REPORT ON BUSINESS ACTIVITIES

first quarter of 2026

individual basis

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

These Notes to the Interim Report on the Business Activities of SHELLY GROUP on individual basis present information about the company, relevant to the end of first quarter of 2026 for the period 01.01.2026 – 31.03.2026 (the "reporting period').

1. INFORMATION ABOUT THE GROUP

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

By resolution of the General Meeting of Shareholders held on 14.10.2024, Shelly Group PLC was converted into a European Company (SE) pursuant to Chapter Nineteen of the Bulgarian Commercial Act and Article 37 of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE).

The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 51 Cherni Vrah Blvd, office building 3, floor 2 and 3. The address for correspondence is the same; Tel: +359 2 957 12 47. The website of the Company is http://www.corporate.shelly.com/.

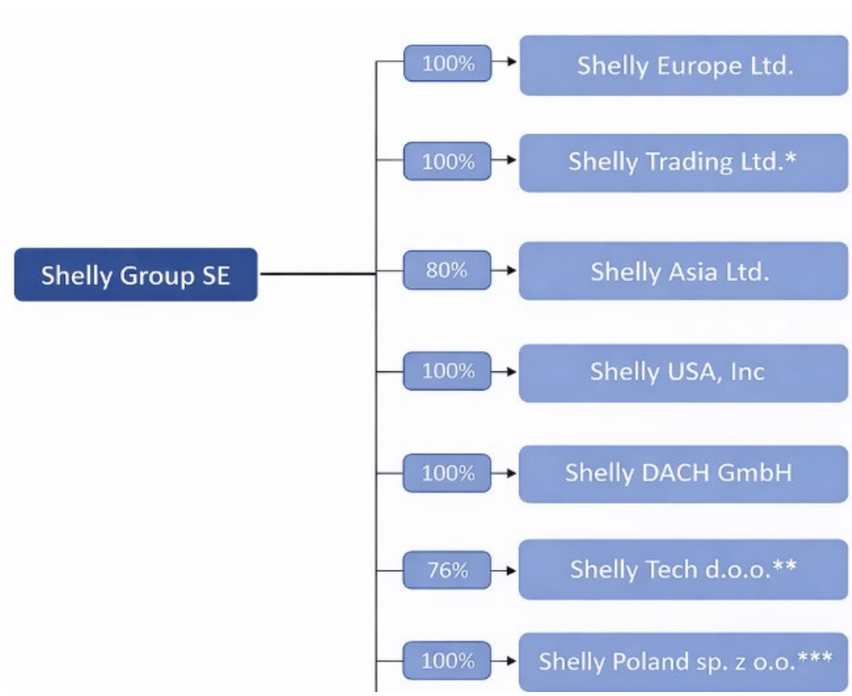
The Company is publicly listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company's capital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

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

The company operates according to Bulgarian legislation.

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

1.1. Structure of the economic group at the end of the first quarter for 2026



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

** The remaining 24% of the shares of the Slovenian company held by three individual partners are subject to a Call/Put option exercisable in 2026 in accordance with the terms of the Option Agreement signed and disclosed in January 2023.

***On April 24, 2025, following a decision of the Board of Directors of Shelly Group ED, a subsidiary company, Shelly Poland SP. Z O O, was established in Poland with a capital of 374 thousand euro (PLN 1,600,000).

During the second quarter of 2024 the Group exercised its Call option to acquire 50% in the associate company Shelly Asia ltd., (formerly known as Allterco Asia ltd.), and thus the ownership share reached 80%.

SHELLY GROUP SE has participation of 8 010 preference shares representing 8.495% of the capital of Ground Solutions Group AD, UIC: 206606897, acquired as a result of merger of Corner Solutions Ltd. into Ground Solutions Group AD.

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

The core business of the company and its group during the reporting period of 2026 remains the development, production and sales of IoT devices. As of today, majority of the income for the Group comes from sales of products under the brand of „Shelly“.

1.2. Management

By decision on 02.06.2025, the General Meeting of Shareholders extended the mandate of the members of the Board of Directors, effective from 05.01.2026, and the latter, by its decision of the same date, distributed their functions as follows:

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

The representatives represent the Company together or individually.

