

ALLTERCO AD
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

(Unofficial translation of the original in Bulgarian)



All amounts are in thousand Bulgarian leva unless otherwise stated

ASSETS	Note	March 31, 2023	December 31, 2022
<i>Non-current assets</i>			
Property, plant and equipment	3.01	5 238	4 653
Intangible assets	3.02	4 701	4 220
Right-of-use assets	3.03	270	296
Goodwill	3.04	4 117	160
Investments in associates	3.05	192	158
Other capital investments	3.06	865	830
Trade receivables	3.07	1 027	1 027
Deferred tax assets	3.08	357	348
Total non-current assets		16 767	11 692
<i>Current assets</i>			
Inventory	3.09	20 892	23 002
Trade receivables	3.10	24 150	21 647
Other receivables	3.11	1 522	3 622
Short-term financial assets	3.12	-	175
Cash and cash equivalents	3.13	33 549	28 148
Prepaid expenses	3.14	497	512
Total current assets		80 610	77 106
TOTAL ASSETS		97 377	88 798

Date: May 15, 2023

Preparer:
 / Silviya Ivanova Tomova/

Executive Director:
 / Dimitar Stoyanov Dimitrov/

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 separate financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

LIABILITIES	Note	March 31, 2023	December 31, 2022
<i>Non-current liabilities</i>			
Bank loans	3.15	1 359	1 488
Lease liabilities	3.16	312	157
Retirement benefit obligations	3.17	112	112
<i>Total non-current liabilities</i>		1 783	1 757
<i>Current liabilities</i>			
Bank loans	3.15	725	668
Lease liabilities	3.16	152	161
Trade payables	3.18	4 042	1 891
Payables to employees	3.19	1 197	1 837
Payables to social security obligations	3.19	311	204
Tax payables	3.20	2 421	2 074
Other liabilities	3.21	1 583	1 098
Deferred income		28	36
<i>Total current liabilities</i>		10 459	7 969
TOTAL LIABILITIES		12 242	9 726
EQUITY			
Share capital	3.22	18 000	18 000
Purchased own shares		(780)	(780)
Retained earnings	3.23	59 951	55 117
Legal reserves	3.24	2 804	1 800
Premium reserve	3.25	5 403	5 403
Revaluation reserve	3.26	(472)	(507)
Exchange differences from translation of foreign subsidiaries' financial statements		475	39
Equity, related to the holders of the equity of the parent company		85 381	79 072
Non-controlling interests		(246)	-
TOTAL EQUITY		85 135	79 072
TOTAL EQUITY AND LIABILITIES		97 377	88 798

Date: May 15, 2023

Preparer:
/ Silviya Ivanova Tomova/

Executive Director:
/ Dimitar Stoyanov Dimitrov/

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 separate financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	Three months of 2023	Three months of 2022
Sales revenue	4.01	27 608	17 150
Cost of sales	4.01	(12 641)	(7 883)
Gross profit		14 967	9 267
Other operating income	4.02	41	398
Sales expenses		(734)	(733)
Administrative expenses	4.03	(6 829)	(4 289)
Other operating expenses	4.04	(221)	(107)
Profit from operating activity		7 224	4 536
Finance expense	4.05	(241)	(44)
Share of associated companies' profit	3.07	34	6
Profit before tax		7 017	4 498
Income tax expense	4.06	(1 095)	(589)
Income tax expense		5 922	3 909
Other comprehensive income:			
Items, that will not be reclassified to profit or loss			
Other long-term capital instruments		35	(205)
Exchange differences from translation of foreign subsidiaries' financial statements		(12)	46
Effect of business combination		448	-
Other comprehensive income for the period after taxes		471	(159)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6 393	3 750
Net profit related to:			
The owners of the parent company		6 036	3 909
Non-controlling interests		(114)	-
Other comprehensive income related to:			
The owners of the parent company		471	(159)
Non-controlling interests		-	-
Total comprehensive income related to:			
The owners of the parent company		6 507	3 750
Non-controlling interests		(114)	-
Earnings per share		0.33	0.22

Date: May 15, 2023

Prepared by:

/ Silviya Ivanova Tomova/

Executive Director:

/ Dimitar Stoyanov Dimitrov/

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.

ALLTERCO AD
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED MARCH 31, 2023

All amounts are in thousand Bulgarian leva unless otherwise stated

	Share capital	Retained earnings	Revaluation reserve	Premium reserve	Legal reserves	Repurchased own shares	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
<i>Net profit</i>	-	17 433	-	-	-	-	-	17 433	-	17 433
<i>Other comprehensive income</i>	-	-	(1 439)	-	-	-	100	(1 339)	-	(1 339)
<i>Deferred tax</i>	-	-	56	-	-	-	-	56	-	56
Repurchased own shares (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.	-	6 036	-	-	-	-	-	6 036	(114)	5 922
<i>Net profit</i>	-	6 036	-	-	-	-	-	6 036	(114)	5 922
<i>Other comprehensive income</i>	-	-	35	-	-	-	(12)	23	-	23
Effect of business combination	-	(1 202)	-	-	1 004	-	448	250	(132)	118
Balance at March 31, 2023	18 000	59 951	(472)	5 403	2 804	(780)	475	85 381	(246)	85 135

