SHELLY GROUP AD

ANNUAL CONSOLIDATED REPORT ON THE ACTIVITY
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

ANNUAL CONSOLIDATED REPORT ON THE ACTIVITY

SHELLY GROUP AD

FOR 2023

THIS REPORT ON THE ACTIVITY HAS BEEN PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ART. 39 AND THE FOLLOWING OF THE ACCOUNTANCY ACT, ART. 100N, PARA 7 OF THE PUBLIC OFFERING OF SECURITIES ACT AND APPENDIX No. 2 OF ORDINANCE No 2 of 9.11.2021 ON INITIAL AND SUBSEQUENT DISCLOSURE OF INFORMATION IN CASE OF PUBLIC OFFERING OF SECURITIES AND ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET.

DEAR SHAREHOLDERS,

We, the members of the Board of Directors of SHELLY GROUP AD (former ALLTERCO AD) /”the Parent Company”/, committed to manage the Parent Company and its subsidiaries /”the Group”/ in the best interest of the shareholders, as well as following the requirements of the provisions of Art. 39 and the following of the Accountancy Act (effective since 01.01.2021), Art. 100n, Para 7 of the Public Offering of Securities Act and Appendix No. 2 of Ordinance No. 2 of 9 November on initial and subsequent disclosure of information in case of public offering of securities and admission of securities to trading on a regulated market, have prepared this consolidated report on the activity (hereinafter "The Report"). The Report provides comments and analysis of the consolidated financial statements and other material information regarding the financial position and the financial performance of the Group. The report contains an objective review that presents fairly the development and performance of the Group of SHELLY GROUP AD, as well as its position, including a description of the main risks it faces.

The circumstances that occurred in 2023, which the Parent Company's management believes may be of significance to the investors in deciding to acquire, sell or continue to hold publicly offered securities, have been disclosed within the time limits provided for in the Public Offering of Securities Act and by the Financial Supervision Commission, investors and the regulated securities market.

This Report on the activity of Shelly Group ("the Parent Company"/ "the Issuer") presents information about the Group on a consolidated basis as of December 31, 2023 and covers the period 01.01.2023-31.12.2023 ("the reporting period").

1. GENERAL INFORMATION ABOUT THE PARENT COMPANY

Shelly Group AD is a public joint-stock company, established in 2010 in the city of Sofia and entered into the Commercial Register with the Registry Agency on 11.02.2010 under UIC (unified identification code): 201047670 and LEI code (identification code of the legal entity) 8945007IDGKD0KZ4HD95 for unlimited period of time. The name in Latin shall be written as follows: Shelly Group AD (previous name „ALLTERCO AD").

The Parent Company's seat and management address is: 103, Cherni Vrah Blvd., 1407 Sofia, Capital Municipality, Republic of Bulgaria. The correspondence address is the same; tel.: +359 2 957 12 47. The Parent Company's website is corporate.shelly.com.

The Parent Company is public in the sense of the Public Offering of Securities Act, as it is entered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of a successfully completed primary public offering of shares from the Parent Company's capital increase.

As of 22.11.2021, the shares of Shelly Group AD are traded on two EU regulated markets - the Bulgarian Stock Exchange and the Frankfurt Stock Exchange.

The Company operates in accordance with Bulgarian legislation.

The economic group that consists of the Parent Company SHELLY GROUP AD and its subsidiaries is presented below in p. 2:

As of 31.12.2023, the structure of the capital of SHELLY GROUP AD is the following:

Table 1

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

1.1. In-kind contributions made in the last three financial years

In the last three financial years, no in-kind contributions were made to the Parent Company's share capital.

1.2. Information about the management system

As of 31.12.2023 SHELLY GROUP AD has a one-tier management system - 5-member Board of Directors (BD).

During the reporting period there was a change in the personnel composition of the Board of Directors of the Parent Company. By decision of the General Meeting of the Shareholders dated 18.12.2023 a change in the personnel was voted in the Board of Directors. Effective from 01.01.2024. Mr. Christoph Vilanek replaced Mr. Gregor Bieler, who has left his role as board member due to increase in his professional engagements. The change is reflected in the Commercial Register and Register of Non-Profit Entities with the Register Agency on 08.01.2024. As of the date of the preparation of this report, the Board of Directors includes:

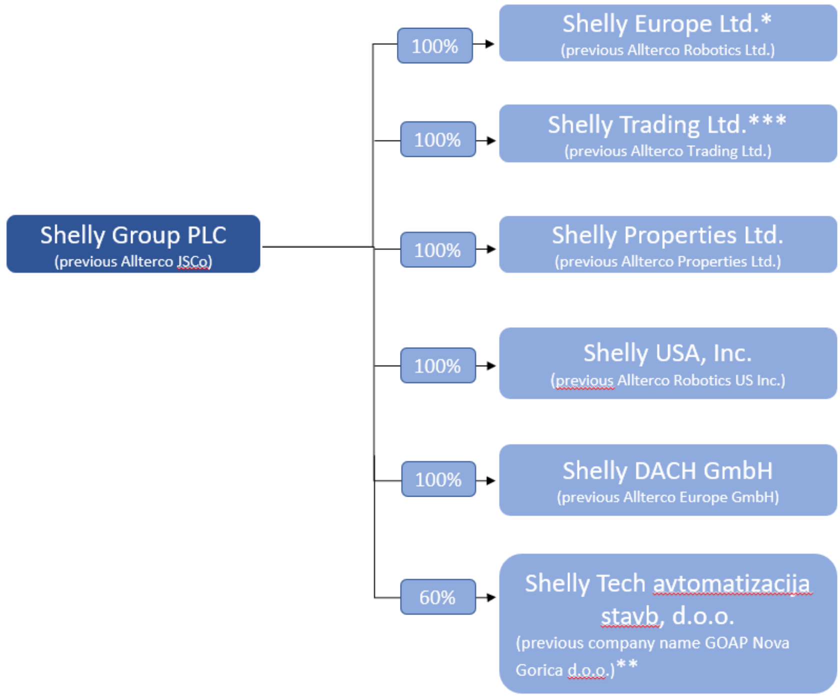
- Christoph Vilanek – Chairman;
- Nikolay Martinov – Deputy Chairman;
- Dimitar Dimitrov – Executive Director and representative;
- Wolfgang Kirsch – Executive Director and representative;
- Svetlin Todorov – BD Member and representative;

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

2. REVIEW OF THE GROUP'S BUSINESS ACTIVITY AND STATUS

As of 31.12.2023 SHELLY GROUP AD reports investments in other companies.

Structure of the economic group as of 31.12.2023:



* The subsidiary Shelly Europe EOOD (former "Allterco Robotics") has a branch in Ireland, registered in the Companies Registration Office of Ireland under registration number 909893, address 38, Upper Mount Street, Dublin, D02 PR89, Ireland.

** In January 2023 the Parent Company concluded the first phase of the acquisition of the Slovenian IoT provider Shelly Tech (former Goap d.o.o. Nova Gorica), hereinafter "Slovenian company"/"Shelly Tech", which consisted of the acquisition of 60% of the capital of the acquiree. Share purchase agreements ("SPA") have been concluded with all four shareholders in the Slovenian company for the transaction, The total price of the transactions in the first phase amounts to EUR 2 million.

The remaining 40% of the capital of the Slovenian company, owned by three owners – individuals, are subject to call options contract, which was concluded together with the acquisition agreements.

The terms of the option contract, SHELLY GROUP AD has an unconditional option to purchase (call option), and the sellers – conditional option to sell (put option) two packages of company shares (the exercise of sellers' option is subject to achieving certain minimum KPIs for the period 2023 - 2025, including EBITDA and revenue). One of the options is for the acquisition of 16% and the other for the acquisition of 24% of the capital of the Slovenian company. The total price of the shares from both packages depends on the level of achievement of the agreed KPIs and may vary in the range from EUR 699 999.70 (BGN 1 369 080.41) to EUR 3 449 998.60 (BGN 6 747 610.76).

After the end of the reporting period SHELLY GROUP AD has exercised the first of the mentioned options and has acquired 16% of the capital of the Slovenian company. The total acquisition price of the share of 16% of the exercised Call option amounts to EUR 586 666,30, calculated in accordance with the terms of the Options Agreement.

Shelly Tech d.o.o,, Slovenia has an interest of 1,56% of the capital of INSTALACIJE d.d. montaža in trgovina - v stečaju, with headquarters and management address Goriška cesta 66, 5270 Ajdovščina, Slovenia, and registration number: 5279330000. The company is in a process of liquidation, which is expected to be completed in 2024.

*** At the end of 2023 the subsidiary Shelly Trading EOOD registered a branch in the United Kingdom, Great Britain (UK establishment number BR 026108).

SHELLY GROUP AD has an associate company in China, Allterco Asia Ltd., with seat and management address, province of Gangxia, Shenzhen, China. The share capital of the new company is CNY 100 000, and the share of SHELLY GROUP AD is 30% with an option to acquire additional up to 50% and reach a controlling stake of up to 80% at the discretion of SHELLY GROUP AD.

SHELLY GROUP AD has interest in the associate of 625 new privileged company shares, representing 10% of the capital of Corner Solutions OOD. The interest was acquired for BGN 196 thousand (EUR 100 000) as a result of Investment agreement concluded in the reporting period between SHELLY GROUP AD and Vitosha Venture Partners - Fund I KD, UIC: 206223492, in their capacity of co-investors, on the one hand and Ground Solutions Group AD, its founders Mr. Vladimir Konstantinov Todorov, Mr. Denis Krasimirov Florov, Mr. Nikola Konstantinov Ruichev and Corner Solutions OOD, UIC 206375571, on the other hand.

The main activity of SHELLY GROUP AD according to Art. 4 of the Statute is: acquisition, management, evaluation and sale of interests 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 entities in which the Company participates; financing of companies in which the Company participates: purchase of goods and other items for resale in original, processed form; sale of goods of own production; foreign trade transactions; commission, forwarding, warehouse and leasing transactions; transport transactions in the country and abroad; transactions of commercial representation and mediation of local and foreign individuals and legal entities; consulting and marketing transactions; provision of management and administration services to local and foreign legal entities; as well as any other commercial transactions not prohibited by law.

As a result of the strategic transactions, corporate changes and decisions in 2019 and 2021, the main activity of the Parent Company and its economic group during the reporting period of 2023 remains the development, production and sale of IoT devices.

Since 2015, the business of the Group companies has organically grown in the IoT sector through the development and implementation of two main product categories – tracking devices under the MyKi brand and home automation systems under the Shelly brand.

3. RESULTS FROM OPERATIONS

3.1. Revenue and result of operations

At the end of the reporting period SHELLY GROUP AD reports on consolidated basis profit in the amount of BGN 32 949 thousand, which represents an increase of 89.0% compared to 2022.

During the reporting period SHELLY GROUP AD reports on consolidated basis revenue from dividends in the amount of BGN 146 301 thousand, which is an increase of 57.3% compared to the prior year.

In 2023 the Parent Company sold its exposure to financial instruments that are traded on regulated market and has realized a profit in the amount of BGN 181 thousand.

Table 2

REVENUE	2021 BGN'000	Change %	2022 BGN'000	Change %	2023 BGN'000
Revenue from sales of devices	58 831	58.1%	93 007	57.3%	146 301
Revenue from sales of services	678	-74.8%	171	40.9%	241
Other operating income	1 358	-25.5%	1 012	-7.5%	936
Total operating revenue	**60 867**	**54.7%**	**94 190**	**56.58%**	**147 478**
Profit share in associates	32	268.75%	118	-58.5%	49
Gains on transactions with financial assets	250	-100.0%	-	-	181
Total	**282**	**-58.2%**	**118**	**94.9%**	**230**

3.2. Operating expenses

At the end of the reporting period the total operating expenses of SHELLY GROUP AD on consolidated basis have increased by 71.8% compared to the same reporting period of the prior year. This increase was largely due to an increase in other operating expenses by 444.8, marketing and sales expenses by 155.5%, hired services by 92.8%, impairment expenses by 73.3%, depreciation and amortization expenses by 36.2% and salary expenses by 28.5%.

The largest part of the reported operating expenses for the reporting period on consolidated basis are the expenses for salaries and social security with a share of 39.9% of the total expenses, followed by the expenses for marketing and sales with a share of 21.5% and hired services with a share of 14.4%.

Table 3

EXPENSES	2021 BGN'000	Change %	2022 BGN'000	Change %	2023 BGN'000
Expenses for materials	190	167.9%	509	-9.4%	461
Hired services expenses	2 478	42.1%	3 521	92.8%	6 789
Depreciation/ amortization expenses	193	162.2%	506	36.2%	689
Salaries	7 590	92.9%	14 644	28.5%	18 820
Other administrative expenses	1 637	-23.3%	1 255	-54.4%	572
Total administrative expenses	**12 088**	69.1%	**20 435**	33.7%	**27 331**
Impairment	334	464.4%	1 885	73.3%	3 267
Marketing and sales expenses	2 696	47.7%	3 981	155.5%	10 172
Other operating expenses	531	123.2%	1 185	444.8%	6 456
Total operating expenses	**15 649**	**75.6%**	**27 486**	**71.8%**	**47 226**

3.3. Financial indicators

Liquidity

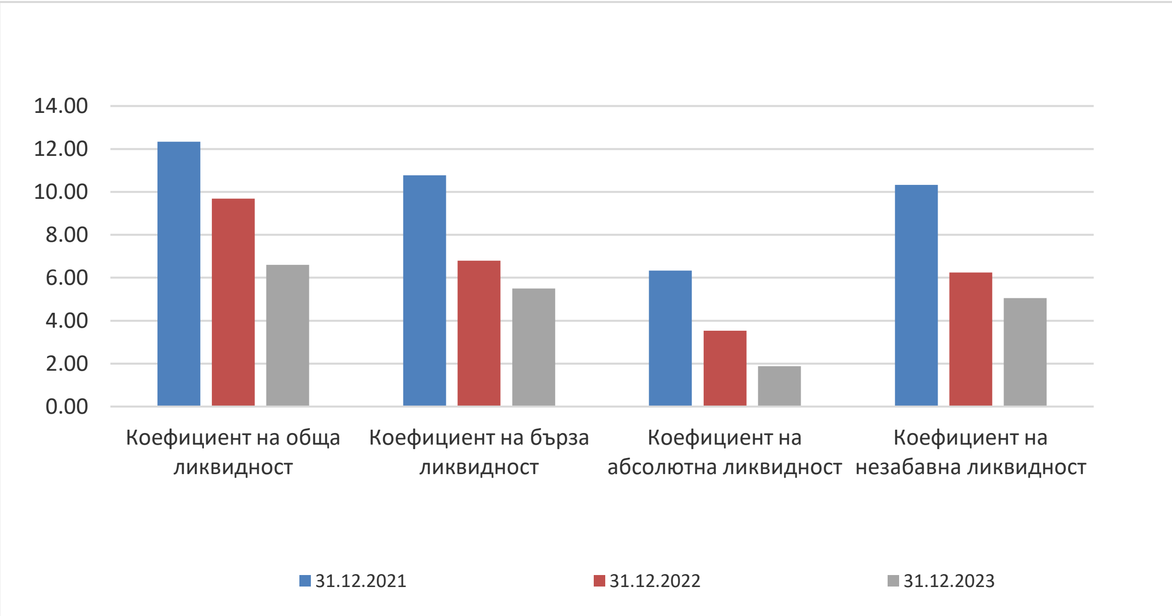


Table 4

LIQUIDITY RATIOS	31-12-2021	31-12-2022	31-12-2023
Current ratio	12.34	9.68	6.61
Quick ratio	10.77	6.79	5.49
Absolute liquidity ratio	6.34	3.53	1.87
Cash ratio	10.32	6.25	5.06

The current liquidity ratio at the end of the reporting period decreased due to the following: current assets have increased by 40.7% compared to the end of 2022, while the current liabilities have increased by 106.0%.

The quick liquidity ratio at the end of the reporting period decreased due to the following: inventory has increased by 20.6% compared to the end of 2022, while the current liabilities have increased by 106.0%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: current liabilities have increased by 106.0% compared to the end of 2022, while cash has increased by 9.3%.

The cash ratio at the end of the reporting period decreased due to the following: current liabilities increased by 106.0% compared to the end of 2022, while cash has increased by 9.3% and trade receivables increased by 141.5%.

Capital leverage ratios

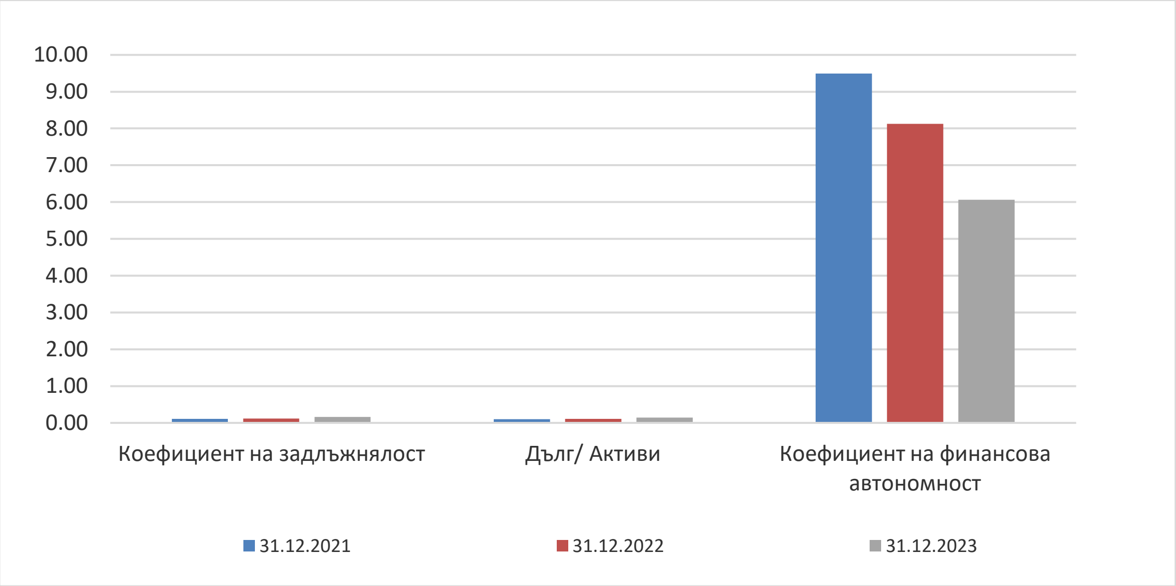


Table 5

FINANCIAL LEVERAGE RATIOS	31-12-2021	31-12-2022	31-12-2023
Debt/Equity	0.11	0.12	0.16
Debt/Assets	0.10	0.11	0.14
Equity/Debt	9.49	8.13	6.06

The change in the debt/equity ratio at the end of the reporting period is due to the following: the liabilities of the Group have increased by 85.9% compared to the end of 2022 and equity has increased by 38.6%.

The change in the debt/assets ratio at the end of the reporting period is due to the following: the assets of the Group have increased by 43.8% compared to the end of 2022, while the liabilities have increased by 85.9%.

The change in the equity/debt ratio at the end of the reporting period is due to the following: the liabilities of the Group have increased by 85.9% compared to the end of 2022 and equity has increased by 38.6%.

3.4. Key indicators

Summary information on the financial performance of SHELLY GROUP AD on consolidated basis for the last three financial periods is presented in the following charts and tables:

Table 6

	2021 BGN'000	2022 BGN'000	2023 BGN'000
EBITDA	19 564	21 405	38 602
EBIT	18 496	20 377	37 400

The calculation of the above indicators does not include the gains on sale of financial assets.

Table 7

INDICATORS	2021 BGN'000	2022 BGN'000	2023 BGN'000
Net revenue income	59 509	93 178	146 542
Equity	65 502	79 072	109 603
Non-current liabilities	2 087	1 757	1 659
Current liabilities	4 816	7 969	16 420
Non-current assets	12 991	11 692	19 212
Current assets	59 414	77 106	108 470
Working capital	54 598	69 137	92 050
Cash	30 541	28 148	30 778
Total debt	6 903	9 726	18 079
Interest expense	81	69	86
Inventory	7 560	23 002	18 273
Current receivables	19 167	21 647	52 279
Expenses for ordinary activities	15 649	27 486	47 226
Materials expenses	190	509	461

3.5. Profitability ratios

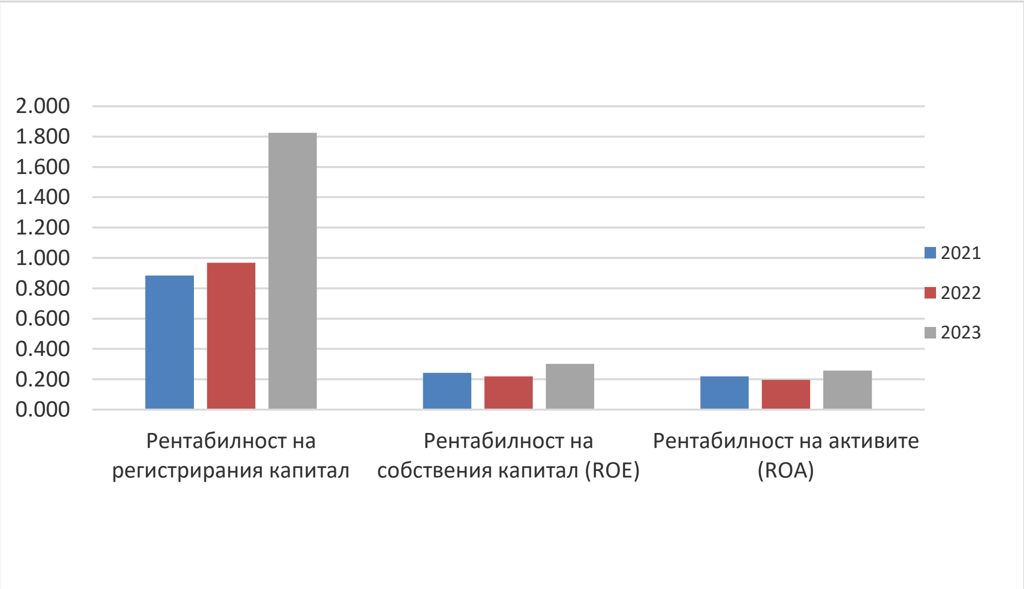


Table 8

PROFITABILITY RATIO	2021	2022	2023
Return on registered capital	0.883	0.969	1.825
ROE	0.243	0.220	0.301
ROA	0.219	0.196	0.258

Return on equity (ROE)

As of the end of 2023, the return on equity ratio increased by 0.301 compared to the same period of the prior year. This is due to the growth of 89.0% of the net profit of the Group. In 2023 compared to 2022 the equity of the Group increased by 38.6%.

Return on assets (ROA)

The value of ROA ratio as of the end of 2023 is 0.258 and has increased compared to the prior financial year. For 2023 SHELLY GROUP AD reports an increase of net profit on consolidated basis and at the same time the assets of the Group increased by 43.8%.

Return on registered capital

As of the end of the reporting period, the Return on registered capital is 1.825 and has increased compared to 2022. In 2023 compared to 2022, the net profit reported by the Group increased, while in the same period the registered capital of the Group also increased by, but only by 0.3%.

4. HUMAN RESOURCES

As of the end of the reporting period, the average number of employees in SHELLY GROUP AD is 195 people, of which key management personnel related to the Parent Company’s activity of 5 people, key management personnel of subsidiaries – 4 people.

The relationships with workers and employees are regulated under separate labour contracts.

The Parent Company's management strives to improve the standard of living of its employees beyond the working hours during which they are directly focused on their business commitments. The expenses for salaries and social security for 2023 amount to BGN 18 820 thousand (2022: BGN 14 644 thousand).

5. ENVIRONMENTAL PROTECTION POLICY

The Group does not carry out activities that have negative impact on the environment. Nevertheless, the Group strives to limit the use of materials produced from non-renewable energy sources and implements an energy safety program.