1.3. Capital structure

At the end of the reporting period the issued, subscribed, paid-in and registered capital of the Company amounts to 9 261 thousand euro, divided into 18 158 060, dematerialized ordinary registered voting shares, with a par value of 0.51 euro each. The conversion of the share capital into euros was made according to the rules set out in the law on the introduction of the euro in the Republic of Bulgaria for the purposes and presentation in this report. As of the date of preparation of the report, the conversion has not yet been reflected in the Commercial Register, and the deadline for this is until 31.12.2026.The capital is fully paid in a series of contributions:

- Non-monetary contribution representing 100% of the shares of Teravoice EAD, with an appraised monetary value of 25 500 euro;
- Non-monetary contribution representing 69.60% of the shares of Terra Communications JSCo, with an appraised monetary value of 1 533 875 euro;
- A combination of non-monetary and cash contributions amounting to 4 086 120 euro.
- Cash contributions at the amount of 765 000 euro compared to 1 500 000 subscribed and fully paid-in dematerialized ordinary registered voting shares with a par value of 0.51 euro each, as a result of a procedure for Initial Public Offering of a new issue of shares.
- Cash contributions at the amount of 1 529 999.49 euro against 2 999 999 subscribed and paid-in dematerialized ordinary registered voting shares with a nominal value of 0.51 euro each, as a result of a procedure for Public Offering of a new issue of shares. The public offering of shares from the capital increase of Allterco AD (*currently SHELLY GROUP SE*) was carried out in the period 28.09.2020 - 30.10.2020, on the basis of a Prospectus, together with the supplements thereto, confirmed by the Financial Supervision Commission with Decision № 148- F of 18.02.2020, Decision № 405-E of 11.06.2020, Decision № 601-E of 13.08.2020 and Decision № 791-E of 29.10.2020.
- In July 2023 the Company's capital was increased to 9 205 982 euro, divided into 18 050 945 ordinary registered shares with voting rights, with a par value of 0.51 per share. The increase was made by cash contributions in the total amount of 25 982.46 euro in procedure of initial public offering of the issue of shares, held in the period from 28.06.2023 to 29.06.2023, in accordance with the procedure under Art. 112, par. 3 of the Public Offering of Securities Act, without a prospectus and based on Information Document pursuant to Article 1(4)(i) in conjunction with Article 1(5)(h) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market
- In June 2024, the Company's capital was increased to 9 233 835 euro, divided into 18,105,559 dematerialized ordinary registered shares with voting rights, with a nominal value of 0.51 euro each. The increase was made through cash contributions of a total value of 27 853.14 euros in a procedure for an initial public offering of a share issue, held in the period from 12.06.2024 to 21.06.2024 inclusive, pursuant to Art. 112, para. 3 of the Law on Public Offering of Securities, without a prospectus according to an Information Document pursuant to Art. 1, paragraph 4, letter "i" in connection with Art. 1, paragraph 5, letter “h” of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market
- In July 2025, the Company's capital was increased to 9 260 610.60 euro, divided into 18,158,060 dematerialized ordinary registered shares with voting rights, with a nominal value of 0.51euro each. The increase was made through cash contributions of a total value of 26 775.51 euro in a procedure for an initial public offering of a share issue, conducted in the period from 12.06.2025 to 20.06.2025 inclusive, pursuant to Art. 112, para. 3 of the Law on Public Offering of Securities, without a prospectus according to an Information Document pursuant to Art. 1, paragraph 4, letter "i" in connection with Art. 1, paragraph 5, letter “h” of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities

are offered to the public or admitted to trading on a regulated market.

As of 31.03.2026 the capital structure of SHELLY GROUP SE is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
Dimitar Dimitrov	28,84 %
Svetlin Todorov	27,79 %
Other individuals and legal entities	43,37 %

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

1.4. Development and research activities

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

2. IMPORTANT EVENTS FOR SHELLY GROUP SE

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

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

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

3.1. Operating revenue

At the end of the first quarter of 2026 the Company reported other operating revenue in the amount of 150 thousand euro compared to 12 thousand euro for the previous year, which is growth of 1 150%.

For the current period, financial income amounted to 15 thousand euro, compared to 13 thousand euro reported in the same period of the previous year, which is growth of 15.4%.