Date: May 15, 2023

Prepared by:

/ Silviya Ivanova Tomova/

Executive Director:

/ Dimitar Stoyanov Dimitrov/

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

All amounts are in thousand Bulgarian leva unless otherwise stated

Note	Three months of 2023	Three months of 2022
<u>Cash flows from operating activities</u>		
Proceeds from customers	26 208	15 752
Payments to suppliers	(12 653)	(11 336)
Taxes paid	834	(874)
Payments to employees and social security institution	(4 053)	(3 167)
Other payments, net	(198)	(43)
<i>Net cash flows from operating activities</i>	10 138	332
<u>Cash flows from investing activities</u>		
Cash flows related to non-current tangible and intangible assets	(584)	(433)
Loans granted	(181)	-
Proceeds from the sale of investments	167	-
Purchase of investments	(3 942)	(40)
<i>Net cash flows from investing activities</i>	(4 540)	(473)
<u>Cash flows from financing activities</u>		
Lease payments	(45)	(76)
Loans received	58	-
Loans repaid	(128)	(127)
Cash flows related to interest and commissions	(13)	(14)
Other payments, net	-	(14)
<i>Net cash flows used in financing activities</i>	(128)	(231)
<i>Net increase/(decrease) in cash and cash equivalents for the year</i>	5 470	(372)
Net exchange differences	(69)	24
Cash and cash equivalents at the beginning of the year	28 148	30 541
<i>Cash and cash equivalents at the end of the year</i>	33 549	30 193
3.13		

Date: May 15, 2023

Prepared by:

/ Silviya Ivanova Tomova/

Executive Director:

/ Dimitar Stoyanov Dimitrov/

*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*

All amounts are in thousand Bulgarian leva unless otherwise stated

Contents

1.	Information on the Group	9
2.	Basis for preparation and accounting principles	11
2.1.	Basis for preparation	11
2.2.	Initial application of new and amended IFRSs.....	12
2.5.	Comparative data	14
2.6.	Transactions and balances.....	15
2.7.	Accounting estimates and judgements	16
2.8.	Subsidiaries and associated companies	16
2.9.	Non-controlling interest	16
2.10.	Consolidation	16
2.11.	Definition and assessment of the items of the consolidated financial statements	17
2.11.1.	Revenue.....	17
2.11.2.	Expenses	18
2.11.3.	Property, plant and equipment	19
2.11.4.	Intangible assets	20
2.11.5.	Goodwill	21
2.11.6.	Other long-term equity investments	22
2.11.7.	Investments in associated companies	22
2.11.8.	Inventories.....	23
2.11.9.	Financial instruments	23
2.11.10.	Cash and cash equivalents.....	29
2.11.11.	Lease	29
2.11.12.	Provisions.....	31
2.11.13.	Payables to employees	31
2.11.14.	Share capital and reserves	32
2.11.15.	Income tax expense	33
2.11.16.	Earnings per share.....	34
2.11.17.	Significant judgements in applying the Group's accounting policy.....	34
2.11.18.	Fair values	36
3.	Notes to the consolidated statement of financial position	38
3.01.	Property, plant and equipment.....	38
3.02.	Intangible assets.....	39
3.03.	Right-of-use assets.....	39
3.04.	Goodwill.....	40
3.06.	Other long-term capital investments.....	41
3.09.	Inventory	42
3.12.	Short-term financial assets.....	43
3.13.	Cash and cash equivalents	44
3.16.	Lease.....	46
3.25.	Share premium reserve.....	49

All amounts are in thousand Bulgarian leva unless otherwise stated

4	Notes to the consolidated statement of comprehensive income	50
4.01	Sales revenue and cost of sales	50
4.02	Other operating revenue	50
4.03	Administrative expense	50
4.04	Other operating income	51
4.05	Financial expenses	51
4.06	Income tax expense	51
5.	Contingent liabilities and commitments	52
6.	Сделки със свързани лица.....	53
7.	Financial instruments by categories.....	54
8.	Financial risk management.....	55
9.	Fair values	63
10.	Events after the end of the reporting period	64

All amounts are in thousand Bulgarian leva unless otherwise stated

1. Information on the Group

1.1. Legal status

Allterco AD (the Parent Company), Sofia, is entered in the Commercial Register of the Registry Agency with UIC (Unified Identification Code) as per BULSTAT: 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 company name, seat and registered office were made during the reporting period. The initial registered fixed capital was BGN 50 000 (fifty thousand) by contribution of shares. Subsequently by another contribution the capital was increased up to BGN 5,488,000 (five million four hundred and eighty-eight thousand), distributed in 5,488,000 ordinary registered voting shares with nominal value of BGN 1.00 each. 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, carried out in the period September 28, 2020 – October 30, 2020 on the grounds of a Prospectus, together with the supplements to it, confirmed by the Financial Supervision Commission with Decision no. 148-E of February 18, 2020, Decision no. 405-E of June 11, 2020, Decision no. 601-E of August 13, 2020 and Decision no. 791-E of October 29, 2020.