6. NON-FINANCIAL REPORTING

In accordance with the requirements of Directive 2014/95/EU of the European Parliament on non-financial reporting and the provisions of the Accountancy Act, for a number of companies arises an obligation to publish non-financial information separately or as part of the annual reports on the activity.

The obligation arises for large public-interest entities which, as at 31 December of the reporting period, exceed the criterion for an average number of employees in the financial year of 500 people. Public interest entities are: public entities and other issuers of securities; credit institutions; financial institutions; insurers and reinsurers, pension insurance companies and funds managed by them; investment intermediaries; trading companies that produce, distribute and sell electricity and heat; commercial companies that import, transport, distribute and transit natural gas; commercial companies providing water, sewer and telecommunications services; Bulgarian State Railways EAD and its subsidiaries.

Large enterprises are defined as those with net sales revenues - BGN 76 million or the carrying amount of the assets - BGN 38 million.

Given the criteria set out in the Accountancy Act, it can be concluded that SHELLY GROUP AD, on a consolidated basis, is not obliged to report non-financial information separately or as part of the report of the Board of Directors.

7. MAIN RISKS FOR THE GROUP

The risks related to the business operation of the Group can be generally divided into systematic (overall) and non-systematic (related specifically to its activity and the industry where it operates). The Group is also associated with the similar risk categories inherent in its activity and the industry where the subsidiaries of SHELLY GROUP AD operate insofar as they are the main source of the Group's revenue. In addition, the investors in financial instruments of the Group are exposed to risks related to investments in securities (derivative and underlying).

7.1. SYSTEMATIC RISKS

Systematic risks are related to the market and the macro environment in which the Group operates, which is why they cannot be managed and controlled by the management of the Parent Company and its subsidiaries. Systematic risks are the following: political risk, macroeconomic risk, inflation risk, currency risk, interest rate risk, tax risk and unemployment risk.

Table 9

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 upheavals and unfavourable changes in European and/or national legislation, which would have an adverse impact on the environment in which local businesses operate, and investors would incur losses. In April 2023 early parliamentary elections were held and as of the date of this report a regular coalition government was formed of the two first political formations. 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 to the strong destabilization of the Middle East countries, the 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 vicinity of the Balkans. 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 MACRO-ECONOMIC RISK	According to the National Statistical Institute, in December 2023 **the total business climate indicator** decreased by 1.8 percentage points compared to previous month (from 21.6% to 19.8%) due to unfavorable business climate in the sectors of construction, retail and services.[1] Overall, average annual real GDP growth is expected to recover to 0.8% in 2024 and stabilize at 1.5% in 2025 and 2026. Compared to the September 2023 projections, the GDP growth outlook has been slightly revised downwards for 2023-24 due to recent data releases and weak survey data, while for 2025 it is unchanged.[2]

[1] https://www.nsi.bg/sites/default/files/files/pressreleases/Economy2023-12_024GKPK.pdf

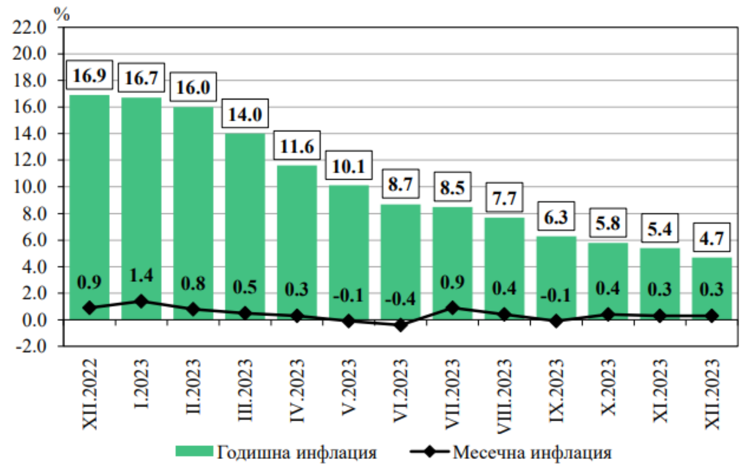
[2] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202308_bg.pdf

Type of risk	Description
INTEREST RATE RISK	The interest rate risk is related to possible, eventual, adverse changes in the interest rates established by the financial institutions of the Republic of Bulgaria. At its meeting on December 14, 2023, the Governing Council took a decision to keep the ECB's three key interest rates unchanged. The Governing Council is determined to ensure that inflation returns to its medium-term target of 2% in due course. Based on its current assessment, the Governing Council believes that interest rates are at levels that, sustained over a sufficiently long period of time, will contribute significantly to a timely return of inflation to target. Future Governing Council decisions will ensure that key ECB interest rates are set at sufficiently restrictive levels for as long as necessary to ensure such a timely return. [3] Basic interest rate Date % 01.12.2023 3.80 01.11.2023 3.79 01.10.2023 3.64 01.09.2023 3.53 01.08.2023 3.29 01.07.2023 3.12 01.06.2023 2.96 01.05.2023 2.77 01.04.2023 2.47 01.03.2023 2.17 01.02.2023 1.82 01.01.2023 1.42 *Source: BNB4
INFLATION RISK	Inflation risk is a general rise in prices in which money depreciates and there exists a probability of loss to households and firms. The consumer price index (CPI) is an official measure of inflation in the Republic of Bulgaria. It estimates the total relative change in the prices of goods and services used by households for personal (non-production) consumption and the index is calculated by applying the structure of the final cash consumer expenditure of Bulgarian households. According to the NSI in December 2023 monthly inflation is 0.3%, while annual inflation is 4.7%. Inflation is measured by the consumer price index and the monthly inflation is for December 2023 compared to the previous month, whereas annual inflation is for December 2023 compared to same month of the prior year. In December 2023 monthly inflation is 0.3%, while the annual inflation for December 2023 compared to December 2022 is 4.7%. The average annual inflation for the period January - December 2023 compared to the period January - December 2022 is 9.5%.[5]

[3] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202308_bg.pdf

[4] https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm

[5] https://nsi.bg/sites/default/files/files/pressreleases/Inflation2023-12_EVM5IO7.pdf

<table>
<tr><th>Type of risk</th><th>Description</th></tr>
<tr><td></td><td>

*Source: NSI

The harmonized index of consumer prices is a comparable measure of inflation across EU countries. It is one of the criteria for price stability and for Bulgaria's accession to the Eurozone. The HICP, as well as the CPI, measure the total relative change in the level of prices of goods and services. According to NSI the monthly inflation according to the HICP in December 2023 is 0.3%, and the annual inflation for December 2023 compared to December 2022 is 5.0%. The average annual inflation for the period January - December 2023 compared to the period January - December 2022 is 8.6%.[6]

According to the macroeconomic forecasts of the employees of the Euro-system of the Eurozone for December 2023 inflation is expected to decrease gradually in 2024, before approaching the target of the Governing Council of 2% in 2025. In general, the employees of the Euro-system expect general inflation to be on average 5.4% in 2023, 2.7% in 2024, 2.1% in 2025 and 1.9% in 2026. Compared to the macroeconomic forecasts of the employees of the ECB for the Eurozone for September 2023 this represents a downward revision for 2023 and especially for 2024. In general, with medium-term inflation expectations, estimated to remain anchored at the level of the inflationary target of the ECB of 2%, total HICP inflation is expected to decrease from 5.4% in 2023 to average 2.7% in 2024, 2.1% in 2025.[7]</td></tr>
<tr><td>CURRENCY RISK</td><td>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% against 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%.</td></tr>
</table>

[6] https://nsi.bg/sites/default/files/files/pressreleases/Inflation2023-12_EVM5IO7.pdf

[7] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202308_bg.pdf

<table>
<tr><th>Type of risk</th><th>Description</th></tr>
<tr><td></td><td>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 Group does not consider that such a risk would be material to its business. The Group may be affected by currency risk depending on the type of cash flow currency and the type of currency of the Group’s potential loans.

The SHELLY GROUP AD’s Group companies operate in Bulgaria as well as in EU countries and other countries, mainly in the USA, Latin America and Australia. At present, the main revenues from the Group companies’ IoT business are in BGN or EUR, and the costs of delivery of goods in this segment are mainly in US dollars and are largely tied to the Chinese yuan, which is why the appreciation of the US dollar or Chinese yuan would have an adverse effect on the business performance. In terms of US dollar exposure, the Group companies are expected to have significant US dollar sales revenue in the US and other non-EU markets in the future, which to some extent balances the Group’s net exposure to this major currency.

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.</td></tr>
<tr><td>Credit risk of the state</td><td>Credit risk represents the probability of deterioration of Bulgaria's international credit ratings, caused by the inability of the state to regularly repay its liabilities. Low credit ratings of the state may lead to higher interest rates, more difficult financing conditions for both state and individual entities, including the Group. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a state's credit risk. Bulgaria's credit rating is presented in the table below:

Table 1: Credit risk of Bulgaria (source: Ministry of Finance)
<table>
<tr><th>Credit agency</th><th>Date of last modification</th><th>Long-term rating</th><th>Perspective</th></tr>
<tr><td>Standard & Poor‘s</td><td>25.11.2023 [9]</td><td>BBB/A-2</td><td>Stable</td></tr>
<tr><td>Fitch</td><td>28.10.2023 [10]</td><td>BBB</td><td>Positive</td></tr>
</table>
The international rating agency S&P Global Ratings increased its rating from stable to positive and confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB/A-2'. The positive outlook reflects the opinion of the rating agency that there is at least a one to three probability that Bulgaria will join the Eurozone in the next 24 months.</td></tr>
</table>

[8] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html
[9] https://www.minfin.bg/bg/news/12432
[10] https://www.minfin.bg/bg/news/12383

Type of risk	Description
	The governing coalition, formed in June, represents Bulgaria's first stable government in the last two years, after five parliamentary elections. One of the main political goals of the government is the country's accession to the Eurozone, planning to achieve it from January 1, 2025. Bulgaria may not meet all convergence criteria, especially that of price stability. Even if Bulgaria does not join the Eurozone in 2025, the rating agency expects that the accession will likely be delayed until January 1, 2026. Despite the aging workforce, Bulgaria's economy has strong prospects for real growth, with average rates of 3% for the period 2024-2026, driven mainly by domestic demand. Consumption will remain strong due to the good performance of the labor market, which is supporting real wage growth. Sufficient EU funds for Bulgaria, which S&P Global Ratings estimates at over 30% of GDP for 2023, will support investment activity in the coming years. Obtaining and using all available funds will be challenging due to the approaching deadlines of the main funding programs - the EU's Multiannual Financial Framework 2014-2020 and the Recovery and Resilience Facility - under the EU Next Generation Program (NGEU). S&P Global Ratings rates Bulgaria's fiscal performance as one of the best among Central and Eastern European countries and expects current fiscal plans to result in deficits below 3% of GDP in the period to 2026, keeping net government debt below 20 % of GDP. The agency expects the current account deficit to remain low and overfinanced by EU funds and foreign direct investment flows, limiting the need for external financing and maintaining a stable external position. S&P Global Ratings would increase the credit rating in the next two years, potentially by several notches, if Bulgaria becomes a member of the Eurozone. S&P noted that they would revise the outlook to stable if expectations of Bulgaria joining the Eurozone become less likely.[11]
	The international rating agency Fitch Ratings confirmed the long-term credit rating of Bulgaria in foreign and local currency 'BBB' with a positive outlook. Bulgaria's rating is supported by the country's strong external and fiscal position compared to countries with the same rating, the reliable political framework of EU membership and the long-term functioning of the currency board regime. On the other hand, the low share of investment relative to GDP and unfavorable demographic factors weigh on potential economic growth and public finances in the long term. The positive outlook reflects the country's plans for Eurozone membership, which could lead to further improvements in the country's external position indicators. Despite the delay in the process of joining the Eurozone, the analysts of the rating agency believe that there is a broad political commitment to adopt the euro in 2025. After the formation of the new government, the parliament has accepted all the remaining commitments after the country's entry into ERM II. Adoption of the Euro: The inflation rate (HICP) in Bulgaria follows a downward trend, but remains significantly above that of the three EU member states with the lowest inflation and currently does not meet the price stability criterion. Given the significant uncertainty regarding inflationary processes, for Fitch Ratings the fulfillment of the price stability criterion in mid-2024 (the key date for adoption into the Eurozone in 2025) remains questionable.

[11] https://www.minfin.bg/bg/news/12432

Type of risk	Description
	Bulgaria is likely to meet all other nominal criteria for adopting the Euro (public finances, interest rate and exchange rate). Analysts from the agency believe that the adoption of the Euro is in support of the rating, since, other things being equal, it would improve the assessment of the country's rating by about two notches. Accelerating growth: After reporting growth in the first half of 2023, despite slowing external demand, high inflation and heightened uncertainty, Fitch raised its forecast for GDP growth this year to 1.9% (from 1.3% expected in May) . Household consumption is expected to be supported by higher budget spending, a stable labor market, a decrease in the money saving tendency and strong credit growth. Investment growth is expected to gradually improve in the second half of 2023 due to increased transfers from the EU. GDP growth will accelerate to 2.8% in 2024 and 3% in 2025, with weaker private consumption balanced by stronger investments supported by EU transfers. The rating agency also considers the government's commitment to implementing reforms related to the Recovery and Resilience Mechanism, after the submission of the second payment request at the amount of EUR 724 million (0.8% of GDP for 2023). Gradual decline in inflation: Fitch forecasts that headline HICP inflation will continue to gradually decelerate, while core inflation will decline more slowly due to strong private consumption, tight labor market conditions and spillover effects. The agency expects average annual inflation of 9.1% in 2023, 4.6% in 2024 and 2.9% in 2025. The inflation forecast remains subject to significant uncertainty arising mainly from the dynamics of commodity prices and the manifestation of spillover effects. Growing medium-term budget deficit and low debt: A budget deficit of 2.6% of GDP is forecast in 2023, as a result of lower-than-planned spending on energy support measures, higher social and capital spending, and public sector wage increases. Despite achieved fiscal prudence, the current government is expected to maintain slightly higher deficits in the medium term to boost public investment and social transfers to reduce inequality. A budget deficit of 2.8% of GDP in 2024 and 3.5% of GDP in 2025 is expected. Despite larger fiscal deficits, Bulgaria's public debt level will remain much lower compared to EU countries, as well as countries with the same rating. The ratio of total government debt to GDP is forecast to remain below 30% until 2027. Main factors that could lead to positive rating actions are: progress towards joining the Eurozone, including confidence that Bulgaria meets the membership criteria and the deadline for adopting the Euro; improving the growth potential of the economy, for example by introducing structural and management reforms to improve the business environment and/or efficient use of EU funds. Factors that could lead to negative rating actions are: lack of progress in joining the Eurozone due to continued political instability or failure to meet convergence criteria; lower medium-term growth prospects, caused for example by a significant adverse macroeconomic shock or inflation that has persisted at high levels.[12]
Risk of unemployment	As a major factor affecting consumer purchasing power, an increase in unemployment would reduce the demand for IoT products. On the other hand, the demand for personnel by the businesses continues to be very active and such risk seems insignificant in the coming year. According to Eurostat estimates, in December 2023, 12.936 million people in the EU, of which 10.909 million in the Eurozone (EZ), will be unemployed. Compared to November 2023, unemployment in the Euro area fell by 17,000 people, remaining at a record low.

[12] https://www.minfin.bg/bg/news/12383

Type of risk	Description
	Compared to December 2022, unemployment fell by 299,000 in the EU and by 369,000 in the Eurozone.[13]
Legal Risk	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, etc. Deficiencies in the legal infrastructure can result in uncertainty arising from the implementation of corporate actions, 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 Group, 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.

7.2. UNSYSTEMATIC RISKS

Risks related to the industry in which the Group operates

Such risks are the Risk Of Key Personnel Shortage, Competitive Risk, Personal Data Security and Cyber Attacks Risk, Risk Of Changing Technologies.

Risk of key personnel shortage

One of the biggest challenges facing technology companies such as the Group companies, as well as considering the specific scope of their activity in the field of telecommunications and engineering and software development, is the shortage of qualified personnel. The insufficient availability of suitable personnel in the subsidiaries could adversely affect the future development of the Group, due to delays in the development of new products/services or the maintenance of existing ones. On the other hand, the high competition for attracting personnel in this sector raises the price of labor. As a result, the financial position and market share of the Group's companies would suffer.

Competitive Risk

Following the sale of the Shelly Group's telecommunications business, the Group's companies operate primarily on the Internet of Things (IoT) segment. This segment is one of the most modern and promising sectors of the industry, which attracts the interest of many technological giants and start-ups. The loss or inability to capture market share and declines in final product prices due to increased competition could have a negative effect on revenues, earnings and profit margins. Maintaining a competitive position requires investment in creating new useful devices, improving existing solutions and expanding market share, and it cannot be taken for granted that new developments will prevail among competitors on the market.

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

Personal Data Security and Cyber Attacks Risk

The technology industry is characterized by the digital transfer of information that could be strictly confidential, containing personal data of product users, financial information of companies, information about new products, etc. The protection of such information is a critically important factor for the normal functioning of companies in the industry, including the companies of the Group. The sales of the devices and the use by customers of the accompanying mobile applications and cloud services provided by the Group are related to the exchange and storage of personal data. A potential breach in information security may lead to:

i) Loss of customers and/or partners and their migration to competitive companies; ii) Imposing sanctions and lawsuits with regard to violations of applicable data protection and privacy laws; iii) Lost or delayed orders and sales; iv) Adverse effect on reputation, business, financial position, profit and cash flows.

Regulatory and specific technical requirements Risk

The offering of IoT devices is subject to a regulation for the certification of the products for sale in the respective country. In the European Union, products must be marked ‘CE’, thus indicating that the product has been evaluated and meets safety, health and environmental requirements. The US equivalent is UL Certification. For the purposes of certification, accredited laboratories are assigned the compliance tests, which is associated with significant costs. In addition, specifics in the requirements of local regulators and counterparties (especially mobile operators) may require the performance of additional tests and certification, which increases the cost of entering a certain market or a certain distribution channel.

The sales of the products of the Group’s companies cover more and more markets, which often have local regulation regarding the certification of similar products in the respective country. Compliance with local regulatory requirements is time and resource intensive and may delay the Group companies entry into new markets or impose additional costs to meet different standards.

The change in regulatory requirements for devices may involve additional costs to bring them into compliance with the new requirements, including costs of recalling products from the market to bring them into compliance with those requirements. The companies of the Group and their local partners monitor for planned legislative changes on a regular basis in order to take measures to ensure product compliance.

Given the insignificant share of MyKi series tracking devices in the Group's sales revenue and the Group's focus on the development, distribution and sale of IoT devices and building automation solutions, the risk of possible changes in the regulations of telecommunications services no longer has an impact on the Group's activities. The IoT devices developed and sold by the companies in the Group use Internet-based technology and can work with the services of any Internet provider. In this respect, the Group is no longer dependent on regulations in the field of telecommunications, insofar as the companies in its structure are not telecommunication service providers and mobile operators do not have significant involvement as a channel for their distribution.

Risk of change in technology

SHELLY GROUP AD and its subsidiaries operate in a highly dynamic segment where technology has a significant impact and is a source of competitive advantage. As a result, there is a risk of delayed adaptation to new technologies, due to lack of knowledge, experience or sufficient funding, which may have a negative effect on the Group. Slow adaptation to new realities may lead to loss of competitive positions and market shares, which in turn will lead to deterioration of the Group's results.

Risks related to the Group's activities

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 losses caused by flawed or failed internal processes related to management. Such risks may arise as a result of:

- Wrong operational decisions related to current project made by the management;
- Shortage of qualified personnel necessary for the development and implementation of new projects;
- Resigning key personnel impossible to replace;
- Risk of an excessive increase in management and administrative costs, leading to a decrease in the overall profitability of the Group;
- Technical failures leading to long interruptions is providing services may lead to the termination of contracts with customers.

The effects of such circumstances would be a reduction in the Group's revenues and a deterioration in the results of its operations.

Risk related to business partners

Manufacturing activity in the IoT segment has been outsourced, primarily to China, and is concentrated in a few manufacturers. Potential risks associated with key subcontractors are related to accurate and timely delivery or termination of business relationships. Although, management believes there is a wide range of alternative suppliers, the possible transfer of production to new partners and diversification of subcontractors may give rise to delays in deliveries and additional costs, which may affect the ability of the companies in the Group to fulfil agreed orders from customers and adversely affect the reputation and financial results of the Group.

Risks arising from new projects

The main activity of SHELLY GROUP AD is investments in subsidiaries. There is a risk that some of the subsidiaries may not be able to meet their objectives, resulting in a lower or negative return on investment.

The development of new products and services by SHELLY GROUP AD’s subsidiaries is related to the investment in human resources, software, hardware, materials, goods and services. In case the new products and services fail to be realised on the market, such investments would be unjustified. This, in turn, would have a negative impact on the Group's expenses and assets, as well as on the results of its operations. In order to manage the risk arising from new projects, the companies of the Group make market and financial analyses with different scenarios, and in some cases discuss the concept of the new service / product with potential customers.

Liquidity risk

With regard to the Group the manifestation of liquidity risk is associated with the possibility of a lack of timely and/or sufficient available funds to meet all current obligations. This risk can occur both in case of a significant delay in payments by the Group's debtors, and in case of insufficiently effective management of cash flows from the Group's activities.

Some of the companies in the Group use bank funding such as investment loans, overdrafts or revolving credit lines, which can be used in case of liquidity problems.

The Group implements a conservative liquidity management policy, through which it constantly maintains an optimal liquid cash reserve and a good ability to finance its business activity. In order to control the risk, the Group is trying to pay its liabilities within the agreed deadlines. The Group monitors and controls the actual and estimated cash flows for future periods and maintains a balance between the maturity limits of the Group's assets and liabilities.

8. SIGNIFICANT EVENTS AFTER THE DATE OF PREPARATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The events after the reporting date are disclosed in Note 10 to the 2023 consolidated financial statements.

9. CURRENT TRENDS AND POSSIBLE FUTURE DEVELOPMENT OF THE GROUP

SHELLY GROUP AD does not carry out direct production activities. The production activity is carried out by the subsidiaries.

In 2023, SHELLY GROUP AD will continue to operate in the following main areas:

1. Observation, control and decision-making on important issues affecting subsidiaries as sole proprietor or majority owner through:
    - applying the principles of good corporate governance;
    - providing efficient and transparent work conditions;
    - improving the quality of services/products offered;
    - operational reorganization and optimization.
2. Transactions with assets of the companies of the Group
3. Management structure optimisation
4. Funding the investments and the working capital of subsidiaries
5. Establish a unified financial reporting and accounting policy.

10. RESEARCH AND DEVELOPMENT ACTIVITIES

The Parent Company has not carried out any research and development activities and is not planning such activities in the foreseeable future. The subsidiaries Shelly Europe EOOD and Shelly Tech, Slovenia carried out such activity in 2023.

11. INFORMATION ON ACQUISITION OF OWN SHARES REQUIRED UNDER ART. 187D OF THE COMMERCE ACT

11.1. Number and nominal value of own shares acquired and transferred during the year, their capital share, as well as acquisition or the transfer price

As of December 31, 2023, the Parent Company does not own any own shares.

11.2. Number and nominal value of own shares and their capital share

As of the end of the reporting period, the Parent Company does not own any own shares, as specified in item 11.1. above.

12. INFORMATION REQUIRED UNDER ART. 247 OF THE COMMERCE ACT

12.1. Total remuneration received by the members of the Board of Directors during the year

The following remunerations were appointed to the members of the Board of Directors of SHELLY GROUP AD in 2023.