At the end of the first quarter of 2026 the Company reports net loss in the amount of 379 thousand euro, which is loss decrease of 7.8% compared to the same period of the previous year.

REVENUE	3 months of 2025 **EUR thousand**	y/y change **%**	3 months of 2026 **EUR thousand**
Other operating revenue	12	1 150%	150
Total operating revenue	**12**	**1 150%**	**150**
Financial income	13	15.4%	15
Total financial revenue	**13**	**15.4%**	**15**

3.2. Operating expenses

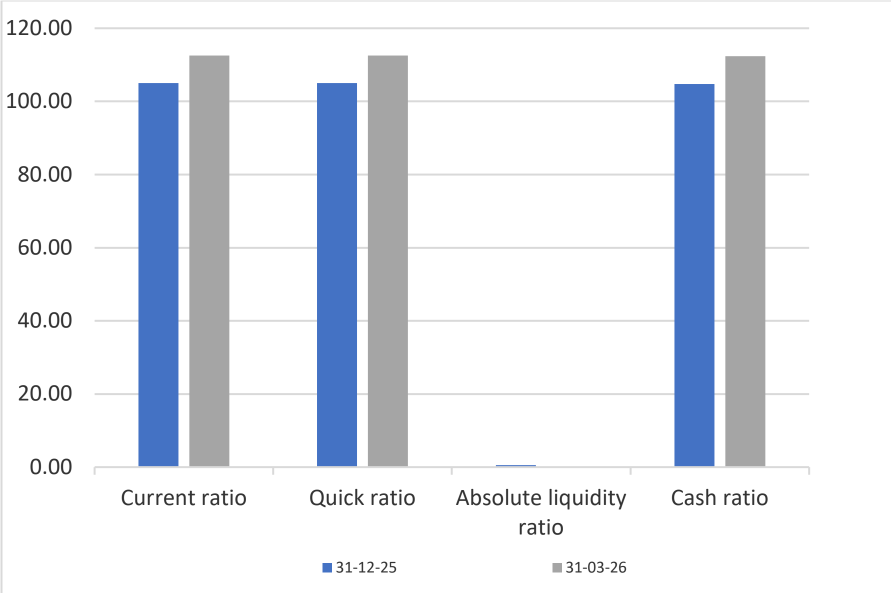
At the end of the reporting period the total operating expenses of the Company increased by 24.9% compared to the same reporting period of the previous year. This is mainly due to the increase in external services of 36.0% and salaries and contributions with growth of 16.0%.

The biggest share of the reported operating expenses for the reporting period belongs to the expenses for salaries and contributions with 55.0% share in total expenses, followed by the external services with 25.1% share in total expenses.

EXPENSES	3 months of 2025 **EUR thousand**	y/y change **%**	3 months of 2026 **EUR thousand**
Materials	(1)	0.0%	(1)
External services	(100)	36.0%	(136)
Depreciation	(9)	55.6%	(14)
Salaries and contributions	(257)	16.0%	(298)
Other administrative expenses	(11)	0.0%	(11)
Total Administrative expenses	**(378)**	**21.7%**	**(460)**
Other operating expenses	(56)	46.4%	(82)
Total Operating Expenses	**(434)**	**24.9%**	**(542)**

3.3. Financial indicators

Liquidity Ratios



LIQUIDITY RATIOS	31-12-25	31-03-26
Current ratio	104.98	112.56
Quick ratio	104.98	112.56
Absolute liquidity ratio	0.59	0.15
Cash ratio	104.74	112.37