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

The Parent Company is managed by the Board of Directors and is represented jointly or separately by Svetlin Todorov, Wolfgang Kirsch and Dimitar Dimitrov.

1.2. Ownership and management

The Allterco Group (the Group) includes Allterco AD (the Parent Company) and its subsidiaries, in which the Parent Company has controlling interest directly or through another subsidiary. Allterco AD is a public company in Bulgaria under the Public Offering of Securities Act.

The distribution of the share capital of Allterco AD as of March 31, 2023, is as follows:

Name	Number of shares:	% of the capita
Svetlin Todorov	5 847 120	32.48%
Dimitar Dimitrov	5 847 120	32.48%
Persons holding less than 5% of the capital		
Other physical persons and legal entities	6 305 759	35.04%
Total	17 999 999	100.00%

All amounts are in thousand Bulgarian leva unless otherwise stated

On June 30, 2022, Allterco 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.

The composition of the Board of Directors as at March 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 Company jointly or separately

1.3. Scope of activities

The scope activity of Allterco 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

Към 31.03.2023 г. Групата включва Алтерко АД и следните дъщерни дружества, в страната и чужбина, които контролира.

Company name	March 31 2022	December 31 2022
	Percentage of participation	Percentage of participation
<i>In the country</i>		
<i>ALLTERCO TRADING OOD (Ltd.)</i>	<i>100%</i>	<i>100%</i>
<i>ALLTERCO ROBOTICS EOOD (Solely-owned LLC)</i>	<i>100%</i>	<i>100%</i>
<i>ALLTERCO PROPERTIES EOOD (Solely-owned LLC)</i>	<i>100%</i>	<i>100%</i>
Company name	March 31 2022	December 31 2022
	Percentage of participation	Percentage of participation
<i>Abroad</i>		
<i>SHELLY USA (formerly ALLTERCO ROBOTICS INC), USA</i>	<i>100%</i>	<i>100%</i>
<i>ALLTERCO EUROPE GMBH, Germany</i>	<i>100%</i>	<i>100%</i>
<i>GOAP, Slovenia</i>	<i>60%</i>	<i>-</i>

All amounts are in thousand Bulgarian leva unless otherwise stated

In the first quarter of 2022, Allterco AD increased the share capital of its subsidiary Allterco Robotics EOOD. The capital increase is intended to accelerate the development of new products, expand production capacity and enter new markets, as well as R&D activities. The share capital of Allterco Robotics EOOD was increased from BGN 1 500 000 to BGN 7 000 000 through subscription of new 5 500 000 company shares with a nominal value of BGN 1.00 each.

In 2022 Allterco AD has made an additional cash contribution amounting to BGN 1 834 thousand (USD 1 million) to its subsidiary Shelly USA, which was granted for a period of one year with an annual interest rate of 1.0%. In the fourth quarter of 2022, Allterco AD increased the capital of the subsidiary in the USA by BGN 921 thousand (USD 500 thousand) to BGN 973 thousand by the end of 2022, respectively as of March 31, 2023.

In November 2022, the subsidiary Allterco Robotics EOOD opened a branch in the Republic of Ireland.

On January 4, 2023 Allterco AD announced the completion of phase I of the acquisition of the Slovenian IoT provider GOAP Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica, („GOAP”) representing the acquisition of 60% of acquiree’s equity. The transaction is subject to share purchase agreements ("SPA"), which have been signed with all four GOAP shareholders. The total transaction price for phase I amounts to EUR 2 million (BGN 3.9 million) and is paid in cash. The acquisition price of the new subsidiary includes additional costs related to the transaction amounting to BGN 234 thousand.

The remaining 40% of the equity of GOAP, owned by the three owners – individuals, are subject to an options contract, which was signed along with the acquisition agreements. Under the options contract Allterco AD has an unconditional option to purchase (call option), whereas the sellers – conditional option to sell (put option) two packages of company shares (the exercise of any of the sellers’ options is subject to achieving in the period 2023-2025 of specific minimum criteria for KPI, EBITDA and revenue). One of the options is for the acquisition of 16%, whereas the other is for the acquisition of 24% of the equity of GOAP. The total price for the shares upon exercise of the options depends on the extent of realization of the conditions for this and may vary between EUR 699 999.70 (BGN 1 369 080.41) and EUR 3 449 998.60 (BGN 6 747 610.76).

In the reporting quarter of 2023, Allterco AD granted a cash loan amounting to BGN 978 thousand (EUR 500 thousand) of the subsidiary GOAP Računalniški inženiring in avtomatizacija proces d.o.o., Nova Gorica

2. Basis for preparation and accounting principles

2.1. Basis for preparation

The Group keeps its current accounting and prepares its financial statements in accordance with the

All amounts are in thousand Bulgarian leva unless otherwise stated
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.

As of March 31, 2023 IASs comprises the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (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 European Union (EU).

IASB annually issues the standards and their explanations, which, after formal approval by the European Union, are effective for the year for which they were issued. However, many of these standards are not applicable to the Group's activities due to the specifics set in them.

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 following amendments to the existing standards issued by the International IASB and adopted by the EU are effective for the current reporting period.