Table 10

Full name	Position	Gross/thousand BGN
Gregor Bieler*	Chairman of the Board of Directors	243
Dimitar Stoyanov Dimitrov	Executive Director	60
Wolfgang Kirsch	Executive Director	587
Svetlin Iliev Todorov	Member of the Board of Directors	60
Nikolay Angelov Martinov	Independent member	60

** Gregor Bieler is not member of the Board of Directors from January 1, 2024. The decision was entered in the Trade Register on January 9, 2024.*

As oft the end of the reporting period, the remunerations appointed to the members of the Board of Directors have been paid.

There are no provisions in the Parent Company's Articles of Association regarding special rights or any privileges of the members of the Board of Directors.

During the reporting year, some of the members of the Board of Directors received remuneration from the subsidiaries for performing other functions.

12.2. Parent Company’s shares and bonds acquired, owned and transferred by the members of the Board of Directors during the year

As of the end of the reporting period, the shares owned by members of the Board of Directors of SHELLY GROUP AD are:

Table 11

Members of the Board of Directors

NAME OF THE BD MEMBER	PERCENT OF THE CAPITAL
Svetlin Todorov	30,39%
Dimitar Dimitrov	32,00%
Nikolay Martinov*	0%
Wolfgang Kirsch***	0%
Gregor Bieler**	0%

* Nikolay Martinov **has no direct** interest in the capital of the Issuer. The companies Unicom Consult EOOD, where he is sole owner of the capital and Managing Director, Impetus Capital EOOD and Impetus Partners EOOD, where he is a Manager and a partner holding 50% and 43.75% of the capital, respectively, as well as Imventure I KDA and Imventure II KDA, where he is a representative of the legal entity Impetus Capital OOD, own respectively: Unicom Consult EOOD - 84,750 shares (0.47%), Impetus Capital OOD 162 000 shares (0.9%), Impetus Partners OOD 405,000 shares (2.25%), Imventure I KDA 123,288 shares (0.68%), Imventure II KDA - 68,493 shares (0.38%) in the Issuer's capital and a total of 843,531 shares (4.686%) of voting rights in its General Meeting.

****** Gregor Bieler owns approximately 0.03% of the voting rights in the Company's General Meeting, acquired prior to his election as a member of the Board of Directors. By decision of the General Meeting of Shareholders dated December, 18, 2023, **from January 1, 2024 Gregor Bieler is not a member of the Board of Directors.**

*** Wolfgang Kirsch owns approximately 0.03% of the voting rights in the Company's General Meeting.

12.3. Rights of the members of the Board of Directors to acquire shares and bonds of the Parent Company

The members of the Parent Company's Board of Directors may freely acquire shares from the capital of the Parent Company on a regulated securities market in compliance with the provisions of the Law on Measures against Market Abuse with Financial Instruments, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (Market Abuse Regulation) and the Public Offering of Securities Act.

In accordance with the provision of Art. 19 of the Market Abuse Regulation, the members of the Parent Company's Board of Directors, other individuals with managerial functions in the Issuer, and individuals closely related to them, shall notify the Parent Company and the Financial Supervision Commission (FSC) in writing of any transaction carried by them with Shelly Group AD's shares within 3 working days after the transaction. The notification obligation does not apply when the total amount of transactions made by an individual with managerial functions in the Issuer, or a closely individual does not exceed EUR 5,000 within a calendar year.

12.4. Participation of the members of the Board of Directors in companies as unlimited partners, holding more than 25 percent of the capital, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members as of the end of the reporting period

Table 12

Dimitar Dimitrov as of 31.12.2023		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Shelly Group AD**	**Companies in which the person exercises control**
DVR Review EOOD entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC): 130554234, having its registered seat and headquarters address in the town of Samokov, 1, Zhitna Charshiya Street, Floor 1	DVR Review EOOD entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC): 130554234, having its registered seat and headquarters address in the town of Samokov, 1, Zhitna Charshiya Street, Floor 1 - direct	DVR Review EOOD entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC): 130554234, having its registered seat and headquarters address in the town of Samokov, 1, Zhitna Charshiya Street, Floor 1 - direct
Shelly USA Inc. (former name Allterco Robotics US), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect	Teracomm OOD, UIC 131267949 having its registered seat and headquarters address in city of Sofia, Mladost district, 113A, Tsarigradsko Shose Blvd - direct	Shelly Europe EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Sat Health AD, entered in the Commercial Register at the Registry Agency under UIC 204705650, having its registered seat and headquarters address in the city of Sofia, Vitosha district, Malinova dolina area, 4-6, Racho Petkov Kazandzhiata Street, office	Web Engine OOD, UIC 200303120, having its registered seat and headquarters address in the city of Sofia, Vitosha district 5A, Nikola Petkov Blvd.- direct	Shelly Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
		Shelly Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
		Shelly DACH GmbH, registered number HRB 271205, having its registered seat and headquarters address at: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Shelly Group AD
		Shelly Tech avtomatizacija stavb, d.o.o. (former name Goap d.o.o. Nova Gorica) having its registered seat and headquarters address at Ulica Klementa Juga 7, 5250 Solkan, Slovenia, registered number in Slovenian Trade register 5414083000 - indirect through Shelly Group AD

		Shelly USA Inc. (former name Allterco Robotics US), USA, having its registered seat and headquarters address at 5851 W.Charleston Blvd. Las Vegas, NV 89146, USA - indirect through Shelly Group AD
		Allterco Asia Ltd. registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Shelly Group AD

Svetlin Todorov as of 31.12.2023

Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	Participation in the capital of other companies outside the Group of Shelly Group AD	Companies in which the person exercises control
Teracomm OOD, UIC 131267949 having its registered seat and headquarters address in city of Sofia, 113A, Tsarigradsko Shose Blvd.	FF Film Haus OOD, UIC 130627604, having its registered seat and headquarters address in the city of Sofia, 60, Osogovo Street - direct	Shelly Europe EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
FF Film Haus OOD, UIC 130627604, having its registered seat and headquarters address in the city of Sofia, 60, Osogovo Street	Teracomm OOD, UIC 131267949 having its registered seat and headquarters address in city of Sofia, 113A, Tsarigradsko Shose Blvd. - 20% - direct	Shelly Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Shelly USA Inc. (former name Allterco Robotics US), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect	Web Engine OOD, UIC 200303120, having its registered seat and headquarters address in the city of Sofia, 5A, Nikola Petkov Blvd. - 20% - direct	Shelly Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
		Shelly USA Inc. (former name Allterco Robotics US), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect
		FF Film Haus OOD, UIC 130627604, having its registered seat and headquarters address in the city of Sofia, 60, Osogovo Street - direct
		Shelly DACH GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Shelly Group AD

		Shelly Tech avtomatizacija stavb, d.o.o. (former name Goap d.o.o. Nova Gorica) having its registered seat and headquarters address at Ulica Klementa Juga 7, 5250 Solkan, Slovenia, registered number in Slovenian Trade register 5414083000 - indirect through Shelly Group AD
		Allterco Asia Ltd. registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Shelly Group AD

Nikolay Martinov - as of 31.12.2023		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Shelly Group AD**	**Companies in which the person exercises control**
Unicom Consult EOOD, UIC 121082655, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., Floor 5, Apt. 9	Unicom Consult EOOD, UIC 121082655, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., Floor 5, Apt. 9 - direct	Shelly Europe EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Online Media OOD, UIC:117004285, having its registered seat and headquarters address in the city of Sofia 1415, 11, Nevena Kokanova Street, fl. 5	Online Media OOD, UIC:117004285, having its registered seat and headquarters address in the city of Sofia 1415, 11, Nevena Kokanova Street, floor 5– direct and indirect through e Unicom Consult EOOD, UIC 121082655	Shelly Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Inbro OOD, UIC 121003506, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha District, 271, Tsar Boris III Blvd., fl. 5	United Commercial Outlets AD, UIC: 205329927, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel municipal district, Ovcha Kupel 1 residential district, Block 48, Entrance B, Apt. 47 - indirect through ImVenture I KDA, UIC: 204870431 and ImVenture II KDA, UIC 205737996	Shelly Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Bioseek AD, UIC 204790412, having its seat address and management address in the city of Sofia 1505 Oborishte municipal district, 42, Ilarion Dragostinov Street, Apt. 37	Inbro OOD, UIC 121003506, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., fl. 5 - direct and indirect through Unicom Consult EOOD, UIC 121082655	Shelly USA Inc. (former name Allterco Robotics US), USA, having its registered seat and headquarters address at 5851 W. Charleston Blvd. Las Vegas, NV 89146, USA - indirect

Biodit AD, UIC 203854303, having its seat address and management address in the city of Sofia 1756, Studentski municipal district, 125, Kliment Ohridski Blvd. - through Impetus Capital OOD, UIC: 203592737	Impetus Capital OOD, UIC 203592737, having its seat address and management address in the city of Sofia 1784, Mladost district, Mladost 1 residential district, bl. 29A, entrance A, floor 8 - direct	Shelly DACH GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Shelly Group AD
ImVenture I KDA, UIC 204870431, having its seat address and management address in city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 - as a representative representing legal entity - Impetus Capital OOD, UIC 203592737	Impetus Partners OOD, UIC 205679429, having its registered seat and headquarters address in the city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block of flats 29A, Entrance A, Floor 8 – indirect through Unicom Consult EOOD, UIC 121082655 - direct	Shelly Tech avtomatizacija stavb, d.o.o. (former name Goap d.o.o. Nova Gorica) having its registered seat and headquarters address at Ulica Klementa Juga 7, 5250 Solkan, Slovenia, registered number in Slovenian Trade register 5414083000 - indirect through Shelly Group AD
ImVenture II KDA, UIC 205737996 Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 - as a representative representing legal entity - Impetus Capital OOD, UIC: 203592737	Housmeister AD, UIC 203037803, having its registered seat and headquarters address in Sofia region, Stolichna Municipality, Sofia 1404, Bulgaria Blvd, No 53, floor 3 - direct	Unicom Consult EOOD, UIC 121082655, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., Floor 5, Apt. 9 - direct
Impuls I AD, UIC 206421264, Sofia 1784, district Mladost, Mladost 1, block 29A, entrance A, floor 8, apt. 38 – as representative of Impetus Capital OOD, UIC: 203592737	Bioseek AD, UIC 204790412, having its seat address and management address in the city of Sofia 1505 Oborishte municipal district, 42, Ilarion Dragostinov Street, Apt. 37 - indirect through Imventure I KDA, UIC: 204870431 and Imventure II KDA, UIC 205737996 and Impetus Capital OOD, UIC 203592737	Online Media OOD, UIC:117004285, having its registered seat and headquarters address in the city of Sofia 1415, 11, Nevena Kokanova Street, floor 5 - direct
United Commercial Outlets AD, UIC 205329927, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel municipal district, Ovcha Kupel 1 residential district, Block 48, Entrance B, Apt. 47		Inbro OOD, UIC 121003506, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., fl. 5 - direct
Impetus Capital OOD, UIC 203592737, having its seat address and management address in Sofia 1784, Mladost district, Mladost 1 residential district, bl. 29A, entrance A, floor 8, apt. 38		Impetus Capital OOD, UIC 203592737, having its seat address and management address at city of Sofia 1784, Mladost district, Mladost 1 residential district, bl. 29A, entrance A, floor 8, apt 38 - direct
Impetus Partners OOD, UIC 205679429, having its registered seat and headquarters address in the city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, entrance A, floor 8		Impetus Partners OOD, UIC 205679429, having its registered seat and headquarters address in the city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, entrance A, floor 8 – indirect through Unicom Consult EOOD, UIC 121082655

Storied Data Inc., having its registered seat and headquarters address at: State of Delaware, 251 Little Falls Drive, city of Wilmington, Delaware 19808, Country of New Castle, USA		Biodit AD, UIC 203854303, having its seat address and management address in the city of Sofia 1756, Studentski municipal district, 125, Kliment Ohridski Blvd – indirect through Impetus Capital OOD, UIC 203592737
NOESIS EAD, UIC 207339610, having its registered seat and headquarters address in Plovdiv 4000, Central district, 2, Lyuben Karavelov Str. – as representative of IMPETUS CAPITAL OOD, UIC 203592737		Bioseek AD, UIC 204790412, having its seat address and management address in the city of Sofia 1505 Oborishte municipal district, 42, Ilarion Dragostinov Street, Apt. 37 -indirect through Imventure I KDA, UIC 204870431
Boleron AD, UIC 205595422, having its registered seat and headquarters address in Sofia 1000, Oborishte district, 24, Georgi Benkovski Blvd. - as representative of IMPETUS CAPITAL OOD, UIC 203592737		ImVenture I KDA, UIC 204870431, Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 – indirect through Impetus Capital OOD, UIC 203592737
Kikimora io AD, UIC 207472703 through IMPETUS CAPITAL OOD, UIC 203592737, represented by Viktor Manev		ImVenture II KDA, UIC 205737996 Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 – indirect through Impetus Capital OOD, UIC 203592737
		ImPuls I AD, UIC 206421264, Sofia 1784, district Mladost, Mladost 1, block 29A, entrance A, floor 8, ap. 38 – indirect through Impetus Capital OOD, UIC 203592737
		United Commercial Outlets AD, UIC 205329927, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel municipal district, Ovcha Kupel 1 residential district, Block 48, Entrance B, Apt. 47 – indirect through ImVenture I KDA, UIC 20487043 and ImVenture II KDA, UIC 205737996
		A4E OOD, UIC 203608928, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel district, 56, Buket Street, floor 15, apt. 59 – indirect through Impetus Capital OOD, UIC 203592737, ImVenture I KDA, UIC 204870431 and ImVenture II KDA, UIC 205737996
		Allterco Asia Ltd. registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Shelly Group AD

Wolfgang Kirsh as of 31.12.2023

Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	Participation in the capital of other companies outside the Group of Shelly Group AD	Companies in which the person exercises control
Shelly DACH GmbH, registration number HRB 271205, registered office: Lothstr. 5, 80335 München, Federal Republic of Germany – indirect through Shelly Group AD	Vitaboni AD, registration number HRB 226533 at the Munich Registry Office, having its registered seat and headquarters address: Schellingstr. 48, 80799 München	Shelly Europe EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Vitaboni AD, registration number HRB 226533 at the Munich Registry Office, having its registered seat and headquarters address: Schellingstr. 48, 80799 München	Kirsch Consulting EOOD, UIC 207060742, having its registered seat and headquarters address in Sofia, 13 Cherni Vrah Blvd.	Shelly Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
Kirsch Consulting EOOD, UIC 207060742, having its registered seat and headquarters address in Sofia, 13 Cherni Vrah Blvd.		Shelly Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
		Allterco Asia Ltd., registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Shelly Group AD
		Shelly DACH GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Shelly Group AD
		Vitaboni AD, registration number HRB 226533 at the Munich Registry Office having its registered seat and headquarters address: Schellingstr. 48, 80799 München
		Kirsch Consulting EOOD, UIC 207060742, having its registered seat and headquarters address in Sofia, 13 Cherni Vrah Blvd.
		Shelly Tech avtomatizacija stavb, d.o.o. (former name Goap d.o.o. Nova Gorica) having its registered seat and headquarters address at Ulica Klementa Juga 7, 5250 Solkan, Slovenia, registered number in Slovenian Trade register 5414083000 - indirect through Shelly Group AD

Gregor Beiler as of 31.12.2023 (as of the date of preparation of this Report Gregor Beiler is no longer member of the Board of Directors)		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Shelly Group AD**	**Companies in which the person exercises control**
Digital OOD, having its registered seat and headquarters address at 49, Reuterweg Street, 60323 Frankfurt, Federal Republic of Germany	ICapital Partners AD having its registered seat and headquarters address at Bundesstrace 3, Switzerland – 63.2, Zug	Shelly Europe EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
	Padres Consulting OOD having its registered seat and headquarters address, 25, Bayerbrunnerstrasse, Federal Republic of Germany – 81479, München	Shelly Trading EOOD, UIC 203348672, having its registered seat and headquarters address in the city of Sofia 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
		Shelly Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia 103, Cherni Vrah Blvd. – indirect through Shelly Group AD
		Allterco Asia Ltd., registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Shelly Group AD
		Shelly DACH GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Shelly Group AD
		Shelly Tech avtomatizacija stavb, d.o.o. (former name Goap d.o.o. Nova Gorica) having its registered seat and headquarters address at Ulica Klementa Juga 7, 5250 Solkan, Slovenia, registered number in Slovenian Trade register 5414083000 - indirect through Shelly Group AD

12.5. Agreements signed in the reporting period with the members of the Board of Directors or related to them parties that fall outside of the usual scope of business activity of the Parent Company or deviate significantly from the market conditions

In 2023, no contracts were concluded with the members of the Board of Directors of the Parent Company or with person related to them, that go beyond the ordinary activities of the Group or significantly deviate from market conditions.

12.6. The planned economic policy in the next year, incl. expected investments and staff development, expected income from investments and development of the Group, as well as forthcoming transactions of material importance for the Group's activity

Changes in the economic policy of the Parent Company in 2024 are not foreseen. The revenues of the Group will continue to be generated mainly from sale of devices and related services.

It is expected that in 2024 the number of employees in the subsidiaries will increase significantly due to:

1. the expanding of the market presence
2. increase of the R&D capacity of the subsidiaries

13. BRANCHES OF THE COMPANY

The Parent Company has no registered branches.

Two of the subsidiaries have registered branches – Shelly Trading EOOD has a branch in Ireland and in Great Britain. During the reporting period Shelly Europe EOOD had a branch in Ireland which is closed in March 2024.

14. FINANCIAL INSTRUMENTS USED BY THE GROUP

Shelly Group AD has not used financial instruments in 2023 to hedge risks from changes in foreign currency exchange rates, interest rates or uncertainty of cash flows. During the reporting year, the Group has not performed currency risk hedging transactions.

During the reporting period the Parent Company sold long-term financial instruments (see Note 4.07 to the consolidated financial statements).

The Group could have exposure to liquidity, market, interest rate, currency and operational risks arising from the use of financial instruments.

Information on financial instruments and financial risk management is presented in Note 7 and Note 8 of the consolidated financial statements.

15. ADDITIONAL INFORMATION UNDER APPENDIX No 2 OF ORDINANCE No 2 OF FSC

15.1. Information about the value and quantity on the main categories of goods, products and/or services provided, indicating their share in the issuer's sales revenue as a whole and the changes occurring during the accounting financial year

SHELLY GROUP AD does not carry out direct production activities. The production activity is carried out by the issuer's subsidiaries.

15.2. Information on revenues broken down by category of activity, internal and external markets as well as information on the sources of supply of materials necessary for the production of goods or the provision of services reflecting the degree of dependence on each individual seller or buyer/user, in case the relative share of any of them exceeds 10 per cent of the costs or revenues from sales, information is provided for each person separately, about their share in the sales or purchases and their relations with the issuer:

Information on revenue, broken down by main category of activities is presented in p. 3.1. of this Report.

15.3. Information about concluded significant deals

During the reporting period Shell Group AD has concluded transactions, which might be considered significant due to their specifics:

Within the ordinary scope of business the Parent Company has concluded the following transactions:

- In the first quarter of 2023, the Parent Company acquired 60% of the capital of the Slovenian IoT provider Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica (present company name Shelly Tech avtomatizacija stavb, d.o.o.), referred to as the "Slovenian company" or the "Acquired company". For the transaction, Share Purchase Agreements ("SPA") have been signed with all four shareholders of the Slovenian company. The total price of the first stage transactions amounts to EUR 2 million.
- The remaining 40% of the acquiree, belonging to three owners – individuals, is subject to an option contract that was signed together with the acquisition agreements. According to the terms of the option contract, Shelly Group AD has an unconditional option to purchase (call option), and the sellers – conditional option to sell (put option) two packages of company shares (the exercise of sellers' option is subject to achieving certain minimum KPIs for the period 2023 - 2025, including EBITDA and revenue). One of the options is for the acquisition of 16% and the other for the acquisition of 24% of the capital of Slovenian company. The total price of the shares depends on the level of achievement of the agreed terms and may vary in the range from EUR 699 999.70 (BGN 1 369 080.41) to EUR 3 449 998.60 (BGN 6 747 610.76).
- In the first quarter of 2023, Shelly Group AD granted a loan to its subsidiary Shelly Tech avtomatizacija stavb, d.o.o. (former Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica), referred to as the "Slovenian company" /„Shelly Tech", a limited liability company under the legislation of the Republic of Slovenia, at the amount of BGN 978 thousand (EUR 500 thousand) under the following conditions: repayment term 31.12.2029, interest according to the statistic information published by Bulgarian National Bank regarding Interest Rates and Volumes on Credit Balances, Other Than Overdrafts, for the Non-Financial Enterprises Sector (in EUR for a period of more than 5 years).

- In the second quarter of 2023, Shelly Group AD granted an additional cash contribution to its subsidiary Shelly Tech avtomatizacija stavb, d.o.o. (former Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica), referred to as the "Slovenian company" /„Shelly Tech", a limited liability company under the legislation of the Republic of Slovenia, at the amount of BGN 978 thousand (EUR 500 thousand) under the following conditions: repayment term 1 year from cash payout; annual interest of 1% paid at the end of the period; the additional cash is granted to cover losses from previous years and to support temporary need for cash and continuation of normal operating activities of the subsidiary.
- In the second quarter of 2023, Shelly Group AD concluded an Investment Agreement regarding its investment in "Ground Solutions Group" AD through participation in the capital increase and registration of new privileged company shares from the capital of its subsidiary "Corner Solutions" OOD („the Investment“), namely 625 new privileged company shares, representing 10% of the capital of "Corner Solutions" OOD after the increase, for a price of EUR 100,000. No interested parties are involved in the transaction. Parties to the Investment Agreement are: SHELLY GROUP AD and Vitosha Venture Partners - Fund I Partnership, UIC: 206223492, in their capacity as investors, on the one hand and "Ground Solutions Group" AD, its founders Mr. Vladimir Konstantinov Todorov, Mr. Denis Krassimirov Florov, Mr. Nikola Konstantinov Ruichev and "Corner Solutions" OOD, UIC 206375571, on the other hand.

The Parent Company has also concluded the following transactions with companies outside its economic group, which are not characterized as "significant" within the meaning of §1, para 1, p. 2 of the Additional Provisions of Regulation 2 of the FCS dated 09.11.2021:

- In the second quarter of 2023, SHELLEY GROUP AD granted a cash loan to a third non-related and non-interested party - "Expat Capital" AD, UIC: 175192462, a joint-stock company, according to the legislation of the Republic of Bulgaria, at the amount of EUR 280,000 (BGN 547,632) under the following conditions: repayment term – 1 year from the date of granting the loan to the borrower, annual interest at 1% on the loan amount in proportion to the period for which the amount was utilized, which interest is charged at the end of the period.

15.4. Information on transactions concluded between the issuer and related parties during the reporting period, proposals for such transactions as well as transactions that are outside its ordinary activity or materially deviate from the market conditions, where the issuer or its subsidiary is a party with indication of the value of the transactions, the nature of the relationship and any information necessary to assess the impact on the issuer's financial position

During the reporting period the Parent Company has not entered into any transactions with interested parties within the meaning of POSA.

The Parent Company has not entered into transactions with its subsidiaries and associated companies that are outside of its usual business or significantly deviate from market conditions.

All transactions between companies in the group have been eliminated when preparing the consolidated financial statements. Information regarding transactions between the Parent Company and the subsidiaries is presented in the separate annual financial statements published on March 15, 2024 and available at https://corporate.shelly.com/publications/financial-results/.

15.5. Information about events and indicators of unusual for the issuer nature that have a significant impact on its activities and its realized revenues and expenses; assessment of their impact on results in the current year

During the reporting period there were no events or indicators of unusual nature for the Group of SHELLY GROUP AD. SHELLY GROUP AD is a joint stock company - holding, whose scope of business includes acquisition, management, assessment and sale of participations in Bulgarian and foreign companies. Within the scope of activities during the reporting period the Parent Company has carried out transactions as indicated in p. 15.3 of this Report.