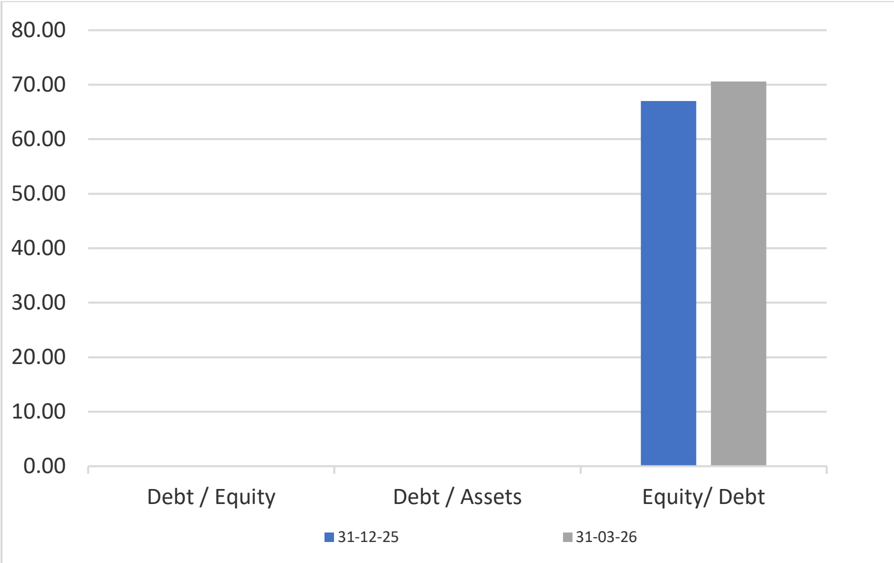
The current liquidity ratio at the end of the reporting period increased due to the following: the current assets decreased by 0.8% compared to the end of 2025, while the current liabilities decreased by 7.5%.

The quick liquidity ratio at the end of the reporting period increased due to the following: the current assets decreased by 0.8% compared to the end of 2025, while the current liabilities decreased by 7.5%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: the current cash decreased by 77.0% compared to the end of 2025, while current liabilities decreased by 7.5%.

The cash ratio at the end of the reporting period increased due to the following: The current liabilities decreased by 7.5% compared to the end of 2025, while cash decreased by 77.0% and the commercial receivables decreased by 100.0%, while receivables from group companies decreased by 0.3%.

Financial autonomy coefficients



DEBT RATIOS	31-12-25	31-03-26
Debt / Equity	0.01	0.01
Debt / Assets	0.01	0.01
Equity/ Debt	67.02	70.58

The debt/equity ratio at the end of the reporting period remains at the same level as at the end of 2025.

The debt/assets ratio at the end of the reporting period remains at the same level as at the end of 2025.

The change in equity/ debt ratio at the end of the reporting period is due to the following: the total liabilities of the Company decreased by 5.7% compared to the end of 2025, and equity decreased by 0.6%

4. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

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

4.1. SYSTEMIC RISKS

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

Type of risk	Description
POLITICAL RISK	Political risk is the likelihood of a change of Government, or of a sudden change in its policy, of occurrence of internal political turmoil and adverse changes in European and/or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors will incur losses. Political risks for Bulgaria internationally are related to the commitments undertaken to implement serious structural reforms in the country in its capacity as an equal member of the EU, increasing social stability, limiting inefficient spending, on the one hand, as well as the strong destabilization of the countries of The Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves generated by these factors, and the potential instability of other key countries in the immediate proximity of the Balkan. Since the beginning of 2025, a significant political factor has been the foreign policy led by the United States towards NATO, the EU, and Europe. Other factors that also affect this risk are the possible legislative changes and in particular those concerning the economic and investment climate in the country.
GENERAL MACROECONOMIC RISK	According to the National Statistical Institute, in March 2026 the overall business climate indicator decreased by 3.8 point compared to February (from 17.4% to 13.6%) as a result of the unfavorable business climate in industry, retail and the services sector.[1] Experts predict economic growth to average 0.9% in 2026, 1.3% in 2027, and 1.4% in 2028. This represents a downward revision, especially for 2026, and reflects the global effects of the war on commodity markets, real incomes, and confidence.[2]
INTEREST RATE RISK	Interest rate risk is related to possible negative changes in interest rates established by the financial institutions of the Republic of Bulgaria. According to the decision of the Governing Council of the Bulgarian National Bank (BNB) announced on November 27, 2025, as of January 1, 2026, the announcement of the base interest rate (BIR) under Art. 35 of the Bulgarian National Bank Act (repealed) is suspended and as of the same date, the "Methodology for Determining the Base Interest Rate" adopted by Decision No. 149/16.12.2004, in force from February 1, 2005, amended by Decisions No. 118/26.11.2015 and No. 37/16.03.2017 of the Governing Council of the BNB, in force from July 1, 2017, is repealed. According to the BNB, as of 01.01.2026, another reference index should be applied in accordance with the requirements of Art. 2, items 6 and 7 of Directive 2011/7/EU of the Parliament: **Main refinancing operations** **Date** **Percentage** 11.06.2025 2.15 *Source: ECB[3] At the meeting on 19 March 2026 the Governing council decided to keep unchanged ECB's three key interest rates.[4]