- **IFRS 17 Insurance Contracts** including amendments to IFRS 17 adopted by the EU on November 19, 2021 (effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IFRS 17 Insurance contracts - Initial Application of IFRS 17 and IFRS 9 – Comparative Information** (effective for annual periods beginning on or after January 1, 2023);
- **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).

All amounts are in thousand Bulgarian leva unless otherwise stated

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (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 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 (effective for annual periods beginning on or after January 1, 2023);
- **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 IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants** (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024);
- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 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 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 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 Company'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 financial statements, if applied as at the reporting date.

2.3. Accounting principles

The consolidated financial statements of the Group have been prepared on the going concern principle, as it is

All amounts are in thousand Bulgarian leva unless otherwise stated

expected that the Group shall continue its operating activity in near future.

A military conflict between Russia and Ukraine continues 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.

Management has no plans or intentions to sell the business or cease operations, which could materially change the carrying amount 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 March 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 Allterco 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.

All amounts are in thousand Bulgarian leva unless otherwise stated

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, 2021 and December 31, 2022 are retranslated in these financial statements at the closing exchange of the BNB. As of December 31, 2021 – BGN 1.72685 for 1 USD; BGN 1,95802 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.

All amounts are in thousand Bulgarian leva unless otherwise stated

2.7. Accounting estimates and judgements

The application of the IAS requires the Company's management to apply certain accounting assumptions and judgments when preparing the annual separate financial statement 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 financial statements. Actual results could differ from those presented in these financial statements.

In preparing these 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 3.10)
- Retirement benefits obligations (Note 3.17)
- Deferred tax assets (Note 3.08)
- Provisions for warranty service (Note 3.21)

2.8. Subsidiaries and associated companies

Subsidiaries are the entities over which Allterco 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 subsidiar;
- 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

Non-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

All amounts are in thousand Bulgarian leva unless otherwise stated

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 3.21).

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 sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being

All amounts are in thousand Bulgarian leva unless otherwise stated

at the point the customer purchases the goods. Payment of the transaction price is due when the customer receives the goods.

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. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

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

Other income/revenue

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

The Group of 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.

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

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

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 company has applied the acquisition cost mode.

Depreciation Methods

The Company 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

All amounts are in thousand Bulgarian leva unless otherwise stated

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 software platform, 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 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) arising directly from bringing the

All amounts are in thousand Bulgarian leva unless otherwise stated

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

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

Assets, namely:

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

Subsequent costs

Expenses related to the maintenance of initially established standard efficiency, incurred after the commissioning of intangible non-current assets, are recognized as current at the time when they are incurred. The carrying amount of the respective intangible asset is adjusted by the expenses that lead to increase of the expected future economic benefits from the use of an intangible asset above the initially determined standard efficiency.

2.11.5. 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 presented in the consolidated financial statements at acquisition cost 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 as part of the total value of the investment. Separately recognized goodwill on the acquisition of subsidiaries is tested mandatorily for

All amounts are in thousand Bulgarian leva unless otherwise stated

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 of non-current assets”

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

As of March 31, 2023 Group reports a share in the profit of associated companies amounting to BGN 118 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.

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 separate 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

All amounts are in thousand Bulgarian leva unless otherwise stated

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

- 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.

Financial assets at fair value in other comprehensive income (debt instruments)

The Group measures its debt instruments at fair value in other comprehensive income 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 its disposal as well; and
- On the specified dates, the contractual terms of the financial asset give rise to cash flows that represent solely payments of principal and interest on the outstanding principal amount.

In respect of debt instruments at fair value in other comprehensive income, interest income, currency revaluation and impairment losses or their reversal are recognized in profit or loss and calculated in the same way as those for financial assets measured at amortized cost. Other changes in fair value are recognized in

All amounts are in thousand Bulgarian leva unless otherwise stated
other comprehensive income. Upon derecognition, the cumulative change in fair value recognized in other comprehensive income is stated in profit or loss.

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:

All amounts are in thousand Bulgarian leva unless otherwise stated

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

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

In this case, the Group also recognizes the related obligation. The transferred asset and related liability are valued on a basis that reflects the rights and obligations that the Group has retained. A continuing involvement being a security of the transferred asset is valued at the lower of the original book value of the asset and the maximum amount of consideration that the Group may be required to pay. The Group applies the same derecognition policies for impaired financial assets.

Impairment of financial assets

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

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

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

ECL are recognized in three stages. For exposures for which there has been no significant increase in credit risk since initial recognition. Allowances for ECL are recognized for credit losses that arise as a result of default events that are possible occur within the next 12 months (12-month ECL). For exposures for which

All amounts are in thousand Bulgarian leva unless otherwise stated

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 in order to prepare an impairment assessment. The Group uses historical experience in order to determine 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 measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as such at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for repurchase in the near future. Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated upon initial recognition as financial liabilities at fair value through profit or loss are designated as such at the date of initial recognition only if the criteria of IFRS 9 are met. The Group has not designated any financial liabilities at fair value through profit or loss.

All amounts are in thousand Bulgarian leva unless otherwise stated

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 asset.

All amounts are in thousand Bulgarian leva unless otherwise stated

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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.