15.6. Information about off-balance-sheet transactions - nature and business purpose, indication of the financial impact of transactions on the business if the risk and benefits of those transactions are material to the issuer and disclosure of such information is material to the issuer's financial condition

During the reporting period the Parent Company has not entered into transactions that were conducted off-balance sheet.

15.7. Information on shareholdings of the issuer, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate) as well as investments in equity securities outside its Group of companies within the meaning of the Accountancy Act and the sources/ways of financing

As of the end of the reporting period SHELLY GROUP AD owns shares of associates as indicated in p. 2 of this Report.

15.8. Information about loan agreements concluded by the issuer or its subsidiary or parent company, in their capacity of borrowers, with specification of their terms, including deadlines for repayment, as well as information on guarantees and commitments

The Parent Company is a borrower under a Mortgage (investment) loan agreement dated 25.08.2017, concluded with UBB AD, secured by a guarantee of the subsidiary Shelly Properties EOOD.

The Parent Company has assumed joint liability and a guarantee obligation for securing the following bank financing agreements concluded by its subsidiary Shelly Europe EOOD with UBB AD. For further information see Note 5 of the consolidated financial statements as of December 31, 2023.

The subsidiary Shelly Europe EOOD is a borrower under an overdraft contract of September 30, 2019 signed between UBB EAD (former KBC Bank Bulgaria EAD) for a credit limit of EOR 1 million with a term, according to the annex, from September 30, 2022 to September 30, 2025.

The subsidiary Shelly Properties EOOD is a borrower under investment loan agreement of September 28 at the amount of EUR 450 thousand (BGN 880 thousand) signed with DSK Bank AD with a term until September 28, 2024.

15.9. Information on loan agreements concluded by the issuer, its subsidiary or parent company, in their capacity as lenders, including the provision of guarantees of any kind, including to related parties, with specification of their special terms, including the final payment deadlines, and the purpose for which they were granted

In the first quarter of 2022 SHELLY GROUP AD has approved financing of the activities of the subsidiary Shelly USA Inc. (former Allterco Robotics Inc, USA) with the following parameters: (1) providing additional cash contribution in the amount of USD 1 million, for a one- year term as of the date of granting the loan, at annual interest rate of 1% and (2) increase of the capital in the amount of USD 500 000. At the end of the reporting period the financing was provided fully to the subsidiary. During the reporting period, SHELLY GROUP AD has accrued interest income in the amount of BGN 18 thousand on an additional cash contribution to Shelly USA Inc. (former Allterco Robotics Inc, USA). As of the date of this Report the additional cash contribution is not repaid and with the decision of the Board of Directors of SHELLY GROUP AD of March 20, 2024, its term was extended by another 1 year, starting from the date of the decision under the same conditions.

In the first quarter of 2023, Shelly Group AD granted a loan to its subsidiary Shelly Tech avtomatizacija stavb, d.o.o. (former Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica), a limited liability company under the legislation of the Republic of Slovenia, at the amount of BGN 978 thousand (EUR 500 thousand) under the following conditions: repayment term 31.12.2029, interest according to the statistic information published by Bulgarian National Bank regarding Interest Rates and Volumes on Credit Balances, Other Than Overdrafts, for the Non-Financial Enterprises Sector (in EUR for a period of more than 5 years). Accrued interest income for the reporting period amount to BGN 41 thousand.

In the second quarter of 2023, Shelly Group AD granted an additional cash contribution to its subsidiary Shelly Tech avtomatizacija stavb, d.o.o. (former Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica), a limited liability company under the legislation of the Republic of Slovenia, at the amount of BGN 978 thousand (EUR 500 thousand) under the following conditions: repayment term 1 year from cash payout; annual interest of 1% paid at the end of the period; the additional cash is granted to cover losses from previous years and to support temporary need for cash and continuation of normal operating activities of the subsidiary. Accrued interest income for the reporting period amount to BGN 6 thousand.

In the second quarter of 2023, Shelley Group AD granted a cash loan to a third non-related and non-interested party - "Expat Capital" AD, UIC: 175192462, a joint-stock company, according to the legislation of the Republic of Bulgaria, at the amount of EUR 280,000 (BGN 547,632) under the following conditions: repayment term – 1 year from the date of granting the loan to the borrower, annual interest at 1% on the loan amount in proportion to the period for which the amount was utilized, which interest is charged at the end of the period. The accrued interest income at the end of fourth quarter amount to BGN 2 thousand.

After the end of the reporting period SHELLY GROUP AD, being the sole owner of Shelly USA Inc., a company incorporated and operating under US law, granted additional cash contribution at the amount of USD 400 000 for a term of 1 year from the date of its granting and annual interest of 1%.

SHELLY GROUP AD has not granted any other loans, provided guarantees or assumed obligations in general to a single person or its subsidiary, including related parties, except those specified.

The subsidiaries have provided guarantees in the form of joint liability under bank financing agreements, as indicated in Note 5 of the consolidated financial statements of the Parent Company.

15.10. Information on the use of funds from new issue of securities during the reporting period

In July 2023, the Parent Company's share capital is increased to BGN 18 050 945, divided into 18 050 945 ordinary, dematerialized, registered voting shares with a nominal value of BGN 1 each. The increase was made through a cash contribution of a total value of BGN 50 946 in a procedure for initial public offering of shares, held in the period from 28.06.2023 to 29.06.2023 inclusive, in accordance with the Art. 112, para. 3 of the Public Offering of Securities Act, without a prospectus according to the Information Document pursuant to Art. 1, para 4 ("j") in connection with Art. 1, para 5("h") of Regulation (EU) 2017/1129. Only employees (except for members of the Board of Directors) of companies within the group of Shelley Group AD registered in the Republic of Bulgaria had the right to subscribe for shares in the specified procedure. The funds from the increase will be used to finance Shelley Group's operations.

15.11. Analysis of the relationship between the achieved financial results reflected in the financial statements for the financial year and previously published forecasts of these results

SHELLY GROUP AD has not published forecasts on an individual basis. The Parent Company has published financial forecasts only on a consolidated basis as part of the Prospectus for public offering of shares from the capital increase of SHELLY GROUP AD in 2020, together with the amendments thereto. SHELLY GROUP AD periodically updates its financial expectations and goals on a consolidated basis, and last update was made in May 2023.

In fulfilment of the forecasts published in May 2023, for the financial year 2023 the Group reports sales revenues in the amount of EUR 74.9 million (BGN 146.5 million), exceeding the published forecast of EUR 72.0 million (BGN 140.8 million). For 2023, earnings before interest and taxes (EBIT) exceeded EUR 19.0 million (BGN 37.2 million), exceeding the forecast of EUR 17.0 million (BGN 33.2 million).

Based on the efforts to expand its activities and the launch of new products on the market SHELLY GROUP AD has set an average annual growth of about 43.2% in the medium term to target revenue of over EUR 200.0 million by the end of 2026. For EBIT, the medium term target is over EUR 50.0 million by the end of 2026, with an average annual growth of about 48.1%

15.12. Analysis of the relationship between the achieved financial results reflected in the financial statements for the financial year and previously published forecasts of these results

SHELLY GROUP AD has not published forecasts on an individual basis. The Company has published financial forecasts only on a consolidated basis as part of the Prospectus for public offering of shares from the capital increase of SHELLY GROUP AD in 2020, together with the amendments thereto. SHELLY GROUP AD periodically updates its financial expectations and goals on a consolidated basis, and last update was made in May 2023.

15.13. Assessment of the possibilities for realization of investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of financing this activity

The Parent Company plans to continue investing in 2023 in the development of Internet of Things through its subsidiaries.

The investment program will be funded with the Company's own cash and raised funds, if necessary.

15.14. Information on changes that occurred during the reporting period in the key management principles of the issuer and its Group of companies within the meaning of the Accountancy Act

During the reporting period, there were no changes in the basic principles for managing the Company and its Group of companies.

15.15. Information on the main features of the internal control and the risk management system applied by the issuer in the financial reporting process

A general description of the internal control and risk management system

The Parent Company has a system of internal control and risk management ("the system") that guarantees the effective functioning of the reporting and disclosure systems as well as an Audit committee. The system is built and functioning in order to identify the risks associated with the Group's activities and their effective management. The Board of Directors has the primary responsibility and role in establishing the internal control and risk management system. It performs both managing and guiding function as well as ongoing monitoring.

The ongoing monitoring by the management consists of assessing whether the system is still appropriate for the Group in a changed environment, whether it operates as expected and whether it adapts successfully to the changed conditions. The evaluation of selected areas is in line with the Company's priorities. The evaluation is also commensurate with the specifics of the Company and the impact of the identified risks.

The Board of Directors monitors the main features and characteristics of the system, including identified incidents and the respective applied corrective actions.

The Audit Committee assists the Board of Directors in the execution of their control functions and powers with regard to the financial reporting process, the internal control system, the audit process and monitoring on compliance of the activities of Shelly Group AD with the provisions of applicable national and European legislation, as well as the Group's internal policies. The Audit Committee holds regular meetings, fulfilling the functions assigned to it by law and the General Meeting of Shareholders in accordance with the adopted Statute.

Control environment

The control environment includes the functions of general management, as well as the attitude, awareness and actions of the corporate management pertaining to internal control.

- **Commitment for competence.** The Board of Directors of the Parent Company, as well as those involved in the internal control and risk management process, have the relevant knowledge and skills necessary to perform the tasks. The executive members of the Board of Directors of the Parent Company monitor the levels of competence required for the specific jobs and the ways in which those competences become required skills and knowledge.

- **Participation of those charged with governance.** The awareness of control in the Parent Company is greatly influenced by those charged with governance, namely the Board of Directors and the Audit Committee. The responsibilities of the members of the Board of Directors are stated in the Statutes of the Parent Company and the management contracts. In addition, the Executive Members of the Board of Directors are also responsible for the supervision of the effective functioning of the early warning procedures and of improving the Group's internal control.
- **Philosophy and operational style of the management.** The philosophy and operational style of the management cover a wide range of characteristics. The attitudes of the members of the Board of Directors and their actions in relation to financial reporting are manifested through the choice of more conservative accounting principles.
- **Organizational structure.** Establishing an appropriate organizational structure includes determining the main areas of authority and responsibility and the appropriate hierarchical levels of accountability and reporting. The Board of Directors assesses the appropriateness of the organizational structure of the Group, taking into consideration the size and nature of the activities performed.
- **Assignment of powers and responsibilities**. When assigning powers and responsibilities of the employees in the Group, the management shall take into account the business practices applicable to the sector, knowledge and experience of employees and available resources available in the Group.
- **Policies and practices related to human resource.** When recruiting staff, the executive members of Board of Directors focus on qualifications, previous professional experience, past accomplishments, and evidence of integrity and ethical conduct. The purpose of corporate management is to hire competent and reliable employees.

Risk assessment process for the Group

The process of risk assessment is the basis on which the Board of Directors of the Parent Company determines the risks to be managed.

The Board of Directors of the Parent Company identifies the following types of risk that affect the Company and its activities: general (systematic) and specific (non-systematic) risks.

Systematic risks are related to the macro environment in which the Group operates, which is why in most cases they cannot be controlled by the management team.

Non-systematic risks are directly related to the activities of the Group and depend mainly on corporate governance. To minimize them, we rely on increasing the efficiency of internal company planning and forecasting, which provides opportunities to overcome possible negative consequences of a risky event.

Each of the risks related to the country - political, economic, credit, inflation, foreign exchange, has its own significance, but the interaction between them forms a comprehensive picture of the main economic indicators, market and competitive conditions in the country in which the respective Group company operates.

A detailed description of the risks typical for the activity of Shelly Group AD is presented in the section VII. MAIN RISKS, WHICH THE GROUP FACES in this Report on consolidated basis.

15.16. Information about the changes in the Board of Directors of the Parent Company

During the reporting period, changes were made to the composition of the Board of Directors of the Parent Company. With a decision of the General Meeting of Shareholders held on 18.12.2023 changes were made to the composition of the Board of Directors of the Company. 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 with the Registry Agency on 09.01.2024. As of the date of preparation of this report, the Board of Directors includes:

- 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 representing the Parent Company represent the Parent Company jointly or severally.

15.17. Information on the amount of remuneration, rewards and/or additional benefits of each member of the Board of Directors for the reporting financial year paid by the issuer and its subsidiaries, regardless of whether they were included in the issuer's expenses or are attributable to distribution of profits, including:

A) received amounts and non-monetary remunerations

During the reporting period, the members of the Board of Directors received from Shelly Group AD cash /gross/ in the total amount of BGN 1 010 thousand in accordance with the effective Remuneration Policy.

- Dimitar Stoyanov Dimitrov – BGN 60 thousand.
- Svetlin Iliev Todorov – BGN 60 thousand.
- Nikolay Angelov Martinov – BGN 60 thousand.
- Wolfgang Kirsch – BGN 587 thousand.
- Gregor Beiler – BGN 243 thousand.

During the reporting period the following members of the Board of Directors received cash remuneration /gross/ from subsidiaries:

- Dimitar Stoyanov Dimitrov – BGN 543 thousand.
- Svetlin Iliev Todorov – BGN 380 thousand.
- Wolfgang Kirsch – BGN 411 thousand.

The members of the Board of Directors have not received any non-cash remuneration during the reporting period.

B) contingent or deferred remuneration arising during the year, even if the remuneration is due at a later date

At the General Meeting of Shareholders held on December 13, 2022, a decision was adopted to amend the Remuneration policy of the members of the Board of Directors ("Policy"), as well as Scheme for granting variable remuneration in shares of the Parent Company to the executive members of the Board of Directors for the period 2022 – 2025 ("Scheme").

Based on the adopted decisions on December 13, 2023, at the General Meeting of the Shareholders a decision was taken to grant variable remuneration in shares to the executive members of the Board of Directors of Shelly Group AD in the form of options, according to the Scheme, namely:

(1) to the director Mr. Dimitar Dimitrov for the Period of execution of the Scheme is granted a package of conditional options, the conditions and order for exercising are in accordance with the Scheme and Policy, and the remuneration may reach maximum number of 296 750 shares of the capital of Shelly Group AD, as follows:

The basic options, each for the specified number of shares, the conditions of exercise of which include the achievement of the specified Quarterly Average Share Price ("QASP") on one of the alternatively specified reference dates and other conditions under the Scheme are as follows:

(i) 59 350 shares at QASP of at least EUR 11.16 ("Basic option 11.16 DD");
(ii) 44 512 shares at QASP of at least EUR 18.00 ("Basic option 18 DD");
(iii) 44 513 shares at QASP of at least EUR 27.00 ("Basic option 27 DD");
(iv) 44 512 shares at QASP of at least EUR 38.00 ("Basic option 38 DD");
(v) 44 513 shares at QASP of at least EUR 46.00 ("Basic option 46 DD");
(vi) 59 350 shares at QASP of at least EUR 55.00 ("Basic option 55 DD").

Reserve options, each for the indicated number of shares, whose conditions for exercise for the specified reference period are determined according to the Scheme, as follows:

(i) 29 513 shares upon meeting conditions provided for in the Scheme for reference year 2022 ("Reserve option 2022 DD");

(ii) 34 675 shares upon meeting conditions provided for in the Scheme for reference year 2023 ("Reserve option 2023 DD");

(iii) 39 675 shares upon meeting conditions provided for in the Scheme for reference year 2024 ("Reserve option 2024 DD");

(iv) 44 512 shares upon meeting conditions provided for in the Scheme for reference year 2025 ("Reserve option 2025 DD").

(2) o the director Wolfgang Kirsch for the Period of execution of the Scheme is granted a package of conditional options, the conditions and order for exercising are in accordance with the Scheme and Policy, and the remuneration may reach maximum number of 593 500 shares of the capital of Shelly Group AD, as follows:

(i) 118 700 shares at QASP of at least EUR 11.16 ("Basic option 11.16 WK");
(ii) 89 025 shares at QASP of at least EUR 18.00 ("Basic option 18 WK");
(iii) 89 025 shares at QASP of at least EUR 27.00 ("Basic option 27 WK");
(iv) 89 025 shares at QASP of at least EUR 38.00 ("Basic option 38 WK");
(v) 89 025 shares at QASP of at least EUR 46.00 ("Basic option 46 WK");
(vi) 118 700 shares at QASP of at least EUR 55.00 ("Basic option 46 WK");

Reserve options, each for the indicated number of shares, whose conditions for exercise for the specified reference period are determined according to the Scheme, are as follows:
(i) 59 025 shares upon meeting conditions provided for in the Scheme for reference year 2022 ("Reserve option 2022 WK");
(ii) 69 350 shares upon meeting conditions provided for in the Scheme for reference year 2023 ("Reserve option 2023 WK");
(iii) 79 350 shares upon meeting conditions provided for in the Scheme for reference year 2024 ("Reserve option 2024 WK");
(iv) 89 025 shares upon meeting conditions provided for in the Scheme for reference year 2025 ("Reserve option 2025 WK").

The occurrence of the conditions for exercising the options granted by this decision is subject to assessment by the General Meeting of Shareholders of Shelly Group AD after the expiration of the Period of execution according to the Scheme and with the decision of the general meeting, which determines the number of shares that the directors of the Parent Company are entitled to receive upon exercising the respective options, the manner in which Shelly Group AD will secure the shares that it should provide to the directors upon exercising the options granted to them is also determined.

The selection of the method of securing the shares to fulfil the obligations under the granted options should be oriented, when other conditions are equal, to achieving the most favourable financial conditions possible for the Company and its shareholders, such as analysis and justification of costs when applying different scenarios, together with the non-financial advantages and disadvantages of the respective scenarios, should be presented in the motives for the proposal.

C) an amount owed by the issuer or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits

The Group has prepared an actuarial evaluation of the retirement benefits of the staff as of December 31, 2023. As a result of the evaluation long-term retirement obligations to employees are reported in the statement of financial position amounting to BGN 48 thousand.

15.18. Information about shares of the issuer owned by members of the Board of Directors, procurators and senior management, including the shares held by each of them as a percentage of the shares of each class, as well as options provided by it on securities- the type and amount of the securities on which the options are issued, the exercise price, the purchase price, if any, and the term of the options

As of the end of the reporting period, the shares held by members of the Board of Directors of Shelly Group AD are:

Table 13

Name	PERCENTAGE OF THE CAPITAL
Svetlin Todorov	30.39%
Dimitar Dimitrov	32.00%
Nikolay Angelov Martinov *	0%
Wolfgang Kirsch	0%
Gregor Beiler	0%

** Nikolay Martinov* ***has no direct interest*** *in the capital of the Issuer. The companies Unicom Consult EOOD, in which he is the sole owner of the capital and manager, Impetus Capital OOD and Impetus Partners OOD, in which he is a partner respectively with 50% and 43,75 % of the capital and manager, as well as ImVenture I KDA and ImVenture II KDA, in which he is a representative of the legal entity - Impetus Capital OOD, have respectively: Unicom Consult EOOD – 84,750 shares (0.47%), Impetus Capital OOD 162,000 shares (0.9%), Impetus Partners OOD 405,000 shares (2.25%) ImVenture I KDA 123,288 shares (0.68%), ImVenture II KDA - 68,493. shares (0.38%) in the capital of the Issuer and a total 843 531 number of shares (4.686%) of the voting rights in its General Meeting.*

*** Gregor Bieler has approximately 0.03% of the voting rights in the General meeting of the Issuer, acquired before his appointment as member of the Board of Directors. With a decision of the General Shareholders' Meeting of 18.12.2023, effective from 01.01.2024* ***Gregor Bieler is no longer member of the Board of Directors.***

**** Wolfgang Kirsch has approximately 0.03% of the voting rights in the General meeting of the Issuer.*

15.19. Information for the commitments known to the Parent Company (including after the end of the financial year), which in the future may result in changes in the relative portion of shares or bonds held by present shareholders or bondholders

The Parent Company is not aware of any commitments that may in the future result in a change in the number of shares or bonds held by current shareholders.

Changes may occur in the shareholder's relative shareholding Dimitar Dimitrov in his capacity as executive director of the Parent Company upon fulfilment of the conditions under the Scheme for granting variable remuneration in shares of the Parent Company to the members of the Board of Directors in the period 2022 – 2025, as described in p. 15.17, letter „b“ of this Report.

15.20. Information on pending litigation, administrative or arbitration proceedings concerning payables or receivables of the issuer amounting to at least 10 percent of its equity

At the end of the reporting period the Parent Company has no pending litigation, administrative or arbitration proceedings concerning payables and receivables of the issuer amounting to at least 10 percent of its equity.

15.21. Information on the Investor Relations Director, including telephone and correspondence address

For Bulgaria
Denitsa Stefanova
tel. +359 2 9571247 e-mail: investors@shelly.com

For Germany
CROSS ALLIANCE communication GmbH, Sven Pauly
Tel: +49 89 125 09 0331, e-mail: sp@crossalliance.de
www.crossalliance.de

15.22. Non-financial declaration under Article 41 of the Accounting Act - for financial statements on an consolidated basis, respectively under Article 51 of the Accounting Act - for financial statements on a consolidated basis, where applicable.

The Parent Company has no obligation for non-financial reporting.

15.23. Other information at the discretion of the Parent Company

Other circumstances which the Parent Company considers may be relevant to the investors in deciding whether to buy, sell or continue to hold shares are disclosed publicly, including in the Group's Report on the Activity and the Notes to the consolidated financial statements.

16. CHANGES IN THE PRICE OF THE SHARES OF THE PARENT COMPANY ON THE BSE

Table 14

Date	Volume	Turnover	Highest value	Lowest value	Opening value	Closing value
11.03.2024	16729	1012546.20	62,800	58,600	59,000	62,800
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
29.12.2023	77927	3291462.70	47,400	40,400	40,700	47,100
30.11.2023	53132	2192537.60	42,500	39,900	40,000	40,800
31.10.2023	28132	1166419.60	43,000	39,500	42,900	40,700
29.09.2023	39468	1675929.00	46,400	39,200	46,400	43,100
31.08.2023	129013	5001155.40	47,800	29,900	30,200	46,400
31.07.2023	85850	2472426.30	30,400	26,300	26,300	30,400
30.06.2023	51854	1406551.80	28,000	26,000	27,400	26,000
31.05.2023	112738	2721969.50	27,400	21,800	22,000	27,400
28.04.2023	20486	458881.90	22,700	22,000	22,500	22,000
31.03.2023	79538	1791590.70	23,000	22,000	22,500	22,000
28.02.2023	49044	1099266.80	23,000	21,000	21,100	22,800
31.01.2023	25137	539302.60	22,200	20,200	20,600	21,100

Source: Investor.bg

Information on the trading in the shares of Shelly Group AD 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

17. INFORMATION PURSUANT TO ART. 10, ITEM 4 OF REGULATION NO. 2 OF THE FINANCIAL SUPERVISION COMMISSION REGARDING THE PUBLISHED INSIDE INFORMATION UNDER ART. 7 OF REGULATION (EC) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 APRIL 2014 ON MARKET ABUSE (MARKET ABUSE REGULATION) AND THE NEWS AGENCY OR OTHER MEDIA CHOSEN BY THE ISSUER THROUGH WHICH THE PARENT COMPANY MAKES THE INSIDE INFORMATION PUBLIC.

Detailed information on significant events that occurred during the reporting period for Shelly Group AD, including inside information within the meaning of Article 7 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse (Market Abuse Regulation), as well as other information that could be relevant for investors is regularly disclosed by the Parent Company in accordance with regulatory requirements ("regulated information"). The Parent Company is disclosing the regulated information to the public through a selected information medium. All information provided to the media in full unedited text is available at: http://www.x3news.com/ The required information is submitted to the FSC - through the unified electronic information submission system established and maintained by the FSC - e-Register. The information is also available on the Parent Company's website at: https://corporate.shelly.com/ and inside information for the reporting year is available in a separate dedicated section on the website.

