to gradually decelerate, while core pressures will decline slower due to strong private consumption, a tight labour market and second-round effects. Fitch sees inflation on average at 9.1% in 2023, 4.6% in 2024 and 2.9% in 2025. The inflation outlook remains subject to considerable uncertainty stemming mainly from development of commodity prices and persistency of second-round effects. Wider medium-term fiscal deficits and low public debt: We forecast the budget deficit at 2.6% of GDP in 2023, affected by the lower-than-planned cost of energy support measures, higher social and capital spending, and public sector wage increases. While Bulgaria has a good record of fiscal prudence, it is expected that the current government might favour slightly wider deficits in the medium term to boost public sector investment and increase social transfers to reduce inequalities. The Agency expects budget deficits of 2.8% of GDP in 2024 and 3.5% of GDP in 2025. Despite wider fiscal deficits, Bulgaria's public debt ratio will remain very low compared with EU countries and 'BBB' peers. Fitch analysts project general government debt/GDP ratio to remain below 30% until 2027. Factors that could lead to positive rating action: progress toward euro area accession, including greater confidence in Bulgaria meeting membership criteria and the likely timing of euro adoption; an improvement in the economic growth potential, for example, via the implementation of structural and governance reforms to improve the business environment and/or effective use of EU funds. Factors that could lead to negative rating action: lack of progress in euro area accession due to persistent political instability or a failure in meeting convergence criteria; lower medium-term growth prospects driven, for example, by a large adverse macroeconomic shock or inflation entrenched at high levels.[9]
Unemployment risk	As a major factor affecting consumer purchasing power, an increase in unemployment would reduce demand for IoT products. On the other hand, the demand for staff from businesses continues to be very active, so such a risk seems negligible within the next year. According to Eurostat in March 2024, the euro area seasonally-adjusted unemployment rate was 6.5 %, stable compared with February 2024 and down from 6.6 % in March 2023. The EU unemployment rate was 6.0 % in March 2024, down from 6.1 % in February 2024 and stable compared with March 2023..[10] The registered unemployment rate in the country in February was 5.8% and remained stable on a monthly basis. The number of registered unemployed persons at the end of the month is 165 585, down by 255 persons compared to last month. The number of unemployed persons who started work with the assistance of the Employment Agency increased - in February they are 12 484, which is 1 141 more than in

[9] https://www.minfin.bg/en/news/12384

[10] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area

	the previous month. The administrative data of the institution show that the largest share of those settled in the labour market is in manufacturing - 15.8%, followed by trade - with 14.6%, public administration - with 9.3%, human health - with 6.7%, construction - with 4.6%, etc. During the month, 355 pensioners, students and employees also found jobs with the support of the employment offices. In the European Union countries 914 unemployed people started work with the help of labour offices or 8.0% of all transitions into employment during the month.[11]
Risk associated with the legal system	Although Bulgaria has introduced a number of significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic and it is difficult to effectively resolve property disputes, breaches of laws and contracts and other. Deficiencies in the legal infrastructure can result in uncertainties arising from the implementation of corporate actions, the implementation of supervision and other issues.
TAX RISK	It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, as a result of which a contradictory tax practice may arise.

4.2. NON-SYSTEMIC RISKS

Risks related to the industry in which the Group operates

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

Risk of shortage of key personnel

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

Risk of strong competition

After the sale of most of the telecommunication business of the group, the Group companies operate mainly in the segment of the Internet of Things (IoT). This segment is one of the most modern and promising sectors of the industry, which attracts the interest of many technology giants and start-up companies. The loss or inability to gain market share and the fall in final product prices due to increased competition may have a negative effect on revenue, profit and profit margins. Maintaining a competitive position requires

[11] https://www.az.government.bg/bg/news/view/ravnishteto-na-registriranata-bezrabotica-prez-fevruari-se-zapazva-na-5-8-4113/

investment in the creation of devices with new utilities, improvement of existing solutions and expansion of market share and it cannot be taken for granted that new developments will be established among the competing ones on the market.

Risk related to personal data security and hacker attacks

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

Risk of regulatory and specific technical requirements

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

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

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

Potential changes in telecommunications service regulations may also have some impact on the Group's operations as mobile operators are one of the main sales channels for the existing MyKi products. Many of the IoT devices developed and sold by the Group companies use Internet-based technology and can work with the services of any Internet service provider. In this sense, the Group is now less dependent on regulations in the field of telecommunications insofar as the companies in its structure are not telecommunications service providers and mobile operators are only one of the marketing and distribution channels for IoT devices.

Risk of technology change

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

Risks related to the Group's business

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

Operational risk

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

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

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

Risk associated with business partners

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

Risks arising from new projects

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

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

Liquidity risk

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

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

The company pursues a conservative liquidity management policy, through which it constantly maintains an optimal liquidity cash reserve and good ability to finance its business activities. In order to control the risk, the Company monitors the timely payment of incurred liabilities. The company monitors and controls the actual and projected cash flows for periods ahead and maintains a balance between the maturity limits of the assets and liabilities.

5. TRANSACTIONS WITH RELATED OR INTERESTED PARTIES

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

The Company has not entered into any transactions with other Group companies that fall beyond its scope of regular business or that significantly deviate from the market conditions. Transactions in the ordinary course of business with subsidiaries are subject to the separate quarterly report for the first quarter of 2024, that was published on 29 April, 2024.