Allterco 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:

All amounts are in thousand Bulgarian leva unless otherwise stated

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 Allterco 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 capita;
- the funds received above the nominal value of the shares upon their issuance (premium reserve).

Repurchased own 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 repurchased own shares are presented directly in the Group's equity, under the "Repurchased 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 2022 and 2023 is 10%

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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 March 31, 2023 the Group recognises deferred income tax only for Bulgarian companies and at a 10% tax rate and for the Slovenian company assessed at tax rate 19%.

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
This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail

All amounts are in thousand Bulgarian leva unless otherwise stated

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 2022 (note 3.17). At the end of the current reporting period, the company has not prepared a new actuarial assessment.

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.

Impairment of property, plant and equipment

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

As of 31 March 2023, such a 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 financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

Impairment of inventories

At the date of each financial statement, the Group's management reviews and analyses existing inventories. An overview and analysis of all available inventories is made in terms of basic indicators – uniformity, commercial appearance, shelf life, etc., and determines expert prices. 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 expertly determined 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 tied to sales contracts are valued according to assumptions about the possibilities for their future disposal. Based on this review and analysis, no impairment of existing inventories was made as of 31 December 2022.

The impairment of inventories is calculated as the difference between their carrying amount, as set out in the statement of financial position prior to review and analysis, and their net realisable value, determined based on 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 assessment 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 liabilities 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 reported, 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 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 3.16)

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

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 liability.
- 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 first quarter of 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.

All amounts are in thousand Bulgarian leva unless otherwise stated

3. Notes to the consolidated statement of financial position

3.01. Property, plant and equipment

	Lands	Buildings	Machinery and facilities	Vehicles	Computer equipment	Office equipment	Other	Expenses for acquisition of fixed tangible assets	Total
January 01, 2022									
Acquisition cost	1 476	3 032	912	452	257	57	242	55	6 483
Accumulated depreciation	-	(213)	(763)	(382)	(228)	(21)	(78)	-	(1 685)
Book value	1 476	2 819	149	70	29	36	164	55	4 798
Acquisitions	-	56	18	6	46	84	2	57	269
Purchase	-	56	18	6	46	84	2	57	269
Decrease (book value)	-	-	(38)	-	-	-	(48)	(45)	(131)
Sale	-	-	(38)	-	-	-	(48)	-	(86)
Written off book value related to sold investments	-	-	-	-	-	-	-	(45)	(45)
Depreciation for the period	-	(120)	(105)	(43)	(30)	(21)	(27)	-	(346)
Changes in depreciation	-	-	-	-	5	-	58	-	63
Depreciation of written off assets	-	-	-	-	5	-	58	-	63
December 31, 2022									
Acquisition cost	1 476	3 088	892	458	303	141	196	67	6 621
Accumulated depreciation	-	(333)	(868)	(425)	(253)	(42)	(47)	-	(1 968)
Book value at the end	1 476	2 755	24	33	50	99	149	67	4 653
January 01, 2023									
Acquisition cost	1 476	3 088	892	458	303	141	196	67	6 621
Accumulated depreciation	-	(333)	(868)	(425)	(253)	(42)	(47)	-	(1 968)
Book value	1 476	2 755	24	33	50	99	149	67	4 653
Acquisitions	-	333	100	193	33	9	7	46	721
Purchase	-	-	59	193	33	9	-	46	340
Business combination	-	300	9	-	-	-	7	-	316
Other way	-	33	32	-	-	-	-	-	65
Decrease (book value)	-	(11)	-	-	(19)	(10)	(3)	-	(43)
Sale	-	-	-	-	-	-	-	-	-
Other way	-	(11)	-	-	(19)	(10)	(3)	-	(43)
Depreciation for the period	-	(48)	(7)	(17)	(8)	(5)	(8)	-	(93)
March 31, 2023									
Acquisition cost	1 476	3 410	992	651	317	140	200	113	7 323
Accumulated depreciation	-	(381)	(875)	(442)	(261)	(47)	(55)	-	(2 085)
Book value at the end	1 476	3 029	117	209	56	93	145	113	5 238

The land and building owned by the Group are pledged in relation with bank financing used for their purchase (see point 3.14).

All amounts are in thousand Bulgarian leva unless otherwise stated

3.02. Intangible assets

	Software	ISO certificates and intellectual property rights	Trademarks and prototypes	Others	Capitalized R&D expenses	Total
January 1, 2022						
Acquisition cost	331	12	3 614	57	125	4 139
Accumulated amortization	(207)	(5)	(783)	(28)	-	(1 023)
Book value	124	7	2 831	29	125	3 116
Acquisitions	-	-	267	207	1 466	1 940
Purchase	-	-	267	207	370	844
Capitalized	-	-	-	-	1 096	1 096
Decrease (book value)	-	-	(346)	-	-	(346)
Written off prototypes	-	-	(346)	-	-	(346)
Amortization for the period	(68)	(2)	(532)	(8)	-	(610)
Changes in depreciation	-	-	120	-	-	120
December 31, 2022						
Acquisition cost	331	12	3 535	264	1 591	5 733
Accumulated amortization	(275)	(7)	(1 195)	(36)	-	(1 513)
Балансова стойност	56	5	2 340	228	1 591	4 220
January 1, 2023						
Acquisition cost	331	12	3 535	264	1 591	5 733
Accumulated amortization	(275)	(7)	(1 195)	(36)	-	(1 513)
Book value	56	5	2 340	228	1 591	4 220
Acquisitions	-	-	3	12	629	644
Purchase	-	-	3	12	629	644
Capitalized	-	-	-	-	-	-
Decrease (book value)	-	(2)	-	-	-	(2)
Other way	-	(2)	-	-	-	(2)
Changes in depreciation	(18)	(1)	(132)	(10)	-	(161)
March 31, 2023						
Acquisition cost	331	10	3 538	276	2 220	6 375
Accumulated amortization	(293)	(8)	(1 327)	(46)	-	(1 674)
Book value	38	2	2 211	230	2 220	4 701