Date: 15.04.2024

Executive Director
/Dimitar Dimitrov/

Dimitar Stoyanov Dimitrov

Digitally signed by Dimitar Stoyanov Dimitrov
Date: 2024.04.15 18:42:17 +03'00'

CORPORATE GOVERNANCE DECLARATION

OF SHELLY GROUP AD

in accordance with the provisions of

art. 100n, para. 8 of the Public Offering of Securities Act

for the period 01.01.2023 – 31.12.2023

This Corporate Governance Declaration of Shelly Group AD (the "Parent Company") has been prepared in accordance with the requirements of art. 100n, para. 8 of the Public Offering of Securities Act (POSA) and applies to the period 01.01.2023 - 31.12.2023 ("reporting period")

1. Information whether SHELLY GROUP AD complies, as appropriate, with the Corporate Governance Code, approved by the Deputy Chairman, or another corporate governance code

SHELLY GROUP AD and its management comply, as appropriate, with the National Corporate Governance Code. Some of the recommendations of the National Code are not yet fully implemented by the corporate management of the Parent Company, but the Board of Directors is committed to continue to bring the activities of SHELLY GROUP AD in line with them in 2024.

SHELLY GROUP AD does not implement other corporate governance practices in addition to the National Corporate Governance Code

The subsidiaries of the Group of Shelly Group AD are not public entities and their activities are not subject to the principles and provisions of the National Corporate Governance Code, except for the provisions concerning the internal control and risk management systems, which are applied at the Group level. A large part of the provisions of the Code are also inapplicable due to the legal and organizational form of the entities and the sole ownership.

2. Explanation by SHELLY GROUP AD which parts of the National Corporate Governance Code are not observed and what are the reasons for this are

During the reporting period, the activities of the Board of Directors of SHELLY GROUP AD were carried out in full compliance with the regulatory requirements set out in the Public Offering of Securities Act and the acts on its implementation, and the Statutes of the Parent Company. The corporate management of SHELLY GROUP AD considers that there are still parts of the National Corporate Governance Code that the Parent Company does not comply with, but in the following reporting period the management will continue to perform all necessary legal and factual actions to bring the activities in line with the principles and recommendations of the Code, as well as best practices in the field of corporate governance.

The Code is applied on the basis of the **"comply or explain" principle**. This means that the Parent Company complies with the Code, and in case of deviation, its management clarifies the reasons.

I. Chapter One – Corporate management

SHELLY GROUP AD is a company with a one-tier management system and is managed by a Board of Directors.

Functions and obligations

The Board of Directors steers and controls independently and responsibly the activities of the Parent Company in accordance with the established vision, goals, strategies of the Parent Company and the interests of shareholders and stakeholders. It is recommended that the vision, goals and strategies be established in accordance with the economic, social and environmental priorities of the Parent Company.

The Board of Directors monitors the results of the Parent Company's activities on a quarterly and annual basis and, if necessary, initiates change in the management of the activities.

The Board of Directors treats all shareholders equally, acts in their interest and with due diligence.

The members of the Board of Directors are guided in their activities by the generally accepted principles of integrity and managerial and professional competence. The Board of Directors has not adopted a Code of Ethics.

In performing its functions, the Board of Directors strives to follow the economic, social and environmental priorities of the Parent Company.

The Board of Directors has built and ensured the functioning of a risk management system, including for internal control.

The Board of Directors promotes the implementation and observes compliance by the subsidiaries with the adopted principles for sustainable development at the group level. It helps to establish a culture of sustainable development.

The Board of Directors has ensured and controls the integrated operation of the accounting and financial reporting systems.

The Board of Directors provides guidelines, approves and controls the implementation of the Parent Company's business plan, substantial transactions, as well as other activities stipulated in its statutes.

In accordance with the requirements of the Public Offering of Securities Act, the Board of Directors monitors all substantial transactions and approves them. If there are transactions, which individually or collectively exceed the thresholds specified in Art. 114, para. 1 of the Public Offering of Securities Act, the Board of Directors prepares a motivated report and adopts a decision to convene a General Meeting of Shareholders, at which the shareholders authorize it to carry out these transactions.

The Board of Directors reports on its activities to the General Meeting of Shareholders, submitting the annual activity report and the Report on the Implementation of the Remuneration Policy for approval by the shareholders.

Election and dismissal of members of the Board of Directors

The General Meeting of Shareholders elects and dismisses the members of the Board of Directors in accordance with the law and the Statutes of the Parent Company, as well as in accordance with the principles of continuity and sustainability of the work of the Board of Directors.

In case of proposals for election of new members of the Board of Directors, the principles of compliance of the candidates' competence with the nature of the National Corporate Governance Code in the activity of the Parent Company are observed.

All members of the Board of Directors meet the legal requirements for holding office. The functions and obligations of the corporate management, as well as its structure and competence are in accordance with the requirements of the Code.

The contracts for assignment of the management, concluded with the members of the Board of Directors, define their obligations and tasks, the criteria for the amount of their remuneration, their obligations for loyalty to the Parent Company and the grounds for dismissal.

During the reporting financial year, SHELLY GROUP AD implemented the Remuneration Policy of the members of the Board of Directors, adopted by the Annual General Meeting of Shareholders of SHELLY GROUP AD, last modified through decision dated 19.12.2023. The remuneration of the members of the Board of Directors and information on its amount is duly disclosed in the activity report of the Board of Directors, as well as in the Report on the Implementation of the Remuneration Policy of the members of the Board of Directors, which are an integral part of the annual separate financial statements of the Parent Company.

Structure and competence

The number of members and the structure of the Board of Directors are determined in the Statutes of the Parent Company.

The composition of the Board of Directors is structured in a way that guarantees professionalism, impartiality and independence of its decisions in relation to the Parent Company’s management. The functions and obligations of the corporate management, as well as its structure and competence are in compliance with the requirements of the Code.

The Board of Directors ensures the proper allocation of tasks and responsibilities among its members.

The independent members of the Board of Directors of SHELLY GROUP AD control the actions of the executive management and participate effectively in the Parent Company’s operations in accordance with the interests and rights of the shareholders.

The Chairperson of the Board of Directors is an independent director.

The competencies, rights and obligations of the members of the Board of Directors follow the requirements of the law, the statutes and the standards of good professional and managerial practice.

The members of the Board of Directors have the appropriate knowledge and experience required by the position they hold. Information about their professional qualification and experience is disclosed during the election of the members of the Board of Directors with the materials for the General Meeting of the Shareholders.

After the election of new members of the Board of Directors, they get acquainted with the main legal and financial issues related to the Parent Company's activities.

Improving the qualifications of the members of the Board of Directors is their constant commitment.

The members of the Board of Directors have the necessary time to perform their tasks and duties, even though the statutes of the Parent Company do not determine the number of companies in which the members of the Board of Directors may hold managerial positions. This circumstance is taken into account in the proposals and election of new members of the Board of Directors.

The election of the members of the Board of Directors of the Parent Company is performed by means of a transparent procedure, which provides, among other things, timely and sufficient information about the personal and professional qualities of the candidates for members. As part of the materials for the General Meeting, at which the election of a new member of the Board of Directors is proposed, all declarations required by POSA and the Commercial Act, a criminal record certificate and a professional biography of the candidate for elected position are to be submitted. When electing members of the Board of Directors, the candidates confirm with a declaration or in person to the shareholders the accuracy of the submitted data and information. The election procedure is conducted by show of hands and counting the votes “For”, “Against” and “Abstentions”. The voting results are announced through the minutes of the General Meeting of Shareholders. The number of consecutive mandates of the members of the Board of Directors ensures efficient operation of the Parent Company and compliance with the legal requirements. The statutes of the Parent Company do not provide for a limit on the number of consecutive mandates of the independent members, but this circumstance is observed in the proposal for election of independent members.

Remuneration

The Board of Directors has developed a clear and specific policy for the remuneration of the members of the Board of Directors, which was approved by the Annual General Meeting of Shareholders of SHELLY GROUP AD and sets the principles for forming the amount and structure of the remuneration.

The remuneration of the Executive Member of the Board of Directors consists of a basic remuneration and additional incentives. The additional incentives are subject to clear and specific criteria and indicators regarding the Group's results and/or the achievement of targets set in the Share-Based Remuneration Scheme for executive members of the Board of Directors.

In accordance with the legal requirements and the good practice of corporate governance, the amount and structure of the remuneration, according to the Remuneration Policy adopted by the General Meeting of Shareholders, take into account:

- The duties and contribution of each member of the Board of Directors in the Group's activities and results;
- The ability to select and retain qualified and loyal members of the Board of Directors;
- The need to match the interests of the members of the Board of Directors and the long-term interests of the Group, as well as its sustainable development.

Pursuant to the Remuneration Policy adopted by the General Meeting of Shareholders, the Parent Company may pay executive members of the Board of Directors variable share-based remuneration in order to directly engage management in the achievement of long-term corporate objectives. Variable share-based remuneration is not provided for non-executive members of the Board of Directors. The share-based remuneration of the Parent Company, the criteria for granting and the amounts are determined on the basis of the Share-based Remuneration Scheme, as approved by the General Meeting of Shareholders and adopted with decision dated 13.12.2022, which is in force as of the date hereof.

The independent members of the Board of Directors receive remuneration in accordance with the principles for forming the amount and the structure of remuneration, set out in the Remuneration Policy adopted by the General Meeting of Shareholders.

As mentioned above, the disclosure of information on the remuneration of the Board of Directors members is done in accordance with the legal norms and the statutes of the Parent Company - by disclosing in the Annual Report on the Activity and the Report on the Implementation of the Remuneration Policy for the members of the Board of Directors. The Remuneration Policy is published on the Parent Company's website. In this way, the shareholders have easy access to the policy observed by the Parent Company regarding the basic and additional remuneration for the members of the Board of Directors.

Conflict of interests

The members of the Board of Directors avoid and do not allow real or potential conflicts of interest. During the reporting period, no transactions have been concluded between the Parent Company and members of the Board of Directors or persons related to them.

The members of the Board of Directors immediately disclose conflicts of interest and provide the shareholders with access to information on transactions between the Parent Company and members of the Board of Directors or persons related to them by presenting the declaration under Art. 114b of the Public Offering of Securities Act.

The Board of Directors has not established a specific procedure for avoiding conflicts of interest in transactions with interested parties and disclosing information in the event of such, but controls the conclusion of significant transactions through voting and approval of such transactions.

<u>Committees</u>

Board of Directors' work is supported by committees and the Board of Directors determines the need for their establishment according to the specifics of the Parent Company.

In compliance with the requirements of the effective legislation and based on the criteria it determines, the Board of Directors annually proposes to the General Meeting of Shareholders to appoint an audit committee with a composition that meets the specific needs of the Parent Company.

The Audit Committee carries out its activities in accordance with the legal requirements.

II. Chapter Two – Audit and internal control

The Board of Directors is assisted by an Audit Committee.

The Board of Directors and the Audit Committee ensure compliance with the applicable law regarding the independent financial audit. The rotation principle is applied regarding proposals and appointment of external auditors.

The Audit Committee monitors the overall relationship with the external auditor, including the nature of non-audit services provided by the Parent Company's auditor, if any.

The Group has established and operates an internal control system, which includes identifying the risks associated with the Group 's activities and supporting their effective management. It also ensures the effective functioning of the accountability and information disclosure systems.

III. Chapter Three - Protection of shareholders' rights

The Board of Directors ensures equal treatment of all shareholders, including minority and foreign shareholders, protects their rights and facilitates exercising them within the scope permitted by the applicable law and in accordance with the provisions of the Parent Company's statutes.

In the reporting period, the Parent Company held one regular and two extraordinary General Meetings of Shareholders, complying with all the requirements of Art. 115 et seq. of the POSA, announcing the decision for its convention and publishing the invitation together with the materials thereto in the manner specified by the law. The shareholders were guaranteed the opportunity to add new items to the agenda under Art. 223a of the Commercial Act. The Statutes of the Parent Company provide for the invitation to the General Meeting to contain the information required under the Commercial Act and POSA, as well as additional information on exercising the right to vote and the possibility to add new items to the agenda under Art. 223a of the CA.

The corporate management ensures that all shareholders are informed about their rights through the information publishing system and the Parent Company's website, the announced Statutes of the Parent Company and invitations for each General Meeting of Shareholders together with the materials to it.

<u>General Meeting of Shareholders</u>

All shareholders are informed about the rules according to which General Meetings of Shareholders are convened and held, including the voting procedures, through the Statute of the Parent Company and invitations for each General Meeting of Shareholders.

The Board of Directors provides sufficient and timely information on the date and place of the General Meeting, as well as complete information on the issues to be discussed and resolved at the Meeting.

The invitation and materials for the General Meeting of Shareholders are announced to the public through the selected media agencies, the Financial Supervision Commission and the regulated securities market. After presenting the invitation and the materials for the General Meeting of Shareholders, they are also made available on the Parent Company's website.

The Parent Company's management maintains a database with contact information of its shareholders owning 5% or more of the Parent Company's capital, allowing direct messages to be sent to them or to a person designated by them, when necessary.

The Parent Company's corporate management ensures that all shareholders are able to express their opinion and ask questions during the General Meeting.

Shareholders with voting rights have the opportunity to exercise their voting rights at the General Meeting of the Parent Company in person or through representatives and voting by correspondence might be allowed for a specific General Meeting of the Shareholders.

As part of the materials for the General Meeting of Shareholders, the Board of Directors provides a sample power of attorney. The Parent Company indicates the Rules for voting by proxy and the Rules for voting by correspondence (when applicable) in the content of the invitation or as a separate document - part of the materials to it.

The Board of Directors has undertaken all necessary actions to bring the Parent Company's activities in line with the recommendations of the Code.

The Statutes of the Parent Company allow exercising the right to vote by electronic means and/or by correspondence by decision and rules determined by the Board of Directors in the invitation to convene a General Meeting.

The Board of Directors exercises effective control by creating the necessary organization for the voting of the authorized persons in accordance with the instructions of the shareholders and in the ways permitted by law. The Board of Directors appoints a mandate commission, which registers the shareholders for each General Meeting and proposes to the General Meeting to appoint a Chairperson, Secretary and Vote Tellers. The management of the General Meeting strictly monitors the lawful conduct of the General Meeting, including the manner of voting of the authorized persons. When differences are noticed in the will of the principal and the vote of the authorized person, this circumstance is entered in the minutes and the will of the principal is taken into account accordingly.

The Board of Directors has not prepared and adopted a specific policy for the organization and holding of ordinary and extraordinary General Meetings of Shareholders, but at the same time monitors compliance with the principles of equal treatment of all shareholders and the right of each shareholder to express their opinion on the items on the agenda of the General Meeting. The Board of Directors prepares Rules for voting by proxy and Rules for voting by correspondence (when applicable) to the materials for convening General Meetings.

The Board of Directors organizes the procedures and order for holding the General Meeting of Shareholders in a way that does not complicate or increase the cost of voting unnecessarily.

The Board of Directors encourages the participation of shareholders in the General Meeting of Shareholders but has not provided the opportunity for remote presence through technical means (including the Internet), due to the lack of economic grounds for such a method of participation in the General Meeting.

Insofar as the members of the Parent Company's Board of Directors spend most of their time outside the country, it is not always possible to ensure the presence of all of them at the General Meetings of Shareholders, but some of them, including at least one executive director, are present at the General Meetings of the Parent Company's shareholders.

Materials for the General Meeting of Shareholders

The texts in the written materials related to the agenda of the General Meeting are specific and clear and do not mislead the shareholders. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, incl. the profit distribution proposal.

The Parent Company maintains a special section on its website regarding the rights of shareholders and their participation in the General Meeting of Shareholders.

The Board of Directors assists the shareholders entitled under the current legislation to include additional items and to propose resolutions for items already included on the agenda of the General Meeting, by performing all necessary legal and factual actions to announce the additional items added to the agenda of the already convened General Meeting.

The Board of Directors ensures the right of the shareholders to be informed about the decisions taken by the General Meeting of Shareholders by announcing the Minutes of the General Meeting of Shareholders through the selected media agencies.

Equal treatment of shareholders of the same class

According to the Parent Company's Statute and internal acts, all shareholders of the same class are treated equally, and all shares within one class give equal rights to shareholders of the same class.

The Board of Directors ensures that sufficient information is provided to investors regarding the rights granted by all shares of each class prior to their acquisition through the information published on the Parent Company's website, as well as through interviews and personal meetings with the management and/or the Director of Investor Relations.

Consultations between shareholders regarding their basic shareholder rights

The Board of Directors does not prevent shareholders, including institutional ones, from consulting each other on matters relating to their basic shareholder rights in a manner that prevents abuse.

Transactions of shareholders with controlling rights and abusive transactions

The Board of Directors does not allow transactions with shareholders with controlling rights, which violate the rights and/or legitimate interests of other shareholders, including under the conditions of agreement with themselves. Conducting this type of transactions requires an explicit decision of the Board of Directors and the interested parties are excluded from the voting. In case of indications for crossing the statutory thresholds under Art. 114, para. 1 of POSA, the Board of Directors prepares a motivated report and initiates the convening and holding of a General Meeting of Shareholders, at which the transactions are put to a vote.

IV. Chapter Four – Disclosure of financial and non-financial information

The Board of Directors has adopted a policy for disclosure of information (financial and non-financial) in accordance with the legal requirements and the Statutes of the Parent Company. In accordance with the adopted policy, the corporate management has created and maintains a system for disclosure of information.

The information disclosure system ensures equality of the addressees of information (shareholders, stakeholders, investment community) and does not allow misuse of inside information.

The information disclosure system ensures complete, timely, accurate and understandable information, enabling taking objective and informed decisions and assessments.

The inside information is disclosed in the legally established forms, order and terms through the selected media agencies. The Parent Company uses a single point to disclose information by electronic means, thus the information reaches the public, FSC and the regulated securities market in unmodified form. Information in unmodified form and volume is also published on the Parent Company's website. In this way, the Parent Company's executive management ensures that the information disclosure system provides complete, timely, accurate and understandable information, allowing taking objective and informed decisions and assessments.

The Executive Management and the Board of Directors promptly disclose the Parent Company's capital structure and agreements that lead to exercising control in accordance with its disclosure rules. Disclosure is made through the provisions of the Public Offering of Securities Act and the acts for its implementation, as well as the applicable European regulation.

The Board of Directors ensures, by exercising control over the implementation of the disclosure policy, that the rules and procedures according to which the acquisition of corporate control and extraordinary transactions such as mergers and sale of significant parts of assets are clearly and timely disclosed.

The Board of Directors approves and together with the independent auditor controls internal rules for the preparation of the annual and interim reports and the procedure for disclosure of information.

The Parent Company maintains a website - https://corporate.shelly.com/ with approved content, scope and frequency of the information disclosed through it. The content of the Parent Company's website fully covers the recommendations of the National Corporate Governance Code.

The Parent Company also maintains an English language version of the corporate website with the same content.

The Parent Company periodically discloses information about the corporate governance.

The Parent Company’s Board of Directors believes that its activities in the reporting period created prerequisites for sufficient transparency in its relations with investors, financial media and capital market analysts.

In the reporting period, the Parent Company disclosed all regulated information within the deadlines and in accordance with the procedure provided for in the Public Offering of Securities Act and the acts on its implementation.

Insofar as the Parent Company has no obligation for non-financial reporting, the corporate management has not adopted rules to ensure disclosure on an annual basis of non-financial information in accordance with the national legislation and applicable European law.

As part of the information disclosure system, the Parent Company has developed and maintains a corporate website with approved content, scope and frequency of information disclosure, which includes the recommended minimum required information according to the National Corporate Governance Code. The Parent Company also maintains an English version of the website.

The Parent Company periodically discloses information on corporate governance by annually updating this Corporate Governance Statement as part of the annual consolidated financial statements.

Corporate management ensures the disclosure of any significant periodic and ad-hoc information about the Group through channels that provide equal and timely access to relevant information to users.

V. Chapter Five – Stakeholders. Sustainable development.

The corporate management ensures effective interaction with stakeholders. This category includes certain groups of persons who are directly affected by the Group and who in turn can influence its activities.

The Group identifies as stakeholders in relation to its activities based on their degree and spheres of influence, role and relation to its sustainable development.

The Parent Company, through its subsidiaries, regularly communicates with the various groups of stakeholders non-financial information in connection with corporate socially responsible practices established at the Parent Company.

In its policy regarding stakeholders, the Parent Company complies with the legal requirements based on the principles of transparency, accountability and business ethics.

The corporate management ensures that all stakeholders are sufficiently informed of their statutory rights. As at the end of the reporting period, the corporate management has not developed specific policies to address stakeholder interests, but is committed to taking appropriate action to comply with this requirement in 2024.

The corporate management is committed to establishing specific actions and policies regarding the sustainability of the Group, including disclosure of information related to the climate and the social aspects of its activities.

The corporate management maintains effective relations with stakeholders and is prepared to disclose, when necessary in compliance with legal standards and good international practices, non-financial information on economic, social and environmental issues of concern to stakeholders, such as: anti-corruption; dealing with employees, suppliers and customers; the Group's social responsibility; environmental protection and human rights violations.

The corporate management ensures the right to timely and regular access to relevant, sufficient and reliable information about the Group when stakeholders are involved in the corporate governance process.

3. Description of the main characteristics of the internal control and risk management systems of SHELLY GROUP AD with regard to the financial reporting process

When describing the main characteristics of the internal control and risk management systems, the fact that neither POSA nor the National Code for Corporate Governance define an internal control framework for public companies in Bulgaria to follow shall be taken into account. Therefore, for the purposes of fulfilling the Parent Company's obligations under Art. 100n, para. 8, item 4 of the POSA, in the description of the main characteristics of the system, the framework of the International Auditing Standard 315 was used. General description of the internal control and risk management system, the control environment, the Parent Company's risk assessment process, the information system and related business processes essential for financial reporting and communication, as well as the ongoing monitoring of controls are listed in item 15.15 of the Report on the Activity.

4. Information under Article 10, para. 1, letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids

4.1. Information under Article 10, para. 1, letters "c" of Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004. on takeover bids - significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC

As at the end of the reporting period, the shareholders holding 5 percent or more of the capital, as well as voting rights in the Parent Company's General Meeting, are:

Table 21

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

The Parent Company has no other shareholders who directly or indirectly own 5 percent or more of the voting rights in the General Meeting.

4.2. Information under Article 10, paragraph 1, letters "d" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - the holders of all securities with special control rights and a description of these rights

SHELLY GROUP AD has no shareholders with special control rights.

4.3. Information under Article 10, para. 1, letters "f" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - any restrictions on voting rights, such as restricting the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Parent Company's cooperation, the financial rights attaching to securities are separated from the holding of securities

There are no restrictions on the voting rights of the shareholders of SHELLY GROUP AD.

To participate in the General Meeting, shareholders must be identified with the documents provided for in the law, the Articles of Association and the invitation to the General Meeting, certifying their identity and representative authority, and be registered by a mandate commission in the list of attending shareholders prior to the starting time of the General Meeting.

4.4. Information under Article 10, para. 1, letters "h" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - the rules governing the appointment and replacement of the members of the Board of Directors and the amendments of the Articles of Association

Pursuant to the provisions of the Parent Company's Articles of Association, the General Meeting of Shareholders determines the number, elects and dismisses the members of the Board of Directors and determines their remuneration.

Pursuant to Art. 25, para. 1 of the Parent Company's Articles of Association, the Board of Directors' mandate is determined by the General Assembly, but it cannot be longer than 5 years.

The General Meeting of Shareholders may at any time decide to make changes in the number and composition of the Board of Directors, and the members of the Board may be re-elected without limitation. A member of the Board of Directors can be any individual or legal entity that meets the requirements of the law and has the necessary professional qualifications related to the Parent Company's activities.