[1] https://www.nsi.bg/press-release/nablyudenie-na-biznes-tendenciite-v-promishlenostta-stroitelstvoto-targoviyata-na-drebno-i-uslugite-8974
[2] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202602_bg.pdf
[3] https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.bg.html
[4] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202602_bg.pdf

INFLATION RISK	Inflation risk is a general price increase in which money depreciates and households and firms are likely to suffer a loss. The consumer price index is the official measure of inflation in the Republic of Bulgaria. It assesses the overall relative change in the prices of goods and services used by households for personal (non-productive) consumption and is calculated by applying the structure of final monetary consumption expenditure of Bulgarian households. According to the NSI In March 2026, the monthly inflation rate, measured by CPI, was 0.9% and the annual inflation rate in March 2026, compared to March 2025, was 4.1%. The inflation rate since the beginning of the year (March 2026 compared to December 2025) was 1.9%. The annual average inflation rate for the period April 2025 - March 2026 compared to the period April 2024 - March 2025 was 4.5%.[5] The Harmonized Index of Consumer Prices is a comparable measure of inflation for EU countries. It is one of the criteria for price stability and for Bulgaria's accession to the euro area. The HICP, like the CPI, measures the overall relative change in the price level of goods and services. According to the NSI in March 2026, the monthly inflation rate, measured by HICP, was 1.0% and the annual inflation rate in March 2026 compared to March 2025 was 2.8%. The inflation rate since the beginning of the year (March 2026 compared to December 2025) was 1.9%. The annual average inflation rate for the period April 2025 - March 2026 compared to the period April 2024 - March 2025 was 3.2%..[6] The ECB staff macroeconomic projections for the euro area as of March 2026 exceptionally include information up to 11 March, a later cut-off date than usual. Under the baseline scenario, headline inflation is expected to average 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028. Annual inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), rose to 1.9% in February, from 1.7% in January. Energy prices were 3.1% lower than in the previous February, after being 4.0% lower in January 2026. Food price inflation fell slightly to 2.5%. In contrast, inflation excluding energy and food rose to 2.4% in February, from 2.2% in January. The increase reflected an increase in goods inflation to 0.7% from 0.4% and in services inflation to 3.4% from 3.2%.[7]
CURRENCY RISK	On 1st of January the euro officially entered in circulation in Bulgaria, bringing the number of European Union (EU) Member States using the single European currency to 21. This follows on from the formal decision made in July, which also announced the official conversion rate of 1.95583 Bulgarian lev per 1 euro.[8] This does not eliminate the risk of adverse movements in the exchange rate of the euro against other major currencies (US dollar, British pound, Swiss franc) on international financial markets for the Bulgarian currency, but at present the company does not believe that such a risk would be material to its operations. The company may be affected by currency risk depending on the type of currency of cash receipts and the type of currency of the company's potential loans. The SHELLY GROUP SE companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA, Latin America and Australia and China. At present, the main revenues from the Group's IoT business are in EUR, and the costs of delivery of goods in

[5] https://www.nsi.bg/en/press-release/inflation-and-consumer-price-indices-8989
[6] https://www.nsi.bg/en/press-release/inflation-and-consumer-price-indices-8989
[7] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202602_bg.pdf
[8] https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260101~c830245e42.en.html