3.03. Right-of-use assets

	March 31, 2023			December 31, 2022		
	Vehicles	Buildings	Total	Vehicles	Buildings	Total
In the beginning of the period						
Acquisition cost	394	108	502	232	9	241
Amortization	(183)	(23)	(206)	(124)	(9)	(133)
Book value	211	85	296	108	-	108
Acquisitions	3	-	3	162	99	261
Operating leasing	3	-	3	162	99	261
Disposals	-	-	-	-	-	-
Written off	-	-	-	-	-	-
Amortization for the period	(21)	(8)	(29)	(58)	(14)	(72)
Book value at the end of the period						
Acquisition cost	397	108	505	394	108	502
Amortization	(204)	(31)	(206)	(183)	(23)	(206)
Book value	193	77	270	211	85	296

All amounts are in thousand Bulgarian leva unless otherwise stated

The Group has concluded lease contracts for the lease of office premises and vehicles used in the activity, and therefore, it has recognized right-of-use assets in the consolidated statement of financial position.

3.04. Goodwill

Name	March 31, 2023	December 31, 2022
Shelly USA., USA	34	34
Allterco Properties EOOD	126	126
GOAP, Slovenia	3 957	-
Total:	4 117	160

In the first quarter of 2023 after acquiring 60% of the capital of the Slovenian IoT company – GOAP, the Group recognized BGN 3,957 thousand in its goodwill.

The effective date of acquisition of control by the Group over GOAP, Slovenia is 04.01.2023. In this consolidated financial statement, the acquisition of GOAP, Slovenia is treated as a business combination within the meaning of IFRS 3 Business Combinations.

Effect of the acquisition (goodwill) of 60% of the capital of the Slovenian company reported as of 31.03.2023:

	BGN thousand
Acquisition cost:	
Cash paid	3 912
Transaction costs paid	222
Fair value of net assets acquired:	
Property, plant and equipment	339
Long-term financial assets	7
Deferred tax assets	9
Cash and cash equivalents	149
Inventory	820
Short-term receivables	766
Deferred expenses and accrued income	18
Total assets	2 108
Long-term liabilities	(457)
Short-term liabilities	(1 356)
Total liabilities	(1 813)
Total identifiable net assets	295
Identifiable net assets attributable to the owners of the parent company	177
Goodwill arising on acquisition	3 957

All amounts are in thousand Bulgarian leva unless otherwise stated

Cost of acquisition paid

4 134

The entire remuneration for the acquisition of a controlling stake in GOAP, Slovenia in January 2023 was paid in cash.

As of March 31, 2023 and December 31, 2022, the Group do not report any impairment on goodwill.

3.05 Investments in associates

During 2021 Allterco 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 Allterco 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 Allterco AD. As of December 31, 2022 and as of the date of issuance of the consolidated financial statements management considers this project to be high-risk and therefore has no plans to exercise the option at this time.

Movement of investments in associates is as follows:

	March 31, 2023	December 31, 2022
Balance as of January 01	158	40
Share in current profit for the period	34	118
Balance as of the period end	192	158

3.06 Other long-term capital investments

	March 31, 2023	December 31, 2022
Ordinary registered shares - Link Mobility Group Holding ASA, in the beginning of the period	830	2 624
Increase	28	-
<i>Effect from evaluation of financial instruments</i>	28	-
Decrease	-	(1 794)
<i>Financial instruments sold</i>	-	(355)
<i>Effect from subsequent revaluation of financial assets</i>	-	(1 439)
Ordinary registered shares - Link Mobility Group Holding ASA, at the end of the period	858	830
Other long-term investments	7	-
Total:	865	830

3.07 Other long-term capital investments

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

All amounts are in thousand Bulgarian leva unless otherwise stated

contract, the payment of part of the value of the transaction is deferred. BGN 1 027 thousand are due after the end of September 2024, which is why in these consolidated financial statements they are presented as a long-term receivable.