4.5. Information under Article 10(1)(i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - powers of the members of the Board of Directors, and the right to issue or repurchase shares in particular

The Board of Directors of SHELLY GROUP AD has the following powers:

Discusses and resolves all issues, except those that are within the exclusive competence of the General Meeting of Shareholders, explicitly related, but not limited to:

(i) plans and programs for the Parent Company's activities;
(ii) organizational structure of the Parent Company;
(iii) participation in tenders and competitions;
(iv) adopts the rules for the Board of Directors' activities, as well as changes to these rules;
(v) election and dismissal of its Executive Members;
(vi) acquisition by the Parent Company of interests in other companies;
(vii) opening and closing branches of the Parent Company in the country and abroad;
(viii) acquisition and disposal of real estate and limited real estate rights owned by the Parent Company;
(ix) establish a mortgage on Parent Company's real estate or a pledge on fixed tangible assets of the Parent Company;
(x) granting loans to non-related third parties, providing guarantees, taking out guarantees and providing collaterals for obligations of non-related third parties, signing bank credit agreements for amounts (excluding interest and expenses) exceeding 3% (three percent) the amount of the Parent Company's consolidated revenues reported in the last audited consolidated annual financial statements of the Parent Company;
(xi) operating or finance lease contracts for amounts exceeding BGN 250,000 (excluding interest and expenses due) sighed by the Parent Company;

(xii) disposal of intellectual property rights, including the acquisition, sale and assignment of licenses to use patents, know-how and other intellectual property rights (except for intellectual property rights granted to third parties with regard to the provision of products and services of end users, within the Parent Company's scope of activity);

(xiii) determining the conditions for the appointment and acceptance of financial incentive programs on an annual basis for key management personnel of the Parent Company's subsidiaries, namely executive directors, procurators and managers of the Parent Company's subsidiaries;

(xiv) to constitute and reconstitute the Advisory Board, to make decisions on all issues concerning the Advisory Board, except those previously determined by these Articles of Association or by a decision of the General Meeting of Shareholders, including, but not limited to: determining the numerical and personal composition of the Advisory Board with the right to appoint and dismiss its members at its discretion, the term of its existence, the remuneration and tenure of its members, to adopt, amend, revoke and monitor the implementation of all and any documents relating to the Advisory Council, including Rules of the Advisory Council’s functions.

The Board of Directors makes decisions for and authorises the individuals who manage and/or represent the Parent Company in making transactions with interested parties under Art. 114, para. 2 of the POSA, for which no prior authorisation by the General Meeting of Shareholders is required.

By Decision of the General Meeting of Shareholders dated October 15, 2021, the Board of Directors is authorised for a period of up to five years from June 27, 2019. The Board of Directors has the right to make decisions to increase the Parent Company's capital using any of the provided in para. 1 methods, with the exception of converting part of the profit into capital until reaching a total nominal amount of BGN 25 million (twenty-five million Bulgarian leva) through the issuance and public offering of up to 10,000,000 (ten million) new dematerialized, ordinary, registered voting shares with a nominal value of BGN 1 (one) each and an issue value for one share determined by an explicit decision of the Parent Company's Board of Directors. The restrictions set out above are generally applied regardless of which of the methods provided for in para. 1 above, was used to increase the capital.

The Parent Company can repurchase own shares without making a tender offer when acquiring in one calendar year no more than 3 percent of own voting shares by decision of the General Meeting of Shareholders for a period not longer than eighteen months from the date of the decision of the relevant body of the Parent Company. The Parent Company may repurchase own shares by decision of the General Meeting of Shareholders for the purposes of implementing incentive bonus programs for employees within its economic group with shares from the capital and schemes for providing variable remuneration to the executive members of the Board of Directors in shares, in accordance with the remuneration policy for the members of the Parent Company’s Board of Directors.

5. Members and functions of the administrative, management and supervisory bodies of SHELLY GROUPAD and their committees

SHELLY GROUP AD has a one-tier management system. The Parent Company is managed and represented by a Board of Directors, which, as of the date of preparation of this Declaration, has the following members, according to a decision of the General Meeting of Shareholders held on December 19, 2023:

- Dimitar Stoyanov Dimitrov
- Svetlin Iliev Todorov
- Nikolay Angelov Martinov
- Wolfgang Kirsch
- *Gregor Bieler (until 31.12.2023)*
- *Christof Vilanek (effective as of 01.01.2024)*

The Board of Directors of SHELLY GROUP AD elects the Chairperson and a Deputy Chairperson from its members. The Board of Directors holds regular meetings at least once every three months to discuss the position and development of the Parent Company. Each member of the Board of Directors may request the Chairperson to call a meeting to discuss specific issues.

Decisions of the Board of Directors are made by a majority of more than half of all members of the Board of Directors. A quorum at the meetings of the Board of Directors is present if the number of members present at the meeting is sufficient to make decisions on the issues of the agenda. In the event that a quorum is not available for any of the issues requiring a qualified majority, the lack of quorum is noted in the minutes and this issue is not considered at the meeting.

The Board of Directors can make decisions in absentia.

Committees:

The Parent Company has an audit committee elected by the Annual General Meeting of Shareholders consisting of: Anelia Petkova Angelova - Tumbeva, Albena Benkova Beneva and Milena Rangelova. The Audit Committee performs its functions in accordance with the Articles of Association adopted by the Annual General Meeting of Shareholders and the requirements of the Independent Financial Audit Act.

The Parent Company's Articles of Association provide for the possibility of establishing an Advisory Board by decision of the Board of Directors. The Advisory Board is a collective advisory body that assists the members of the Board of Directors and the senior management of the Parent Company, based on the expertise of each of its members and according to the goals set by the Board of Directors during its constitution, to prepare and provide strategic guidelines and programs for development of the Parent Company:

(i) to monitor the activity and results of the Parent Company's activity, prepare reports and make suggestions for improvement of some aspects of its activity;

(ii) to provide information regarding current developments and trends in the business sector in which the Parent Company operates;

(iii) to provide information on innovative practices, as well as to recommend and develop programs for the implementation of such practices in the Parent Company's activities;

(iv) to propose improvements regarding the products and/or services offered by the Parent Company, as well as development of new ones;

(v) to propose strategies to improve the Parent Company's positions on the current markets in which it operates, to explore opportunities to access new markets, as well as to implement new market mechanisms;

(vi) to perform any other activity assigned to him by the Board of Directors, which is in the interest of the Parent Company’s development.

The Advisory Board explicitly will not and cannot be assigned any management, supervisory or control functions. The members of the Advisory Board have the right to access information belonging to the Parent Company in a volume determined by the Board of Directors and subject to compliance with the requirements for handling such information no less restrictive than the requirements applicable to the members of the Board of Directors.

As of 31.12.2023 there is no Advisory Board in the Parent Company.

6. Description of the diversity policy applied to the administrative, management and supervisory bodies of SHELLY AD with regard to aspects such as age, gender or education and professional experience, the objectives of this diversity policy, the application approach and the results from the reporting period; where no such policy applies, the declaration shall contain an explanation as to why

The Parent Company has not developed a special diversity policy regarding the administrative, management and supervisory bodies of the Parent Company related to aspects such as age, gender or education and professional experience, as it falls under the exceptions of Art. 100n, para. 12 of the Public offering of securities Act (POSA).

However, there are long-established practices that can be classified as diversity policy relating to the management bodies with regard to aspects such as age, gender or education and professional experience.

In essence, these practices form the Parent Company's diversity policy of the management bodies in relation to aspects such as age, gender, education and professional experience.

Adopted practices require that the Parent Company implements a balanced policy for nominating members of the corporate management who have education and qualifications that correspond to the nature of the Parent Company's activity, its long-term goals and business plan.

The practices adopted by the Parent Company encourage the pursuit for gender balance at all management levels.

The Parent Company does not discriminate against members of corporate management based on age.

Dimitar Stoyanov Dimitrov

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Date: 2024.04.15 18:43:01 +03'00'

....

Dimitar Dimitrov

Executive Director of SHELLY GROUP AD

DECLARATION

under to Art. 100n, para. 4, item 4 of the Public Offering of Securities Act

We, the undersigned,

DIMITAR STOYANOV DIMITROV, in my capacity as Executive Director of SHELLY GROUP AD

and

SVETOZAR GOSPODINOV ILIEV, in my capacity as Chief Financial Officer of SHELLY GROUP AD

Hereby DECLARE that to the best of our knowledge:

1. The annual consolidated financial statements for 2023, prepared in accordance with the applicable accounting standards, present correctly and fairly the information about the assets and liabilities, financial standing and profit or loss of SHELLY GROUP AD on consolidated basis;

2. The 2023 report on the activities on consolidated basis contains a truthful overview of the development and results of the activities of SHELLY GROUP AD on consolidated basis, as well as the position of SHELLY GROUP AD, together with a description of the main risks and uncertainties the Group faces.

Declarants:

Dimitar Stoyanov Dimitrov

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Date: 2024.04.15 18:42:43 +03'00'

…………………………………….

Dimitar Dimitrov
Executive Director

Svetozar Gospodinov Iliev

Digitally signed by Svetozar Gospodinov Iliev
Date: 2024.04.15 18:29:21 +03'00'

……………………………………..

Svetozar Iliev
Chief Financial Officer

SHELLY GROUP AD
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

All amounts are in thousand Bulgarian leva unless otherwise stated

ASSETS	**Note**	**December 31, 2023**	**December 31, 2022**
Non-current assets			
Property, plant and equipment	3.01	5 373	4 653
Intangible assets	3.02	7 547	4 220
Right-of-use assets	3.03	422	296
Goodwill	3.04	3 514	160
Investments in associates	3.05	403	158
Other capital investments	3.06	-	830
Trade receivables	3.07	1 027	1 027
Deferred tax assets	3.08	926	348
Total non-current assets		**19 212**	**11 692**
Current assets			
Inventory	3.09	18 273	23 002
Receivables on loans granted	3.10	550	-
Trade receivables	3.11	52 279	21 647
Other receivables	3.12	6 590	4 309
Cash and cash equivalents	3.13	30 778	28 148
Total current assets		**108 470**	**77 106**
TOTAL ASSETS		**127 682**	**88 798**

Date: April 15, 2024

Preparer: Silviya Ivanova Tomova Digitally signed by Silviya Ivanova Tomova Date: 2024.04.15 18:21:58 +03'00'
/Sylvia Ivanova Tomova/

Executive Director: Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2024.04.15 18:43:54 +03'00'
/Dimitar Stoyanov Dimitrov/

Desislava Dinkova
Registered auditor in charge of the audit
Statutory Manager at Deloitte Audit OOD
Registration number 033 in the Register under Art. 20 of IFAA

Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2024.04.15 19:18:16 +03'00'

All amounts are in thousand Bulgarian leva unless otherwise stated

LIABILITIES	Note	December 31, 2023	December 31, 2022
Non-current liabilities			
Bank loans	3.14	1 019	1 488
Lease liabilities	3.15	369	157
Retirement benefit obligations	3.16	271	112
Total non-current liabilities		**1 659**	**1 757**
Current liabilities			
Bank loans	3.14	670	668
Lease liabilities	3.15	216	161
Trade payables	3.17	4 104	1 891
Payables to employees and social security	3.18	2 453	2 041
Other liabilities	3.19	8 977	3 208
Total current liabilities		**16 420**	**7 969**
TOTAL LIABILITIES		**18 079**	**9 726**
EQUITY			
Share capital	3.20	18 051	18 000
Purchased own shares		-	(780)
Retained earnings	3.21	83 165	55 117
Legal reserves	3.22	2 804	1 800
Premium reserve	3.23	5 403	5 403
Revaluation reserve	3.24	-	(507)
Reserves from revaluation of defined benefits plans		3	-
Exchange differences from translation of foreign subsidiaries' financial statements		953	39
Equity attributable to Parent Company's equity holders		**110 379**	**79 072**
Non-controlling interest		(776)	-
TOTAL EQUITY		**109 603**	**79 072**
TOTAL EQUITY AND LIABILITIES		**127 682**	**88 798**

Date: April 15, 2024

Preparer: Silviya Ivanova Tomova Digitally signed by Silviya Ivanova Tomova Date: 2024.04.15 18:22:22 +03'00'
/Sylvia Ivanova Tomova/

Executive Director: Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2024.04.15 18:44:11 +03'00'
/Dimitar Stoyanov Dimitrov/

Desislava Dinkova
Registered auditor in charge of the audit
Statutory Manager at Deloitte Audit OOD

Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2024.04.15 19:20:19 +03'00'

Registration number 033 in the Register under Art. 20 of IFAA

The consolidated statement of financial position shall be read together with the accompanying notes on pages 7-65. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Sales revenue	4.01	146 542	93 178
Cost of sales	4.01	(62 852)	(46 327)
Gross profit		**83 690**	**46 851**
Other operating income	4.02	936	1 012
Sales expenses	4.03	(10 172)	(3 981)
Administrative expenses	4.04	(27 331)	(20 435)
Impairment expense	4.05	(3 267)	(1 885)
Other operating expenses	4.06	(6 456)	(1 185)
Profit from operating activity		**37 400**	**20 377**
Finance income	4.07	199	-
Finance expense	4.08	(114)	(265)
Share of associated companies' profit	3.05	49	118
Profit before tax		**37 534**	**20 230**
Income tax expense	4.09	(4 585)	(2 797)
Net profit		**32 949**	**17 433**
Other comprehensive income:			
Items, that will not be reclassified to profit or loss			
Other long-term capital instruments		443	(1 439)
Deferred tax related to equity instruments		(56)	56
Actuarial gain		5	-
Deferred tax on actuarial gain		(2)	-
Exchange differences from translation of foreign subsidiaries' financial statements		49	100
Effect from business combinations		535	-
Other comprehensive income for the year after taxes		**974**	**(1 283)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**33 923**	**16 150**
Net profit attributable to:			
Owners of the Parent Company		33 593	17 433
Non-controlling interest		(644)	-
Other comprehensive income attributable to:			
Owners of the Parent Company		1 106	(1 283)
Non-controlling interest		(132)	-
Total comprehensive income attributable to:			
Owners of the Parent Company		34 699	16 150
Non-controlling interest		(776)	-
Earnings per share	4.10	**1.83**	**0.97**

Date: April 15, 2024

Preparer: Silviya Ivanova Tomova Digitally signed by Silviya Ivanova Tomova Date: 2024.04.15 18:23:30 +03'00'
/Sylvia Ivanova Tomova/

Executive Director: Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2024.04.15 18:44:27 +03'00'
/Dimitar Stoyanov Dimitrov/

Desislava Dinkova
Registered auditor in charge of the audit
Statutory Manager at Deloitte Audit OOD
Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2024.04.15 19:22:05 +03'00'

Registration number 033 in the Register under Art. 20 of IFAA

The consolidated statement of comprehensive income shall be read together with the accompanying notes on pages 7-65. The notes are an integral part of these consolidated financial statements.

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, 2022	**18 000**	**39 324**	**1 036**	**5 403**	**1 800**	**-**	**-**	**(61)**	**65 502**	**-**	**65 502**
Total comprehensive income, net, incl.	-	17 433	(1 383)	-	-	-	-	100	16 150	-	16 150
Net profit	-	*17 433*	-	-	-	-	-	-	*17 433*	-	*17 433*
Other comprehensive income	-	-	*(1 383)*	-	-	-	-	*100*	*(1 283)*	-	*(1 283)*
Other long-term capital instruments	-	-	*(1 439)*	-	-	-	-	-	*(1 439)*	-	*(1 439)*
Deferred tax	-	-	*56*	-	-	-	-	-	*56*	-	*56*
Exchange differences from translation of foreign subsidiaries' financial statements	-	-	-	-	-	-	-	*100*	*100*	-	*100*
Redeemed (40 000 shares)	-	-	-	-	-	(780)	-	-	(780)	-	(780)
Dividends (BGN 0.10 per share)	-	(1 800)	-	-	-	-	-	-	(1 800)	-	(1 800)
Other adjustments	-	160	(160)	-	-	-	-	-	-	-	-
Balance at December 31, 2022	**18 000**	**55 117**	**(507)**	**5 403**	**1 800**	**(780)**	**-**	**39**	**79 072**	**-**	**79 072**
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**
Net profit	-	*33 593*	-	-	-	-	-	-	***33 593***	*(644)*	***32 949***
Other comprehensive income	-	*(1 202)*	*387*	-	*1 004*	-	*3*	*914*	*1 106*	*(132)*	*974*
Other long-term capital instruments	-	-	*443*	-	-	-	-	-	*443*	-	*443*
Deferred tax	-	-	*(56)*	-	-	-	-	-	*(56)*	-	*(56)*
Actuarial gain	-	-	-	-	-	-	*5*	-	*5*	-	*5*
Deferred tax	-	-	-	-	-	-	*(2)*	-	*(2)*	-	*(2)*
Exchange differences from translation of foreign subsidiaries' financial statements	-	-	-	-	-	-	-	*49*	*49*	-	*49*
Effect from business combination	-	*(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**

Date: April 15, 2024

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Desislava Dinkova

Registered auditor in charge of the audit

Statutory Manager at Deloitte Audit OOD

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The consolidated statement of changes in equity shall be read together with the accompanying notes on pages 7-65. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities			
Proceeds from customers		116 214	83 914
Payments to suppliers		(75 912)	(65 109)
Taxes paid		(2 345)	(4 621)
Corporate tax paid		(5 077)	(2 660)
Payments to employees and social security institutions		(17 219)	(10 879)
Other payments, net		(637)	(374)
Net cash flows from operating activities		**15 024**	**271**
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment and intangible assets		(4 765)	(2 176)
Loans granted		(548)	-
Proceeds from sale of property, plant and equipment		84	-
Proceeds from the sale of investments		1 462	2 798
Purchase of investments		(4 448)	(130)
Other proceeds, net		149	-
Net cash flows (used in)/from investing activities		**(8 066)**	**492**
Cash flows from financing activities			
Increase of share capital		51	-
Redeemed shares		1 064	(780)
Lease payments		(299)	(104)
Loans received		263	-
Loans repaid		(726)	(510)
Cash flows related to interest and commissions		(57)	(61)
Dividends paid		(4 500)	(1 800)
Other payments, net		(12)	(71)
Net cash flows used in financing activities		**(4 216)**	**(3 326)**
Net increase/(decrease) in cash and cash equivalents for the year		**2 742**	**(2 563)**
Net exchange differences		**(112)**	**170**
Cash and cash equivalents at the beginning of the year		28 148	30 541
Cash and cash equivalents at the end of the year	*3.13*	**30 778**	**28 148**

Date: April 15, 2024

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The consolidated statement of cash flows shall be read together with the accompanying notes on pages 7-65. The notes are an integral part of these consolidated financial statements.

CONTENTS

All amounts are in thousand Bulgarian leva unless otherwise stated

1. Information on the Group

1.1. Legal status

Shelly Group AD (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, 103 Cherni vrah Blvd. No changes to the seat and registered office of Shelly Group AAD were made during the reporting period. The initial registered fixed capital is BGN 5,488,000. 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 increase was increased to BGN 18 050 945. The increase was addressed to employees of Shelly Group AD and its subsidiaries.

Since December 20216 the shares of Shelly Group AD 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 AD (the Group) includes Shelly Group AD (the Parent Company) and its subsidiaries as listed on the next page, in which the Parent Company has controlling interest directly. Shelly Group AD is a public company in Bulgaria under the Public Offering of Securities Act.

The distribution of the share capital of Shelly Group AD as of December 31, 2023, is as follows:

Name	Number of shares	% of the capital
Svetlin Todorov	5 485 620	30.39%
Dimitar Dimitrov	5 776 120	32.00%
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%**

On June 30, 2022, Shelly Group AD acquired 40,000 own shares at a price of BGN 19.50 per share, representing 0.22% of its registered capital through over-the-counter transactions (OTC transactions) from two independent shareholders. As of 31.12.2023 the redeemed shares were sold.

The composition of the Board of Directors as at December 31, 2023 is as follows:

- Gregor Bieler – 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 AD 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 December 31, 20223the Group includes Shelly Group AD and the following subsidiaries in the country and abroad, which it controls.

Company name	**December 31, 2023**	**December 31, 2022**
	Percentage of participation	**Percentage of participation**
In the country		
Shelly Trading EOOD (former Allterco Trading EOOD)	*100%*	*100%*
Shelly Europe EOOD (former Allterco Robotics EOOD)	*100%*	*100%*
Shelly Properties EOOD (former Allterco Properties EOOD)	*100%*	*100%*

Company name	**December 31, 2023**	**December 31, 2022**
	Percentage of participation	**Percentage of participation**
Abroad		
Shelly USA, USA	*100%*	*100%*
Shelly DACH GMBH, Germany	*100%*	*100%*
Shelly Tech d.o.o., Slovenia	*60%*	-

On 04.01.2023, Shelly Group AD announced the first stage of acquisition of 60% participation in the capital of Slovenian IoT provider GOAP d.o.o, Nova Gorica (present Shelly Tech d.o.o,). Share Purchase Agreements ("SPA") have been signed with all four shareholders of Shelly Tech d.o.o. The total amount of the first stage transactions was BGN 3 912 thousand (2 million EUR).

The acquisition cost of the new subsidiary includes additional expenses related to the transaction amounting to BGN 222 thousand.

The remaining 40% of the capital of Shelly Tech d.o.o., belonging to three owners – individuals, is subject to an option contract that was signed together with the acquisition agreements. According to the terms of the option contract, Shelly Group AD has an unconditional option to purchase (call option), and the sellers – conditional option to sell (put option) two packages of company shares (the exercise of sellers' option is subject to achieving certain minimum KPIs for the period 2023 - 2025, including EBITDA and revenue). One of the options is for the acquisition of 16% and the other for the acquisition of 24% of the capital of Shelly Tech d.o.o. The total price of the shares from both packages depends on the level of achievement of the agreed KPIs and may vary in the range from BGN 1 369 thousand (EUR 700) to BGN 6 748 thousand (EUR 3 450 thousand).

In November 2023, the subsidiary company Shelly Trading EOOD opened a branch in Great Britain.

In November 2022, the subsidiary Shelly Europe EOOD opened a branch in the Republic of Ireland.

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, 2023, 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, 2023 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:

- **IFRS 17 Insurance Contracts** including amendments to IFRS 17 adopted by the EU in June 2020 and December 2021 (effective for annual periods beginning on or after January 1, 2023). The financial position and the result of the Company are not impacted by the implementation of this standard;
- **Amendments to IAS 1 Presentation of Financial Statements:** Disclosure of Accounting policies adopted by the EU on March 2, 2022 (effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:** Definition of Accounting Estimates adopted by the EU on March 2, 2022 (effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 12 Income Taxes -** Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after January 1, 2023).
- **Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules** (IASB effective date: January 1, 2023)*;

** exception specified in amendments to IAS 12 (that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after January 1, 2023.*

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

At the date of authorisation of these consolidated financial statements, the following revised IFRS Accounting Standard has not been applied that has been issued by IASB and adopted by EU but are not yet effective:

- **Amendments to IFRS 16 Leases** - Lease Liability in a Sale and Leaseback issued by IASB on September 22, 2022 (effective for annual periods beginning on or after January 1, 2024);

2.2.3. 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 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);

- **Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates -** Lack of Exchangeability (IASB effective date: January 1, 2025);
- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments 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 further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.

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 current 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 AD.

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.

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, 2022 – BGN 1,83371 for 1 USD; BGN 1,86025 for 10 NOK; and BGN 1,95583 for 1 EUR.
- 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)
- Current and non-current receivables – need for impairment (Note 3.07 and 3.11)
- Retirement benefits obligations (Note 3.16)
- Deferred tax assets (Note 3.08)
- Warranty service provision (Note 3.19)

2.8. Subsidiaries and associated companies

Subsidiaries are the entities over which Shelly Group AD 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-controlling interest

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

2.10. 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.

2.11. Definition and assessment of the items of the consolidated financial statements

2.11.1. 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 3.19).

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.

2.11.2. 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.

2.11.3. 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.

2.11.4. 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 form the use of an intangible asset above the initially determined standard efficiency.

2.11.5. 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".

2.11.6. 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.