	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, it is not expected the sales revenue in USD to have a significant share of total Group revenue. At the same time the share of revenue in Chinese yuan is expected to increase at a faster pace. To limit the effects of the currency risk, the companies of the Group have introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for ongoing monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Group companies do not use derivative instruments for hedging the currency risk but, if necessary, the management is ready to enter into such transactions.
Credit risk of the state	Credit risk is the probability of deterioration of Bulgaria's international credit ratings, caused by the government's inability to repay its liabilities regularly. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions, both for the state and for individual economic entities, including the Company. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk. A credit rating is an assessment of the quality and security of an issuer's bond debt, formed based on an analysis of its financial condition. Rating services are performed by specialized rating agencies and represent an assessment of the creditworthiness and ability to service the borrowed funds used by a borrower when they fall due.
	With extraordinary rating actions, the international rating agencies Fitch Ratings and S&P Global Ratings upgraded Bulgaria's long-term foreign currency credit rating to 'BBB+' with a stable outlook, which is the highest grade of mid-range investment ratings. The formal decision of the Council of the European Union about Bulgaria's accession to the euro area as of 1 January 2026 is the key factor behind the country's rating upgrade.[9] With a rating action on 27 March 2026 the international credit agency **Fitch Ratings** affirmed Bulgaria's long-term foreign currency rating 'BBB+' with a stable outlook. **Euro Adoption Concluded:** Bulgaria became the 21st member of the eurozone on 1 January 2026. We expect the euro adoption to further enhance Bulgaria's integration with core eurozone countries and boost its institutional capacity. The ECB's credible monetary policy framework and access to liquidity facilities for banks significantly reduce external and financial vulnerabilities. **Government Resignation:** Institutional Constraints: Prime Minister Zhelyazkov's cabinet resigned in mid-December 2025, after only 11 months in office, amid large-scale anti-government protests. The next snap vote, the eighth since 2021, is scheduled for 19 April. Election dynamics will be affected by the resignation and entry into active politics of President Rumen Radev at end-January 2026. However, the movement's fiscal and economic agenda is unclear. Institutional constraints and unstable coalition governments have delayed progress on structural reforms and Bulgaria is lagging on absorption of Recovery and Resilience Facility grants and regular EU cohesion funds.**Solid Economic Growth:** Real GDP growth moderated to 3.1% in 2025 from 3.4% in 2024, well above the eurozone average (1.4%) and peer median (2.3%). Growth was supported by buoyant domestic demand, which reflected strong real wage and household credit growth, and high investment activity. Exports contracted due

[9] News

	to one-offs affecting exports of raw materials, while imports rose sharply on strong domestic demand and deliveries of military equipment (1% of GDP). Fitch expects real GDP growth to moderate to 2.9% in 2027, above the forecast peer median (2.4%), as private consumption slows, while investment and imports rise on planned deliveries of military equipment (1.6% of GDP). **Fiscal Deficits:** Fitch estimates that fiscal deficit was 3% of GDP in 2025, unchanged from 2024 and marginally below the peer median (3.2%). Following the large protests in late 2025, the government withdrew the 2026 budget act and adopted a provisional budget, under which all policies and benefits remained effective as in 2025. Proposed social contributions and dividend tax hikes that were intended to offset higher social expenditure were not implemented and Fitch expects the budget deficit to be 3.2% in 2026. We expect the budget deficit to widen to 4.3% in 2027, well above the projected peer median of 2.9%, reflecting planned deliveries of military equipment. [10]
	On 10.07.2025 **S&P Global Ratings** has affirmed Bulgaria's long-term and short-term BBB+ ratings with a stable outlook. We think Bulgaria's near-term growth outlook remains steady**.** We forecast the economy will grow by 2.4% in real terms in 2025, and average 2.8% through 2028. Private domestic consumption will be the key driver of growth, supported by high real wage growth due to a tight labor market. An increase in the absorption of allocated EU funds, which is currently very low at 20%, will lead to higher public investments but also result in an increase in imports. At the same time, external demand faces pressure from general economic uncertainty stemming from geopolitical tensions. We think Bulgaria's full Schengen membership as of Jan. 1, 2025, and euro area accession as of Jan. 1, 2026, could support trade and international tourism in the medium-to-long term since administrative obstacles will be reduced. In the near term, we think that deficiencies in Bulgaria's physical infrastructure prevent the country from reaching its full potential. Also, Bulgaria continues to face longer-term challenges related to weak demographic trends. Left unchecked, the declining labor force could further drag on growth, in our view. We expect weaker external demand and import-heavy public investments will increase the current account deficit, averaging 2.5% of GDP through 2028**.** However, Bulgaria's robust service balance--which stands at about 7.0% of GDP and is bolstered by a thriving tourism sector and growing computer and IT service exports--will help mitigate some of the deficit. While Bulgaria's external position remains strong, we believe the post-pandemic trend of external deleveraging could reverse due to a weaker external environment and a possible shift toward increased external debt financing as eurozone capital markets become more accessible. Also, we note that intercompany loans represent about one fifth of the stock of Bulgaria's inbound foreign direct investment. Since we view the refinancing risk for these loans as low, we do not include them in our estimate of Bulgaria's external debt figures. In our external assessment, we now consider Bulgaria to be using an actively traded currency (in line with other eurozone members) and assess the country's external position based on our estimates of its international investment position post-eurozone accession.[11]