3.08 Deferred tax assets

	March 31, 2023	December 31, 2022
Deferred tax assets		
Deferred tax on revaluation reserve	65	56
Deferred tax on provision for expenses	43	43
Deferred tax on unused paid leave	40	40
Deferred tax on provision for liabilities	23	23
Deferred tax on impairment of receivables	46	46
Deferred tax on unused benefits of individuals	128	128
Deferred tax on long-term employee benefits	13	13
Total assets	358	349
Deferred tax liabilities		
Deferred tax related to the application of IFRS 16	(1)	(1)
Total liabilities	(1)	(1)
Total deferred tax assets/(liabilities)	357	348

3.09 Inventory

	March 31, 2023	December 31, 2022
Goods	16 321	18 436
Goods in transit	3 102	3 317
Deliveries	1 375	937
Materials	94	312
Total:	20 892	23 002

As of March 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 1 375 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.

All amounts are in thousand Bulgarian leva unless otherwise stated

3.10 Trade receivables

	March 31, 2023	December 31, 2022
Receivables from clients	21 770	20 302
Receivables written-off	-	(1 486)
Impairment of receivables from clients, net	(526)	(526)
Advances to suppliers	2 906	3 357
Total:	24 150	21 647

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

	March 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	-	441
Impairment at the period end, net	526	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 Allterco AD, for which arbitration proceedings were initiated before the International Arbitration in Vienna. As a result of the agreement, Link Mobility Group paid BGN 2,151 thousand of the amount due and the remaining part of BGN 903 thousand was written-off. The above reversed and written-off impairment relates to this agreement.

3.11 Other receivables

	March 31, 2023	December 31, 2022
TAX RECEIVABLES, including:	1 298	3 515
VAT recoverable	1 294	3 447
Corporate tax advance payments	4	68
OTHER RECEIVABLES, including:	224	107
Receivables from staff	1	-
Deposits in commercial entities and guarantees	127	104
Petty cash	96	3
Total:	1 522	3 622

3.12 Short-term financial assets

At the end of 2022, the Group reported short-term financial assets amounting to BGN 175 thousand (31.12.2021: nil), which include costs of legal and advisory services related to the acquisition of the Slovenian company GOAP. Upon successful completion of the transaction, these costs have been added to the value of

All amounts are in thousand Bulgarian leva unless otherwise stated the investment.(Note 3.04)

3.13 Cash and cash equivalents

	March 31, 2023	December 31, 2022
Cash on hand	23	24
Cash in current bank accounts	33 427	24 114
Debit cards	12	12
Other cash	77	3 988
Cash equivalents	10	10
Total:	33 549	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).

As of 31.03.2023 the other cash funds represent a deposit with the German company in the Group.

	March 31, 2023	December 31, 2022
By currency		
EUR	23 336	13 160
BGN	6 720	5 744
USD	3 486	8 640
Other	7	604
Total:	33 549	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 March 31, 2023.

As of March 31, 2023 most of the cash and cash equivalents of the Group are held in one bank. (KBC)

3.14 Prepaid expenses

	March 31, 2023	December 31, 2022
Information services	31	26
Insurance	49	68
Licenses / certificates	282	260
Membership fees	48	52
Subscriptions	50	49
Exhibitions	31	48
Other	6	9
Total	497	512

All amounts are in thousand Bulgarian leva unless otherwise stated

3.15 Bank loans

Bank loans are as follows:

	March 31, 2023	December 31, 2022
KBC Bank, incl.:	1 543	1 615
– up to one year	295	293
– over one year	1 248	1 322
DSK Bank AD	336	392
– up to one year	225	226
– over one year	111	166
Other short-term financing in Shelly USA (previously named Allterco Robotics Inc., USA)	146	149
Other short-term financing in GOAP Slovenia	59	-
Total bank loans – non-current portion:	1 359	1 488
Total bank loans – current portion:	725	668

Bank	KBC Bank AD
Date of the contract:	August 25, 2017
Contracted credit amount:	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 Allterco 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 Allterco Properties EOOD, joint debtor - Allterco Properties EOOD, pledge on all bank accounts of Allterco AD at the bank
Lender	DSK Bank AD
Date of the contract:	September 28, 2020
Total amount	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 Allterco Properties EOOD

The subsidiary Shelly USA uses financing under company credit card.

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

3.16 Lease

	March 31, 2023			December 31, 2022		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
Lease liabilities	118	55	173	129	61	190
Operational leasing	34	257	291	32	96	128
Total:	152	312	464	161	157	318

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

3.17 Retirement benefits obligation

As of December 31, 2022, the Group has obligations for a defined benefit plan upon retirement of BGN 112 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.

As of March 31, 2023, the value of retirement benefits obligation remains BGN 112,000. (Note 3.17).

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

	March 31, 2023	December 31, 2022
Liabilities at the beginning of the period	-	-
Liabilities paid during the period	-	-
Expenses recognized in profit or loss		
Current service expense	111	111
Finance costs on future liabilities	1	1
Actuarial loss, recognized in other comprehensive income	-	-
Liabilities at the end of the period	112	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 2019 – 2021 according to the data of the National

All amounts are in thousand Bulgarian leva unless otherwise stated
Statistical Institute;

- statistics of the National Center for Health Information on disability of the population and premature retirement.