The transactions with other Group companies are excluded here for the purposes of the consolidation.

Board of Directors

During the reporting period, to the members of the Board of Directors have been paid gross remunerations in total amount of BGN 394 thousand. The amounts paid are in compliance with the approved remuneration policy of the Company and the changes made in the number of seats in the Board and the appointment new members, that were appointed on an extraordinary meetings of shareholders held on April 8, 2022, 13 December, 2022 and 19 December 2023.

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

No material new receivables and/or payables arose during the period, except as described in paragraph 5 of this Report..

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

Historical data on trade

Date	Volume	Turnover	Highest Price	Lowest Price	Opening Price	Closing Price
28.03.2024	83420	5432623.80	70,000	58,600	59,000	67,600
29.02.2024	55900	3232975.80	59,400	56,600	58,400	59,200
31.01.2024	109042	5719979.30	59,200	46,000	47,300	58,800

Source: Investor.bg

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

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

Date	NOTIFICATION
09.04.2024	Shelly Group AD (Ticker: SLYG / ISIN: BG1100003166) ("Shelly Group" / "the Company") announced 45.5% year-on-year increase in revenue from sales of devices and related services to EUR 20.5 million (BGN 40.2 million) in Q1 2024, based on preliminary data. The revenue from sales of Shelly IoT and smart home devices increased by 46.4%, amounting to EUR 20.2 million (BGN 39.5 million). For the current financial year 2024, the Board of Directors expects revenue from sales of devices and related services of EUR 105.0 million (BGN 205.4 million) and earnings before interest and taxes (EBIT) likely to be above EUR 26.0 million (BGN 50.9 million). In the past financial year 2023, preliminary figures put revenue at EUR 74.9 million (BGN 146.5 million) and EBIT at EUR 19.1 million (BGN 37.4 million). The Company will officially disclose unaudited consolidated financials for Q1 2024 on 15 May 2024 after the close of trading.
25.04.2024	Shelly Group AD ("Shelly Group" / "the Company"), has been informed today that its shares (Ticker: SLYG / ISIN: BG1100003166) ("Shelly shares") listed in the Prime Standard of the Frankfurt Stock Exchange, will be included in XETRA trading as of Monday, 29 April 2024. This makes Shelly Group the first Bulgarian company to be traded on Xetra. By uplisting from specialist trading on the Frankfurt Stock Exchange to the fully electronic trading venue XETRA, the company expects more liquid trading in Shelly shares and the development of a broader investor base. Baader Bank AG is acting as Designated Sponsor. The Company has been listed on the Regulated Market of the Bulgarian Stock

	Exchange in Sofia since December 2016 and has had a secondary listing on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange since November 2021.
30.04.2024	The Company has announced to the Financial Supervision Commission and the public Invitation for Ordinary Annual General Meeting of the Shareholders, scheduled for 04.06.2024

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

Based on the approval by the Board of Directors of Shelly Group AD, Shelly Europe Ltd., as a lessee, has concluded with Office X AD, UIC 206163814, as lessor, 10-years Agreement for lease of office premises. The subject of the agreement are 2840 sq. m. of office spaces, 60 parking spaces and a service room, located in the office building "Office X", Building 3 (under construction), the use of which is granted against a monthly remuneration (rental price and management and maintenance fee fixed for a period of 5 years) in the total amount of 57,914.40 or BGN 113,270.72 excluding VAT, subject to annual indexation or in total € 6,949,728.00 or BGN 13,592,486.51 excluding VAT for the entire term of the agreement. No interested or related parties are involved in the transaction.

The transaction relates to the need for additional office spaces as a result of the expansion of the team and the development of the business. To the extent that the current office building housing the Shelly Group companies no longer meets their needs, the Company has entered into discussion about its potential sale

For the purpose of fulfilling the obligation of Shelly Europe Ltd. under the Lease Agreement to provide a bank guarantee in favor of the landlord "Office X" AD, after the end of the reporting period, the subsidiary entered into a Credit Line Agreement with "EUROBANK BULGARIA" EAD for the amount of EUR 500 000 (BGN 977 915 at the BNB fixing rate) for a term of 36 months.

After the end of the reporting period, the Board of Directors of Shelly Group AD has decided to grant an additional cash contribution of EUR 600 000 to its Slovenian subsidiary Shelly Tech d.o.o. (formerly GOAP Računalniški inženiring in avtomatizacija proces d.o.o. Nova Gorica). The additional cash contribution was provided for a period of 1 year at an annual interest rate of 1% to cover losses and temporary cash need for covering of current liabilities in order to ensure the continuance of the normal business operations. In this regard, the Board of Directors has also decided to extend the additional cash contribution of EUR 500,000 granted in 2023 for another year under the same conditions.

The Company considers that there is no other information that has not been publicly disclosed that would be important to shareholders and investors in making an informed investment decision.

Date: 15 May 2024

For SHELLY GROUP AD: Dimitar Stoyanov Dimitrov

Digitally signed by Dimitar Stoyanov Dimitrov
Date: 2024.05.15 20:12:13 +03'00'

Dimitar Dimitrov
CEO