[10] https://www.fitchratings.com/research/sovereigns/fitch-affirms-bulgaria-at-bbb-outlook-stable-27-03-2026

[11] Research Update: Bulgaria Upgraded To 'BBB+' On C | S&P Global Ratings (spglobal.com)

Unemployment risk	As a major factor affecting consumer purchasing power, an increase in unemployment would reduce demand for IoT products. On the other hand, demand for staff from businesses remains very active, so such a risk seems negligible in the year ahead. Eurostat estimates the seasonally adjusted unemployment rate in the euro area at 6.2% in February 2026, up from 6.1% in January 2026 and down from 6.3% in February 2025. In February 2026, the EU unemployment rate is 5.9%, which is stable compared to January 2026 and down from 6.0% compared to February 2025.[12] The registered unemployment rate in Bulgaria during March was 5.3%. Compared to February, there was a decrease of 0.1 percentage points, and on an annual basis – a decrease of 0.2 percentage points. At the end of the month, the registered unemployed were 151,123 people, which represents a decrease of 3.3% compared to the same period of the previous year.[13]
Risk associated with the legal system	Although Bulgaria has introduced several significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic, and it is difficult to effectively resolve property disputes, breaches of laws and contracts and other. Deficiencies in the legal infrastructure can result in uncertainties arising from the implementation of corporate actions, the implementation of supervision and other issues.
TAX RISK	It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, because of which a contradictory tax practice may arise.

4.2. NON-SYSTEMIC RISKS

Risks related to the industry in which the Group operates

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

Risk of shortage of key personnel

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

Risk of strong competition

[12] Unemployment statistics - Statistics Explained - Eurostat
[13] https://www.az.government.bg/bg/news/view/nad-16-000-dushi-sa-zapochnali-rabota-s-podkrepata-na-agencijata-po-zaetostta-prez-mart-4216/

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

In respect of the increasing sales revenues in the US, but still low share of the US business in the Group's sales revenues, the Company expects tariffs between USA and Europe to have only a minor effect on the sales and revenue situation.

Risk related to personal data security and hacker attacks

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

Risk of regulatory and specific technical requirements

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

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

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

Risk of technology change

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

Risks related to the Group's business

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

Operational risk

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

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

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

Risk associated with business partners

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

Risks arising from new projects

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

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

Liquidity risk

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

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

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

5. TRANSACTIONS WITH RELATED OR INTERESTED PARTIES

For the reporting period the Company has not entered into transactions with interested parties in the meaning according to POSA.
The Company has not entered into any transactions with other Group companies that fall beyond its scope of regular business or that significantly deviate from the market conditions. Transactions in the ordinary course of business with subsidiaries include:

- At the end of 2022 Shelly Group SE granted an additional cash contribution at the amount of 938 thousand euro(USD 1 million) to its subsidiary Shelly USA Inc., with annual interest rate of 1.0%. The interest income accrued for the period ended March 31, 2026, on this transaction amounts to 1 thousand euro.
- On March 23, 2023, Shelly Group SE provided to its subsidiary Shelly Tech d.o.o a loan of 500 thousand euro. The recognized interest income for the period ended March 31, 2026, on this transaction amounts to 5 thousand euro.
- On June 1, 2023, Shelly Group SE granted to Shelly Tech d.o.o an additional cash contribution at the amount of 500 thousand euro at the following terms – repayment period within 1-year, annual interest rate 1%. The recognized interest income for the period ended March 31, 2026, on this transaction amounts to 1 thousand euro.
- On March 19, 2024, SHELLY GROUP SE granted to its subsidiary Shelly USA Inc. an additional cash contribution at the amount of 390 thousand euro (USD 400,000). The interest income accrued for the period ended March 31, 2026, on this transaction amounts to 1 thousand euro.
- On May 14, 2024, the Board of Directors of SHELLY GROUP SE decided to provide an additional cash contribution at the amount of 600 thousand euro to its Slovenian subsidiary Shelly Tech d.o.o. for a period of 1 year and annual interest margin of 1%. The interest income accrued for the period ended March 31, 2026, on this transaction amounts to 2 thousand euro.
- On January 8, 2025, SHELLY GROUP SE decided to provide its American subsidiary Shelly USA Inc. with financing in the form of an additional cash contribution in the amount of 680 thousand euro (USD 700 thousand) for a period of one year at an annual interest rate of 1%. As of December 31, 2025, the