2.11.7. 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, 2022, the Group reports a share in the profit of associated companies amounting to BGN 49 thousand. The value of the investment indicated in the consolidated statement of financial position has been increased by the same amount.

2.11.8. 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.

2.11.9. 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 2.11.17);
- Trade and other receivables (Notes 3.11 and 4.5).

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.

2.11.10. 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.

2.11.11. 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.

2.11.12.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.

2.11.13. 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.

2.11.14. 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 AD 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 AD, 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.

2.11.15. 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 2023 and 2022 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	
	2023	**2022**
Germany	15.825%	15.825%
USA	15-35%	15-35 %
Slovenia	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, 2023, the Group recognises income tax expenses only for Bulgarian companies and at a 10% tax rate, for the German entity at 15.825% tax rate and for the Slovenian entity at 19% tax rate.

2.11.16. 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.

2.11.17. 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 2022 (note 3.16).

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, 2023, 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, 2023, an impairment of inventory at the amount of BGN 645 thousand is 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 3.15).

2.11.18. 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 2022 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**
01.01.2022									
Cost	**1 476**	**3 032**	**912**	**452**	**257**	**141**	**293**	**55**	**6 618**
Depreciation	**-**	**(213)**	**(763)**	**(382)**	**(228)**	**(105)**	**(129)**	**-**	**(1 820)**
Book value	**1 476**	**2 819**	**149**	**70**	**29**	**36**	**164**	**55**	**4 798**
Additions (cost)	**-**	**56**	**18**	**6**	**46**	**84**	**2**	**57**	**269**
Purchase	-	56	18	6	46	84	2	57	269
Disposals (book value)	**-**	**-**	**(38)**	**-**	**(5)**	**-**	**(58)**	**(30)**	**(131)**
Sale	-	-	(38)	-	(5)	-	(58)	-	**(101)**
Written-off book value of assets of investments sold	-	-	-	-	-	-	-	(30)	**(30)**
Depreciation for the period	**-**	**(120)**	**(105)**	**(43)**	**(30)**	**(21)**	**(27)**	**-**	**(346)**
Change in depreciation	**-**	**-**	**-**	**-**	**5**	**-**	**58**	**-**	**63**
Depreciation of assets written-off	-	-	-	-	5	-	58	-	63
31.12.2022									
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**
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	**1 476**	**2 644**	**256**	**337**	**160**	**81**	**156**	**263**	**5 373**
31.12.2023									
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**

Contractual mortgages have been established on the lands and buildings owned by the Group, in connection with bank financing used by the companies in Bulgaria (see 3.14 and 5).

3.02. Intangible assets

	Software	ISO Certificates and intellectual property rights	Patents, licenses, trademarks, prototypes and develop-ment	Other	Assets under construction	**Total**
01.01.2022						
Cost	**331**	**12**	**3 614**	**57**	**125**	**4 139**
Amortization	**(207)**	**(5)**	**(783)**	**(28)**	**-**	**(1 023)**
Book value	**124**	**7**	**2 831**	**29**	**125**	**3 116**
Additions (cost)	**-**	**-**	**267**	**207**	**1 466**	**1 940**
Purchase			267	207	370	**844**
Self-constructed	-	-	-	-	1 096	1 096
Disposals (book value)	**-**	**-**	**(346)**	**-**	**-**	**(346)**
Written-off prototypes	-	-	(346)	-	-	(346)
Amortization for the period	**(68)**	**(2)**	**(532)**	**(8)**	**-**	**(610)**
Change in amortization	**-**	**-**	**120**	**-**	**-**	**120**
31.12.2022						
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**
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**

During the reporting period the Group has recognized as expense research and development expenditure for the amount of BGN 623 thousand (2022: BGN 263 thousand).

3.03. Right-of-use assets

	December 31, 2023			December 31, 2022		
	Vehicles	Buildings	**Total**	Vehicles	Buildings	**Total**
At the beginning of the period						
Cost	**394**	**108**	**502**	**232**	**9**	**241**
Depreciation	**(183)**	**(23)**	**(206)**	**(124)**	**(9)**	**(133)**
Book value	**211**	**85**	**296**	**108**	**-**	**108**
Additions (cost)	**3**	**409**	**412**	**162**	**99**	**261**
Operating lease	3	-	3	162	99	**261**
Business combination	-	409	409	-	-	-
Disposals (book value)	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the period	(77)	(117)	(194)	(58)	(14)	**(72)**
Change in depreciation (business combination)	-	(92)	(92)	-	-	-
Book value at the end 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**

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

3.04. Goodwill

Name	**December 31, 2023**	**December 31, 2022**
Shelly USA	-	34
Shelly Properties EOOD	126	126
Shelly Tech d.o.o, Slovenia	3 388	
Total:	**3 514**	**160**

During the first quarter of 2023 after acquisition of 60% of the capital of the Slovenian IoT company GOAP (currently Shelly Tech d.o.o. Slovenia) the Group recognized initial goodwill in the amount of BGN 3 957 thousand. The effective date of acquisition of control by the Group over Shelly Tech d.o.o. Slovenia is 04.01.2023. In these consolidated financial statements, the acquisition of Shelly Tech d.o.o. Slovenia is treated as a business combination in the sense of IFRS 3 Business combination.

The determination of the fair value of the distinguishable net assets in the newly acquired company was carried out on the basis of an assessment by independent appraisers. The Group has complied with the requirement of IFRS 3, which allows the period of evaluation of the effects of the business combination to be up to one year from the date of acquisition, and as of 31.12.2023 the evaluation of the business combination has already been completed, as a result of which the final value of recognized goodwill is in the amount of BGN 3,388 thousand.

The effect of the acquisition (goodwill) of 60% of the capital of the Slovenian company, reported as of December 31, is the following:

	Book value BGN'000	**Adjustment BGN'000**	**Fair value BGN'000**
Price of acquisition:			
Cash paid	3 912	-	3 912
Transaction costs paid	222	-	222
Fair value of the acquired net assets:			
Intangible assets	-	927	927
Property, plant and equipment	339	28	367
Long-term financial assets	7	(7)	-
Deferred tax assets	9	-	9
Cash and cash equivalents	149	-	149
Inventories	820	-	820
Short-term receivables	766	-	766
Deferred costs and accrued revenue	18	-	18
Total assets	**2 108**	**948**	**3 056**
Long-term liabilities	(457)	-	(457)
Short-term liabilities	(1 356)	-	(1 356)
Total liabilities	**(1 813)**	**-**	**(1 813)**
Total identifiable net assets	295	948	1 243
Identifiable net assets attributable to the owners of the Parent company	**177**	**569**	**746**
Goodwill arising at acquisition	3 957	(569)	3 388
Price paid at acquisition	**4 134**		**4 134**

In January 2023, the agreed remuneration for the acquisition of the controlling share in Shelly Tech d.o.o. Slovenia was paid in cash.

The Group does not report impairment of goodwill as of December 31, 2022.

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

3.05. Investments in associates

During 2021 Shelly Group AD has participated in the establishment of an associated company in China named Allterco Asia Ltd., Guangdong province with a seat and management address at Shenzhen. The registered capital of the company is CNY 100 000 and the participation of Shelly Group AD is 30% (BGN 8 thousand), with an option to acquire additionally up to 50% and reach a controlling package of up to 80%, at the discretion of Shelly Group AD. During the reporting period Shelly Group AD concluded Investment Agreement with Ground Solutions Group AD for participation in the capital increase and subscription of new preferred company shares from the capital of its subsidiary Corner Solutions EOOD. As a result, the Company acquired 625 new preferred company shares, representing 10% of the capital of Corner Solutions EOOD after the increase, for the price of BGN 196 thousand (EUR 100 thousand).

Movement of investments in associates is as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance as of January 01	158	40
Acquisition of shares	196	-
Share in current profit for the year	49	118
Balance as of the year end	**403**	**158**

3.06. Other long-term capital investments

	December 31, 2023	December 31, 2022
Ordinary registered shares - Link Mobility Group Holding ASA, at the beginning of the year	**830**	**2 624**
Increase	**442**	**-**
Effect from subsequent revaluation of financial instruments	*442*	**-**
Decrease	***(1 272)***	***(1 794)***
Expenses related to transactions with financial assets and instruments	(1 272)	(355)
Effect from subsequent revaluation of financial instruments	-	(1 439)
Ordinary registered shares - Link Mobility Group Holding ASA, at the end of the year	**-**	**830**

During the reporting period the Group has sold its investments in equity instruments.

3.07. 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 with the buyer for additional deferral of the amounts due and as a result in these consolidated financial statements BGN 1 027 thousand are presented as long-term receivable.

3.08. Deferred tax assets

	December 31, 2023	December 31, 2022
Deferred tax assets		
Deferred tax on revaluation reserve	-	56
Deferred tax on provision for expenses	410	66
Deferred tax on unused paid leave	59	40
Deferred tax on impairment of receivables	308	46
Deferred tax asset on impairment of stocks	64	-
Deferred tax on unused benefits of individuals	77	128
Deferred tax asset related to the application of IFRS 16	1	-
Deferred tax on long-term employee benefits	9	13
Total assets	**928**	**349**
Deferred tax liabilities		
Deferred tax related to the application of IFRS 16	(2)	(1)
Total liabilities	**(2)**	**(1)**
Total deferred tax assets/(liabilities)	**926**	**348**

3.09. Inventory

	December 31, 2023	December 31, 2022
Goods	14 948	18 436
Goods in transit	2 004	3 317
Deliveries	1 299	937
Materials	22	312
Total:	**18 273**	**23 002**

As of December 31, 2023, 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 1 299 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 the reporting period the Group has accrued impairment of goods in the amount of BGN 645 thousand (2022: nil) The impairment is related to the imposed restriction for sale of one type of product on the territory of the EU.

3.10. Receivables on loans granted

On June 23, 2023, Shelly Group AD 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. The interest due at the end of the period amounts to BGN 2 thousand.

3.11. Trade receivables

	December 31, 2023	December 31, 2022
Receivables from clients	45 126	20 302
Receivables written-off	-	(1 486)
Impairment of receivables from clients, net	(2 042)	(526)
Advances to suppliers	10 249	3 357
Advances written-off	(1 054)	-
Total:	**52 279**	**21 647**

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

	December 31, 2023	December 31, 2022
Impairment at the beginning of the period	526	237
Impairment reversed and written-off	-	(152)
Impairment charged for the period	1 516	441
Impairment at the period end, net	**2 042**	**526**

In June 2022, an agreement was reached with Link Mobility Group, Norway, to pay the overdue last contribution in connection with the sale of the European telecommunications business of Shelly Group AD.

The above reversed and written-off impairment for 2022 is related to this agreement.

3.12. Other receivables

	December 31, 2023	December 31, 2022
TAX RECEIVABLES, including:	**6 124**	**3 515**
VAT recoverable	*6 118*	*3 447*
Corporate tax advance payments	*6*	*68*
OTHER RECEIVABLES, including:	**466**	**794**
Deposits in commercial entities and guarantees	*106*	*104*
Petty cash	-	*3*
Prepaid expenses	*338*	*512*
Short-term financial assets	-	*175*
Other receivables	*22*	-
Total:	**6 590**	**4 309**

At the end of 2022, the Group reports short-term financial assets in the amount of BGN 175 thousand, which include expenses for legal and consultancy services related to the acquisition of the Slovenian company Shelly Tech d.o.o. After the successful completion of the transaction in the beginning of 2023 the costs are added to the value of the investment (see note 3.04).

The prepaid expenses include:

	December 31, 2023	December 31, 2022
Information services	5	26
Insurance	77	68
Licenses/certificates	161	260
Membership fees	10	52
Subscriptions	55	49
Exhibitions	4	48
Analysis and publications	13	-
Other	13	9
Total	**338**	**512**

3.13. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	49	24
Cash in current bank accounts	30 693	24 114
Debit cards	26	12
Other cash	-	3 988
Cash equivalents	10	10
Total:	**30 778**	**28 148**

Other cash at the end of 2022 are funds intended for the acquisition of the Slovenian company GOAP, which are transferred to a notary's account in Slovenia (escrow account).

By currency	December 31, 2023	December 31, 2022
EUR	23 402	13 160
BGN	4 915	5 744
USD	1 243	8 640
Other	1 218	604
Total:	**30 778**	**28 148**

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, 2023.

3.14. Bank loans

Bank loans are as follows:

	December 31, 2023	December 31, 2022
UBB, incl.:	1 321	1 615
– *up to one year*	*302*	*293*
– *over one year*	*1 019*	*1 322*
DSK Bank AD, incl.:	167	392
– *up to one year*	*167*	*225*
– *over one year*	-	*167*
Other short-term financing in Shelly USA	*188*	-
Other short-term financing Shelly DACH	*13*	*149*
Total bank loans – non-current portion:	**1 019**	**1 488**
Total bank loans – current portion:	**670**	**668**

Bank	**UBB AD**
Date of the contract:	August 25, 2017
Contracted credit amount:	BGN 3 168 thousand (EUR 1 620 000)
Original currency	EUR
Purpose	Financing of up to 90% (VAT exclusive) of the final price of all company shares, representing 100% of the capital of the Joint Debtor Shelly Properties EOOD, defined in an Agreement concluded between the Borrower and JFC Developments OOD for transfer of the company shares in the Final Agreement.
Repayment deadline	February 10, 2028
Collateral:	Mortgage on real estate, owned by Shelly Properties EOOD, joint debtor - Shelly Properties EOOD, pledge on all bank accounts of Shelly Group AD at the bank.

Lender	**DSK Bank AD**
Date of the contract:	September 28, 2020
Total amount	BGN 880 thousand (EUR 450 000)
Purpose	90% funding of expenses for real estate purchase
Original currency	EUR
Fixed maturity	September 28, 2024
Collateral	Mortgage on real property of Shelly Properties EOOD

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, which was not utilized during the reporting period. Details of the parameters of the provided financing are presented in note 5.

3.15. Lease liabilities

	December 31, 2023	December 31, 2022
Lease liabilities		
- up to 1 year	216	161
- more than 1 year	369	157
Total	**585**	**318**

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.

3.16. Retirement benefits obligation

As of December 31, 2023, the Group has obligations for a defined benefit plan upon retirement of BGN 271 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, 2023	**December 31, 2022**
Liabilities at the beginning of the year	112	-
Liabilities paid during the year	(30)	-
Expenses recognized in profit or loss	-	-
Current service expense	192	111
Finance costs on future liabilities	-	1
Actuarial gain, recognized in other comprehensive income	(3)	-
Liabilities at the end of the year	**271**	**112**

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 2020 – 2022 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.

3.17. Trade payables

	December 31, 2023	**December 31, 2022**
Suppliers	3 782	1 797
Advances on customers	322	94
Total:	**4 104**	**1 891**

3.18. Payables to employees and social security obligations

	December 31, 2023	December 31, 2022
Payables to employees	1 260	1 213
Liabilities for unused paid leave	695	624
Liabilities to insurance companies	498	204
Total:	**2 453**	**2 041**

3.19. Other liabilities

	December 31, 2023	December 31, 2022
Tax payables, including	**4 543**	**2 074**
Corporate tax	536	479
Value Added Tax	1 262	797
Income tax	113	51
Payables to customs	2 555	710
Other taxes	77	37
Other liabilities, including	**4 434**	**1 134**
Liabilities for participations	415	535
Warranty service provisions	650	502
Liability provisions	2 976	-
Guarantees/Rental deposits	15	61
Deferred income	7	36
Other	371	-
Total other liabilities	**8 977**	**3 208**

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. As a result of the order a provision was accrued for liability amounting to BGN 2 976 thousand.

3.20. Share capital

Shelly Group AD was registered in 2010. The share capital of the Parent Company as of December 31, 2023 amounts to BGN 18,050,945 and is distributed in 18 050 945 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 AD 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 AD 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 AD 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.

The shareholders of the Parent Company are disclosed in note 1.2. The consideration paid or received in connection with acquired and repurchased shares, in accordance with paragraph 33 of IAS 32, is recognized directly in equity, and the net result of this operation in the amount of BGN 280 thousand is reflected in retained earnings.

3.21. Retained earnings

	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance at the beginning of the year	**55 117**	**39 324**
Net profit	33 593	17 433
Effect of sale of repurchased shares	280	-
Profit distribution for dividends	(4 500)	(1 800)
Effect of business combination	(1 202)	-
Effect of exchange rate differences	-	160
Other changes	(123)	-
Balance at the year end	**83 165**	**55 117**

3.22. Legal reserves

	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance at the beginning of the year	**1 800**	**1 800**
Effect of business combination	1 004	-
Balance at the year end	**2 804**	**1 800**

3.23. Share premium reserve

As of December 31, 2023 and 2022 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.

3.24. Revaluation reserve

	Year ended December 31, 2023	**Year ended December 31, 2022**
Balance at the beginning of the year	**(507)**	**1 036**
Reserve transferred from/(to) retained earnings	120	(160)
Reserve related to long-term equity instruments at fair value through other comprehensive income, gross	-	(1 439)
Other comprehensive income	443	-
Deferred tax	(56)	56
Balance at the year end	**-**	**(507)**

4. Notes to the consolidated statement of comprehensive income

4.01. Sales revenue and cost of sales

	Year ended December 31, 2023			**Year ended December 31, 2022**		
	Devices	Services and rent	**Total**	Devices	Services and rent	**Total**
REVENUE	**146 301**	**241**	**146 542**	**93 007**	**171**	**93 178**
Book value of goods sold	*(61 708)*	-	*(61 708)*	(44 719)	-	(44 719)
Cost	*(1 144)*	-	*(1 144)*	(1 608)	-	(1 608)
COST OF SALES	**(62 852)**	**-**	**(62 852)**	**(46 327)**	**-**	**(46 327)**
GROSS PROFIT	**83 449**	**241**	**83 690**	**46 680**	**171**	**46 851**

	Year ended December 31, 2023	**Year ended December 31, 2022**
Revenue from sales of Shelly devices to B2B clients	125 386	72 309
Revenue from sales of Shelly devices to retail clients – through Internet	17 843	16 135
Revenue from sales of Myki devices to B2B clients	2 845	4 157
Revenue from sales of Myki devices to retail clients – through Internet	127	267
Revenue from sales of Shelly devices to retail clients – direct sales	38	91
Revenue from sales of Myki devices to retail clients – direct sales	62	48
Revenue from services and rent	241	171
Total:	**146 542**	**93 178**

The Group manages the business with electronic devices as one operating segment. The only revenue not pertaining to that segment is revenue from services and rent.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Year ended December 31, 2023	**Year ended December 31, 2022**
Revenue from sales in European Union	127 724	71 800
Revenue from sales in third countries	15 373	15 876
Revenue from sales in Bulgaria	3 445	5 502
Total:	**146 542**	**93 178**

	Year ended December 31, 2023	**Year ended December 31, 2022**
Non-current assets in Bulgaria	18 912	11 642
Non-current assets in European Union	274	18
Non-current assets in third countries	26	32
Total	**19 212**	**11 692**

Included in revenues arising from European Union are revenues from two customers, who contributed by10% or more to the Group's revenue in 2023. In 2022 there is a single customer who contributed by over 10% to the Group's revenue.

	Year ended December 31, 2023		**Year ended December 31, 2022**	
	Revenue	**Share**	**Revenue**	**Share**
Allnet GMBH, Germany	46 355	31.63%	18 036	19.36%
Amazon	32 388	22.10%	4 295	4.60%

4.02. Other operating revenue

	Year ended December 31, 2023	**Year ended December 31, 2022**
Profit on sale of assets	83	-
Sale of product development	244	-
Liabilities written-off	73	39
Financing/ electricity price compensations	6	26
Gains on currency transactions and exchange rate gains, net	-	734
Provision written-off	294	-
Other operating income	236	213
Total:	**936**	**1 012**

4.03. Sales expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Transport of goods to customers	(2 287)	(1 990)
Certification of products	(339)	(169)
Exhibitions	(633)	-
Advertising	(6 041)	(770)
Fees and commissions	(390)	(556)
Representative costs	(318)	(276)
Other	(164)	(220)
Total	**(10 172)**	**(3 981)**

4.04. Administrative expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Materials	(461)	(509)
Hired services	(6 789)	(3 521)
Depreciation/amortization expenses	(689)	(506)
Employees expenses	(18 820)	(14 644)
Other administrative expenses	(572)	(1 255)
Total:	**(27 331)**	**(20 435)**

4.05. Impairment expenses

	Year ended December 31, 2023	Year ended December 31, 2022
Write-off of receivables	-	(1 444)
Write-off of advances	(1 054)	-
Impairment of goodwill	(34)	-
Write-off of investments	(18)	-
Impairment of inventory	(645)	-
Impairment of receivables	(1 516)	(441)
Total	**(3 267)**	**(1 885)**

During the reporting period the Group has charged impairment on goods amounting to BGN 645 thousand. The impairment is related to imposed restriction on the sale of one product in the EU.

At the end of 2023 the Group has recognized impairment of goodwill related to its subsidiary Shelly USA Inc. amounting to BGN 34 thousand.

4.06. Other operating expenses

	Year ended December 31, 2023	**Year ended December 31, 2022**
Bank fees and charges	(613)	(367)
Foreign exchange costs	(622)	-
Prototypes written-off	(683)	(263)
Interest, fines and penalties	(10)	(53)
Warranty service provision	(650)	(502)
Provision for liability (note 3.19)	(2 976)	-
Donations	(142)	-
Other	(760)	-
Total:	**(6 456)**	**(1 185)**

The movement of provisions is as follows:

	Year ended December 31, 2023	**Year ended December 31, 2022**
Liabilities for provisions at the beginning of the year	502	300
Provision charged for warranty service	650	502
Provision for liabilities	2 975	-
Provisions used during the period	(502)	(300)
Liabilities for provisions at the year end	**3 625**	**502**

4.07. Financial income

	Year ended December 31, 2023	**Year ended December 31, 2022**
Income from sale of investments	1 455	-
Carrying amount of the investment sold	(1 274)	-
Interest income	18	
Total	**199**	**-**

4.08. Financial expenses

	Year ended December 31, 2023	**Year ended December 31, 2022**
Losses on the operations with financial assets, incl.:	**-**	**(119)**
Income from sale of financial assets	-	*236*
Carrying amount of assets sold	-	*(355)*
Lease interest	(4)	(4)
Loans interest	(82)	(65)
Banking financial services	(28)	(77)
Total:	**(114)**	**(265)**

4.09. Income tax expense

	Year ended December 31, 2023	Year ended December 31, 2022
Current tax expense	(5 209)	(3 017)
Tax effect from temporary differences	624	220
Tax expense	**(4 585)**	**(2 797)**

	Year ended December 31, 2023	Year ended December 31, 2022
Accounting profit before tax	**37 534**	**20 230**
Tax rate	10%	10%
Expected income tax expense	*(3 753)*	*(2 023)*
Non-taxable income and unrecognized expenses for tax purposes and effect of differences in applied tax rates	*(832)*	*(774)*
Income tax expense	(4 585)	(2 797)
Income tax expense includes:		
Current income tax	(5 209)	(3 017)
Deferred taxes:		
Origination and reversal of temporary differences	624	220
Income tax expense	**(4 585)**	**(2 797)**
Effective tax rate	12.22%	13.83%
Income tax expense, recognized in the consolidated statement of comprehensive income	**(4 585)**	**(2 797)**

	Year ended December 31, 2023	Year ended December 31, 2022
Deferred tax assets		
Compensated leave	59	20
Impairment of receivables	151	44
Write-off of receivables	94	-
Pension expenses	3	12
Impairment of stocks	64	-
Audit expenses	123	11
Income of individuals	78	120
Provisions	274	51
Other	1	9
Deferred tax liabilities		
Impairment of receivables	(56)	(15)
Provisions	(162)	(30)
Other	(5)	(2)
Deferred tax income	**624**	**220**

4.10. Earnings per share, net

	Year ended December 31, 2023	Year ended December 31, 2022
Net profit for the reporting period in thousand BGN	**32 949**	**17 433**
Weighted-average number of shares	18 004 306	17 979 835
Basic earnings per share in BGN:	**1.83**	**0.97**

As of December 31, 2022, the Parent Company holds 40 000 own shares, which are taken into account in determining the weighted-average earnings per share for 2022. The basic earnings per share in 2022 without taking into account the repurchased shares, is BGN 0.97.