financing was fully utilized by the daughter company. The interest income accrued for the period ended March 31, 2026, on this transaction amounts to 1 thousand euro.

- On December 22, 2025, SHELLY GROUP SE decided to provide its Polish subsidiary Shelly Poland with financing in the form of a short-term loan in the amount of EUR 400 thousand for a period of one year at an annual interest rate equal to the interest rate at which Shelly Group subsidiaries use short-term bank financing. The amount was fully utilized by the end of 2025. The accrued interest income for the period, ended March 31, 2026 amounted to 2 thousand euro.
- During the reporting period, the Company provided management services to three of its subsidiaries – Shelly Asia at the amount of 5 thousand euro, Shelly DACH at the amount of 6 thousand euro and Shelly Tech in the amount of 3 thousand euro.

During the reporting period, "SHELLY GROUP" SE did not grant any other loans, did not provide guarantees or assumed any obligations to any person or its subsidiary, including related parties, other than those specified.

For transactions with group companies, see also note 6 of the individual financial statements as of 31.03.2026.

Key managerial personnel

During the first quarter of 2026 the accrued gross renumeration to the members of the Board of Directors (including employer's social security contributions) is in the amount of 200 thousand euro(as of 31.03.2025: 201 thousand euro). The remuneration paid was in accordance with the disclosed Remuneration policy.

The members of the Board of Directors as of 31.03.2026 are:

- 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

Share-based compensation

At the end of 2025, respectively 31.03.2026 the Company recognizes a share-based payment obligation to its executive directors as a result of the share option scheme adopted in 2022 for the granting of remuneration in the form of share options to the executive members of the Board of Directors. Based on the objectives set out in the scheme and the Company's assessment of the extent to which these objectives have been achieved, the executive members are entitled to receive options to acquire 712,200 shares (out of a possible maximum total number of 890,250 shares). The occurrence of the conditions for the exercise of options is subject to assessment by the General Meeting of Shareholders of SHELLY GROUP ED, with the decision of the General Meeting determining the number of shares that the executive directors of the Company are entitled to receive upon exercise of the relevant options.

Annual cash bonus

According to a decision of the General Meeting of Shareholders dated 02.06.2025, an amendment to the remuneration policy for the executive members of the Board of Directors for 2025 was approved, who are entitled to receive a variable cash remuneration (annual bonus), the amount of which depends on the financial results achieved for the 2025 financial year. The final amount of the bonus should be approved by

the general meeting of shareholders upon adoption of the audited consolidated financial statements of the Company for 2025.
As of 31 December 2025, the company has made a total accrual for an annual bonus in the amount of 407 thousand euros for the two executive members of its Board of Directors.

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

No material new receivables and/or payables arose during the period, except the ones described in the notes of the individual report as of 31.03.2026.

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

Historical data on trade

Date	Volume	Turnover	Highest price	Lowest price	Opening price	Closing price
31.03.2026	120136	6244460.10	61,200	43,100	59,200	50,600
27.02.2026	29826	1899904.40	69,000	59,000	68,000	59,200
30.01.2026	34466	2399581.35	124,782	60,200	116,567	68,000

Source: Investor.bg

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

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

In April 2026, the Company announced preliminary consolidated revenue figures, reporting annual revenue growth from Shelly devices and related services of approximately 26% to approximately EUR 33.4 million in the first quarter of 2026.

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

All information considered relevant by the Company is set out in this Report, the interim financial statements and the notes thereto.

Date: April 30, 2026

For SHELLY GROUP SE: Dimitar Stoyanov Dimitrov

Digitally signed by Dimitar Stoyanov Dimitrov
Date: 2026.04.30 19:01:12 +03'00'

Dimitar Dimitrov
CEO