As of the end of 2023 the repurchased shares are sold and the Parent Company's share capital is increased by 50 946 shares up to 18 050 945 shares.

5. Contingent liabilities and commitments

Contract	Annex	Creditor	Debtor	Joint debtor / Guarantor	Amount / Limit	Financial conditions	Maturity	Collateral provided by the borrower
Investment loan August 25, 2017 Agreement pursuant to Art. 114, para. 10 of POSA	Annexes No. 1/ October 31, 2018	UBB AD	Shelly Group AD	Shelly Properties EOOD – joint debtor	BGN 3 168 thousand. (EUR 1 620 thousand)	Fixed interest rate for the whole period 3% per year; Management fee	February 10, 2028	Mortgage on real estate owned by Shelly Properties EOOD; Pledge of receivables on bank accounts of Shelly Group AD in the bank. Pledge under the Financial Collateral Contracts Act
Overdraft September 30, 2019 – Agreement pursuant to Art. 114, para. 10 of POSA	Annexes No 1/ September 30, 2022	UBB AD	Shelly Europe EOOD	Shelly Group AD – guarantor	BGN 1 956 thousand (EUR 1 000 thousand)	One-month EURIBOR, increased by 2.5 percentage points, but not less than 2.5%; management fee; commitment fee; commission for issuing guarantees	September 30,.2025	Pledge of receivables on accounts of Shelly Europe EOOD in bank;
Contract for a standard investment loan № 2757 of 28.09.2020	-	DSK Bank AD	Shelly Properties EOOD	Shelly Trading EOOD – joint debtor	BGN 880 thousand (EUR 450 thousand)	Annual interest formed by a variable interest rate of 1m EURIBOR+2.1% premium, but not less than 2.1%; annual management fee;	September 28,.2024	Mortgage on real estate owned by Shelly Properties EOOD; Pledge of receivables on bank accounts of the company and Shelly Trading EOOD in DSK Bank. .

On July 29, 2022, Shelly Group AD concluded with the four owners of the capital of GOAP d.o.o. ("GOAP") (one legal entity and three individuals) a binding preliminary agreement (Term Sheet) regarding the main conditions and terms for the acquisition of the Slovenian IoT provider. The transaction was finalized on January 4, 2023.

As of December 31, 2022 contingent liabilities include:

Contract	Annex	Creditor	Debtor	Joint debtor / Guarantor	Amount / Limit	Financial conditions	Maturity	Collateral provided by the borrower
Investment loan August 25, 2017 Agreement pursuant to Art. 114, para. 10 of POSA	Annexes No. 1/ October 31, 2018	UBB EAD	Shelly Group AD	Shelly Properties EOOD – joint debtor	BGN 3 168 thousand (EUR 1 620 thousand)	Fixed interest rate for the whole period 3% per year; Management fee	February 10, 2028	Mortgage on real estate owned by Shelly Properties EOOD; Pledge of receivables on bank accounts of Shelly Group AD in the bank. Pledge under the Financial Collateral Contracts Act;
Overdraft September 30, 2019 – Agreement pursuant to Art. 114, para. 10 of POSA	Annexes No 1/ August 28, 2020	UBB EAD	Shelly Europe EOOD	Shelly Group AD – guarantor	BGN 1 955 thousand (EUR 1 000 thousand)	One-month EURIBOR, increased by 2.5 percentage points, but not less than 2.5%; management fee; commitment fee; commission for issuing guarantees	September 29, 2023	Pledge of receivables on accounts of Shelly Europe EOOD
Contract for a standard investment loan № 2757 of 28.09.2020		DSK Bank AD	Shelly Properties EOOD	Shelly Trading EOOD – joint debtor	BGN 880 thousand (EUR 450 thousand)	Annual interest formed by a variable interest rate of 1m EURIBOR+2.1% premium, but not less than 2.1%; annual management fee;	September 28, 2024	Mortgage on real estate owned by Shelly Properties EOOD; Pledge of receivables on bank accounts of the company and Shelly Trading EOOD in DSK Bank.

6. Related party transactions

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

Shelly Group AD 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 staff

During the reporting period the members of the Board of Directors of the Parent Company received gross renumeration totalling BGN 1,039 thousand (2022: BGN 750 thousand.) from Shelly Group AD.

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 AD 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, 2023		
Financial assets according to the Statement of financial position	**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	
Financial liabilities according to the Statement of financial position	**Financial liabilities at amortized cost**	**Total**
Lease liabilities	585	585
Bank loans	1 689	1 689
Trade liabilities	3 782	3 782
Contributory obligations	415	415
Guarantees	15	15
TOTAL FINANCIAL LIABILITIES	**6 486**	**6 486**

	December 31,2022			
Financial assets according to the Statement of financial position	**Financial assets at amortized cost - Cash**	**Financial assets at amortized cost**	**Financial assets at fair value through other comprehensive income**	**Total**
Cash and cash equivalents	28 148	-	-	**28 148**
Other long-term capital investments	-	-	830	**830**
Long-term trade receivables	-	1 027	-	**1 027**
Short-term financial assets		175		**175**
Trade receivables	-	19 776	-	**19 776**
Deposits in commercial companies and guarantees	-	104	-	**104**
TOTAL FINANCIAL ASSETS	**28 148**	**21 082**	**830**	**50 060**

	December 31,2022	
Financial liabilities according to the Statement of financial position	Financial liabilities at amortized cost	Total
Lease liabilities	318	**318**
Bank loans	2 156	**2 156**
Trade liabilities	1 797	**1 797**
Contributory obligations	535	**535**
Guarantees	61	**61**
TOTAL FINANCIAL LIABILITIES	**4 867**	**4 867**

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.

The Group does not work with derivative instruments.

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, 2023	**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	419	-	-	166	**585**
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	**3 842**	**446**	**-**	**2 198**	**6 486**

December 31, 2022	**In EUR**	**In USD**	**In other foreign currency**	**In BGN**	**Total**
Cash and cash equivalents	13 160	8 640	604	5 744	**28 148**
Long-term trade receivables	1 027	-	-	-	**1 027**
Other long-term equity instruments	-	-	830	-	**830**
Short-term financial assets	175	-	-	-	**175**
Trade receivables	16 797	1 595	9	1 375	**19 776**
Deposits in commercial companies	-	-	-	104	**104**
TOTAL ASSETS	**31 159**	**10 235**	**1 443**	**7 223**	**50 060**
Lease liabilities	128	-	-	190	**318**
Bank loans	2 007	149	-	-	**2 156**
Trade payables	448	355	-	994	**1 797**
Contributory obligations	-	-	-	535	**535**
Guarantees	-	-	-	61	**61**
TOTAL LIABILITIES	**2 583**	**504**	**-**	**1 780**	**4 867**

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 and Norway kroner (NOK). As of 31.12.2023 87.9% of the Group's assets are in EUR, 1.9% in USD and 1.6% in Norwegian krone.

In the table below, a sensitivity analysis is presented to the possible changes in the exchange rate BGN/USD and BGN/NOK 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/ USD	Effect on the profit before tax	Increase/ Decrease in exchange rate BGN/ NOK	Effect on profit before tax
	%		%	
2022	+/-1.00%	102	+/-1.00%	14
2023	+/-1.00%	14	+/-1.00%	12

The change in the exchange rate of the Norwegian krone also has an effect on other components of equity for 2022. With a 1% change in the exchange rate, the effect on other capital components, provided that all other variables are assumed to be constant, would be BGN 8 thousand.

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.

As at the end of 2022, the Group owns shares in a company outside the Group that are subject to trading on a regulated market. By the end of 2023, the Group has sold these shares.

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 analyzed to changes in market interest rates. Different refinancing scenarios, renewal of existing interest-bearing positions and alternative financing are considered.

December 31, 2023	**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	-	-	585	585
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**	**1 906**	**6 486**

December 31, 2022	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
Cash and cash equivalents	-	-	28 148	28 148
Short-term financial assets	175	-	-	175
Trade receivables	19 776	-	-	19 776
Long term trade receivables	1 027	-	-	1 027
Deposits in commercial companies and guarantees	104	-	-	104
TOTAL ASSETS	**21 082**	**-**	**28 148**	**49 230**
Lease liabilities	-	-	318	318
Bank loans	-	541	1 615	2 156
Trade payables	1 797	-	-	1 797
Contributory obligations	535	-	-	535
Guarantees	61	-	-	61
TOTAL LIABILITIES	**2 393**	**541**	**1 933**	**4 867**

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 from 12 of its largest customers.

As of December 31, 2023 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, 2022, receivables amounting to BGN 1 444 thousand are reported as written-off by the Group, impairment of receivables at the amount of BGN 441 thousand was recognised and BGN 152 thousand are recognised as reversal of impairment of receivables. (Note 3.11 and 4.05).

Group's credit risk exposure arising from its financial assets as of December 31, 2023 and December 31, 2022 is presented below:

	December 31, 2023	**December 31, 2022**
Cash and cash equivalents	30 778	28 148
Long-term trade receivables	1 027	1 027
Receivables on granted loans	550	-
Short-term financial assets	-	175
Trade receivables	43 084	19 776
Total	**75 439**	**49 126**

The impairment staging of the financial assets of the Parent Company as of December 31, 2023 and December 31, 2022:

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
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**

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Cash and cash equivalents	28 148	-	-	28 148
Long-term trade receivables	1 027	-	-	1 027
Short-term financial assets	175	-	-	175
Trade receivables	19 452	-	850	20 302
Total	**48 802**	**-**	**850**	**49 652**
Booked provisions (ECL) for financial assets	**(50)**	**-**	**(476)**	**(526)**
Financial assets, net of booked provisions	**48 752**	**-**	**374**	**49 126**

The changes in the gross carrying amount of the financial assets are presented below:

Gross carrying amount of the financial instruments	***Stage 1 - expected credit loss for 12 months period***	***Stage 2 - expected credit loss for the period of the financial asset life***	***Stage 3 - expected credit loss for the period of the financial asset life***	***TOTAL***
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**

Gross carrying amount of the financial instruments	***Stage 1 - expected credit loss for 12 months period***	***Stage 2 - expected credit loss for the period of the financial asset life***	***Stage 3 - expected credit loss for the period of the financial asset life***	***TOTAL***
Gross carrying amount as of December 31, 2021	**40 758**	**-**	**4 327**	**45 085**
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	363 872	-	-	363 872
Maturity of financial assets	(355 828)	-	(3 477)	(359 305)
Gross carrying amount as of December 31, 2022	**48 802**	**-**	**850**	**49 652**

The changes in booked ECL provision for financial assets in 2023 and 2022 are presented below:

	Stage 1 – 12 months ECL	*Stage 2 – Lifetime ECL*	*Stage 3 – Lifetime ECL*	*TOTAL*
ECL provision as of December 31, 2022	**(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	-	-	-	-
ECL provision as of December 31, 2023	**(50)**	**-**	**(1 992)**	**(2 042)**

	Stage 1 – 12 months ECL	*Stage 2 – Lifetime ECL*	*Stage 3 – Lifetime ECL*	*TOTAL*
ECL provision as of December 31, 2021	**-**	**-**	**(237)**	**(237)**
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(50)	-	(391)	(441)
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-
Maturity of financial assets	-	-	152	152
ECL provision as of December 31, 2022	**(50)**	**-**	**(476)**	**(526)**

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, 2023	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	18	36	54	108	369	-	-	-	585
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	**2 885**	**993**	**525**	**833**	**689**	**546**	**-**	**15**	**6 486**

December 31, 2022	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	-	-	-	-	-	-	-	28 148	28 148
Short-term financial assets	175	-	-	-	-	-	-	-	175
Trade receivables	14 383	2 628	739	2 026	-	-	-	-	19 776
Long-term trade receivables	-	-	-	-	1 027	-	-	-	1 027
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	104	104
TOTAL ASSETS	**14 558**	**2 628**	**739**	**2 026**	**1 027**	**-**	**-**	**28 252**	**49 230**
Lease liabilities	14	27	40	80	157	-	-	-	318
Bank loans	118	160	129	261	469	961	58	-	2 156
Trade payables	822	35	64	876	-	-	-	-	1 797
Contributory obligations	10	20	30	475	-	-	-	-	535
Guarantees	-	-	-	-	-	-	-	61	61
TOTAL LIABILITIES	**964**	**242**	**263**	**1 692**	**626**	**961**	**58**	**61**	**4 867**

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 AD 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, 2023	December 31, 2022
Total debt capital, incl.	18 079	9 726
-Bank loans	1 689	2 156
-Lease liabilities	585	318
Less: cash and cash equivalents	30 778	28 148
Net debt capital	**(12 699)**	**(18 422)**
Total equity	109 603	79 072
Total capital	**96 904**	**60 650**
Debt ratio	**0.00%**	**0.00%**

As the cash is larger than the debt capital, the Group has no indebtedness.

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, 2023	**Book value**	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash and cash equivalents	30 778	-	30 778	-
TOTAL ASSETS	**30 778**	**-**	**30 778**	**-**
Financial liabilities				
Lease liabilities	585	-	541	-
Bank loans	1 689	-	1 597	-
TOTAL LIABILITIES	**2 274**	**-**	**2 138**	**-**

December 31, 2022	**Book value**	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Other long - term capital investments	830	830	-	-
Cash and cash equivalents	28 148	-	28 148	-
TOTAL ASSETS	**28 978**	**830**	**28 148**	**-**
Financial liabilities				
Lease liabilities	318	-	275	-
Bank loans	2 156	-	1 866	-
TOTAL LIABILITIES	**2 474**	**-**	**2 141**	**-**

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

The general meeting of shareholders voted a change in the Board of directors' personnel. Effective from 01.01.2024. Mr. Christoph Vilanek replaced Mr. Gregor Bieler, who has left his role as board member due to increase in his professional engagements. The change is reflected in the Commercial Register and Register of Non-Profit Entities with the Register Agency on 08.01.2024.

On February 22, 2024. Shelly Group AD has announced that it is exercising a Call option to acquire an additional 16% stake in its Slovenian IoT subsidiary Shelly Tech (former name GOAP Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica).

The exercise of the Call option is the second stage of the acquisition of the Slovenian company based on Option Agreement between Shelly Group AD and the partners in the Slovenian company, signed and announced in January 2023.

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

On March 5, 2024, the subsidiary Shelly Europe EOOD signed a lease contract of office premises for 10 years term. Subject of the contract are 2,840 sq. m. office space, 60 parking lots and utility, located in office building Office X, Building 3, the use of which is provided for a monthly fee at the total amount of BGN 113,270.72 (EUR 57,914.40), VAT excluded, subject to annual indexation or total BGN 13,592,486.51 (EUR 6,949,728) VAT excluded for the entire term of the contract.

On March 19, 2024, Shelly Group AD, in its capacity as the sole owner of the capital of Shelly USA Inc., a company registered and operating under the laws of the United States, granted an additional cash contribution at the amount of USD 400,000 for a period of 1 year from the date of its provision and 1% annual interest.

In connection with SHELLY EUROPE Ltd.'s obligation to provide a bank guarantee under the Lease Agreement signed on 05.03.2024 with Office X JSCo, and the operational need for available cash for the purposes of the provision of guarantees under other contracts in the subsidiary's ordinary course of business, SHELLY EUROPE Ltd. entered into a Agreement for a credit limit for the issuing of bank guarantees and letters of credit with EUROBANK BULGARIA AD under the following terms and conditions: Credit limit - EUR 500 000 (BGN 977 915), Interest rate: Base - PRIME Euro Business Customers of Eurobank Bulgaria AD (currently 1.95%) and Contractual supplement: 1.50%; Bank Guarantee Issuance Fee - 0.25% per quarter; Management and processing (service) fee: 0.10% per annum, calculated on the used amount of the credit, payable at the beginning of each year from the date of signature of this Agreement; Term - 36 months; The financing is secured by a pledge of receivables from a bank account in the amount of 100% of the amount of each issued bank guarantee, in accordance with the Law on Financial Collateral Agreements

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of SHELLY GROUP AD

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of SHELLY GROUP AD (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue from contracts with customers The Group's disclosures about revenue from contracts with customers are included in Notes 2.11.1 and 4.01 to the consolidated financial statements.	
In the consolidated financial statements for the year ended December 31, 2023, the Group has recognized revenue from contracts with customers amounting to BGN 146,542 thousand. This revenue is recorded predominantly as a result of sales of electronic devices to business clients and to direct end-customers. In developing a policy for revenue recognition in accordance with IFRS 15 the Management of the Group has applied various judgments, related to determining the nature of the separate performance obligations within the contracts with customers and the manner of satisfaction of the identified performance obligations. The Management of the Group analyses every year the necessity for review of the previously applied judgments. During 2023 the assessment of the Group is that no changes to judgments are necessary. Because of the significance of revenue from contracts with customers, we have identified this area as a key audit matter.	In this area our audit procedures, among others, included: • Understanding and performing walkthrough of the process for revenue recognition; •Testing of the design, implementation and operating effectiveness of selected key controls related to the processes for recognizing revenue; • We have reviewed the significant accounting judgements and determined their reasonableness based on the IFRS requirements for recognition and measurement of revenue from contracts with customers. • We assessed the conclusions of the significant accounting judgements made by the Group by assessing the audit evidence received in the course of understanding and testing the design, implementation and operating effectiveness of key controls over the revenue process and through performing substantive procedures. • We have performed analytical procedures and tests of details as appropriate in order to gain sufficient and appropriate audit evidence that revenue from contracts with customers is presented fairly, in all material respects. • We have assessed the appropriateness of the disclosures regarding revenue presented in the consolidated financial statement for 2023 to determine whether these are in accordance with IFRS 15 Revenue from contacts with customers.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Board of Directors of the Parent Company (the Management) is responsible for the other information. The other information comprises the annual consolidated report on the activity and the corporate governance declaration, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditor's report and to the extent it is specifically stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Parent Company (Those charged with governance) is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting in relation to the compliance with the electronic format of the consolidated financial statements, included in the annual consolidated financial report on activities under Art. 100m, para 5 of the Public Offering of Securities Act (POSA) with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement regarding the compliance of the electronic format of the Group's consolidated financial statements for the year ended December 31, 2023 attached in the electronic file "8945007IDGKD0KZ4HD95-20231231-EN-CON.zip", with the requirements of Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council by means of regulatory technical standards to define the European Single Electronic Format for reporting ("ESEF Regulation").

Our opinion is only with respect to the electronic format of the consolidated financial statements and does not cover the other information included in the annual consolidated financial report on activities under Art.100m, para 4 of the POSA.

Description of the subject and applicable criteria

The Management has prepared electronic format of the consolidated financial statements of the Group for the year ended December 31, 2023, in accordance with the ESEF Regulation to comply with the requirements of the POSA. The rules for preparing consolidated financial statements in this electronic format are set out in the ESEF Regulation and, in our opinion, have the characteristics of appropriate criteria for forming a reasonable assurance opinion.

Responsibilities of Management and Those Charged with Governance

The Group's Management is responsible for the application of the requirements of the ESEF Regulation in preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and implementation of appropriate iXBRL tags using the taxonomy of the ESEF Regulation, and the introduction and implementation of such internal control system as Management determines is necessary to prepare the electronic format of the Group's annual consolidated financial statements, so that it does not contain significant inconsistencies with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the process of preparation of the annual consolidated financial statements of the Group, including the application of the ESEF Regulation.

Auditor's responsibility

Our responsibility is to express a reasonable assurance opinion as to whether the electronic format of the consolidated financial statements complies with the requirements of the ESEF Regulation. For this objective we performed "Guidelines on the issuing of audit opinion with respect to the application of the European Single Electronic Format (ESEF) to the financial statements of companies which securities are admitted to trading on a regulated market in the European Union (EU)" by the Professional Organization of the Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA) and we have performed and a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (revised)). This standard requires us to comply with ethical requirements, plan and perform appropriate procedures to obtain reasonable assurance whether the electronic format of the Group's consolidated financial statements has been prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and scope of the procedures chosen depend on our professional judgement, including the assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect non-compliance with requirements, when it exists.

Requirements on quality control

We apply the requirements of International Standard on Quality Management (ISQM) 1, and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements applicable to registered auditors in Bulgaria.

We are independent in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) adopted by ICPA by IFAA.

Summary of work performed

The objective of the procedures planned and performed by us was to obtain reasonable assurance that the electronic format of the consolidated financial statements has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation. As part of assessing the compliance with the requirements of the ESEF Regulation regarding the electronic (XHTML) reporting format of the Group's consolidated statements, we maintained professional skepticism and used professional judgement. We also:

- obtained an understanding of the internal control and processes related to the application of the ESEF Regulation in relation to the Group's consolidated financial statements and including the preparation of the Group's consolidated financial statements in XHTML format and its tagging in machine-readable language (iXBRL);
- checked whether the applied XHTML format is valid;
- checked whether the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;
- assessed the completeness of the tags in the Group's consolidated financial statements when using machine-readable language (iXBRL) in accordance with the requirements of the ESEF Regulation;
- assessed the appropriateness of the used iXBRL tags selected from the basic taxonomy, as well as the creation of an element of the extended taxonomy in accordance with the ESEF Regulation, when a suitable element in the basic taxonomy is missing;
- assessed the appropriateness of the correlation (fixation) of the elements of the extended taxonomy in accordance with the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, based on the procedures performed, the electronic format of the consolidated financial statements of the Group for the year ended December 31, 2023, contained in the attached electronic file "8945007IDGKD0KZ4HD95-20231231-EN-CON.zip", is prepared in all material respects in compliance with the requirements of the ESEF Regulation.

Additional Matters Required to be Reported by the Accountancy Act and Public Offering of Securities Act (POSA)

In addition to our reporting responsibilities according to ISAs described in section *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon*, with respect to the annual consolidated report on the activity and the corporate governance declaration, we have also performed the procedures, together with the required under ISAs, in accordance with the Guidelines regarding new extended reports and communication by the auditor of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100m, paragraph 10 of POSA in relation to Art. 100m, paragraph 8, p. 3 and 4 of POSA, as well as Art. 100m, paragraph 13 of POSA in relation to Art. 116c, paragraph 1 of POSA), applicable in Bulgaria.

Opinion under Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual consolidated report on the activity for the financial year for which the consolidated financial statements have been prepared, is consistent with the consolidated financial statements.
- The annual consolidated report on the activity has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, paragraph 8 of the Public Offering of Securities Act is presented in the corporate governance declaration covering the financial year for which the consolidated financial statements have been prepared.

Opinion under Art. 100m, paragraph 10 in relation to Art. 100m, paragraph 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Group and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process as part of the annual consolidated report on the activity (as element of the content of the corporate governance declaration) and the information under Art. 10, paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids do not contain cases of material misrepresentations.

Reporting in Accordance with Art. 10 of Regulation (EU) No 537/2014 in Connection with the Requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Deloitte Audit OOD was appointed as a statutory auditor of the consolidated financial statements of the Group for the year ended December 31, 2023 by the General Meeting of Shareholders held on June 19, 2023 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended December 31, 2023 represents second total consecutive statutory audit engagement for that group carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Parent Company's Audit Committee on April 10, 2024, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.
- For the period to which our statutory audit refers, we have not provided other services to the Group in addition to the statutory audit.

Deloitte Audit OOD
Reg. No 033 in the Register of the registered auditors
under Art. 20 Independent Financial Audit Act

Desislava Dinkova Peneva

Digitally signed by Desislava Dinkova Peneva
Date: 2024.04.15 19:29:37 +03'00'

Desislava Dinkova
Registered Auditor, in charge of the audit
Statutory Manager
Deloitte Audit OOD

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