3.18 Trade payables

	March 31, 2023	December 31, 2022
Suppliers	4 042	1 797
Advances on customers	-	94
Total:	4 042	1 891

3.19 Payables to employees and social security obligations

	March 31, 2023	December 31, 2022
Payables to employees	618	1 213
Liabilities for unused paid leave	579	624
Total:	1 197	1 837

	March 31, 2023	December 31, 2022
Social security and health contributions	311	204

3.20 Tax payables

	March 31, 2023	December 31, 2022
Corporate tax	1 570	479
Value Added Tax	551	797
Income tax	78	51
Payables to customs	184	710
Other taxes	38	37
Total:	2 421	2 074

3.21 Other liabilities

	March 31, 2023	December 31, 2022
Liabilities for participations	505	535
Warranty service provisions	502	502
Guarantees/Rental deposits	63	61
Other liabilities	513	-

All amounts are in thousand Bulgarian leva unless otherwise stated

Total other liabilities

1 583

1 098

3.22 Share capital

Allterco AD was registered in 2010. The share capital of the Parent Company as of March 31, 2023, amounts to BGN 17,999,999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) and is distributed in 17,999,999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) ordinary registered shares with par value of BGN 1 each. The share capital is fully paid in four 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 (eight million and twelve thousand) ordinary registered voting shares was issued, with a nominal value of BGN 1 (one) each.

At the end of 2016 the capital of ALLTERCO AD was increased with a new issue in the amount of 1,500,000 (one million and five hundred thousand) shares on the basis of a successful initial public offering, according to the Prospectus for public offering of shares, approved by the Financial Supervision Commission with Decision № 487 – E of 08.07.2016 entered in the Commercial Register under No.20161108100414 of 08.11.2016.

In 2020 the capital of the Parent Company was increased by cash contributions in the total amount of 2,999,999 (two million nine hundred ninety-nine thousand nine hundred and ninety-nine) against 2,999,999 (two million nine hundred ninety-nine thousand nine hundred and ninety-nine) 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. The public offering of shares from the capital increase of Allterco AD was carried out in the period September 28, 2020 – October 30, 2020 on the basis of a Prospectus, together with the supplements to it, confirmed by the Financial Supervision Commission with Decision № 148-F of February 18, 2020, Decision № 405-E of June 11, 2020, Decision № 601-E of August 13, 2020 and Decision № 791-E of October 29, 2020.

As of March 31, 2023, the shareholders of the Company are:

Name/business name	Number of share:	% of the share capital
Svetlin Todorov	5 847 120	32.48%
Dimitar Dimitrov	5 847 120	32.48%
Individuals, holding less than 5 % of the capital		

All amounts are in thousand Bulgarian leva unless otherwise stated

Other physical persons and legal entities	6 305 759	35.04%
Total	17 999 999.	100.00%

On June 30, 2022, the Allterco AD acquired 40,000 own shares at a price of BGN 19.50 per share, (total for BGN 780 thousand) representing 0.22% of the registered capital through over-the-counter transactions (OTC transactions) from two independent shareholders.

3.23 Retained earnings

	For the period ended on March 31, 2023	For the period ended on December 31, 2022
Balance as of January 1	55 117	26 938
Net profit (owners of the parent company)	6 036	17 434
Profit distribution for dividends	-	(1 800)
Effect of business combination	(1 202)	-
Other changes	-	160
Balance at the period end	59 951	55 117

3.24 Legal reserves

	For the period ended on March 31, 2023	For the period ended on December 31, 2022
Balance as of January 1	1 800	1 800
Effect of business combination	1 004	-
Balance at the period end	2 804	1 800

3.25 Share premium reserve

As of March 31, 2023 and December 31, 2022 the reserves from issue of shares of the Company amount to BGN 5 403 thousand. They are formed by the excess of the proceeds from new shares issued in 2020 above their nominal value, amounting to 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 a decision of General Meeting of Shareholders held on June 28, 2021.

3.26 Revaluation reserve

	For the period ended on March 31, 2023	For the period ended on December 31, 2022
Balance at the beginning of the period	(507)	1 036
Reserve transferred to retained earnings	-	(160)
Reserve related to long-term equity instruments at fair value through other comprehensive income, gross	35	(1 439)

All amounts are in thousand Bulgarian leva unless otherwise stated

Deferred tax	-	56
Balance at the period end	(472)	(507)

The reserve related to long-term equity instruments was reduced by BGN 35 thousand as a result of a fair value revaluation of other long-term capital instruments as of March 31, 2023 and as a result of the sale of some capital instruments during the reporting period.

4 Notes to the consolidated statement of comprehensive income

4.01 Sales revenue and cost of sales

	For the period ended on March 31, 2023			For the period ended on March 31, 2022		
	Devices	Services and rent	Total	Devices	Services and rent	Total
REVENUE	27 595	13	27 608	17 131	19	17 150
<i>Book value of goods sold</i>	(12 434)	-	(12 434)	(7 795)	-	(7 795)
<i>Costs</i>	(207)	-	(207)	(49)	(39)	(88)
COST OF SALES	(12 641)	-	(12 641)	(7 844)	(39)	(7 883)
GROSS PROFIT	14 954	13	14 967	9 287	(20)	9 267

4.02 Other operating revenue

	For the period ended on March 31, 2023	For the period ended on March 31, 2022
Rentals and overheads	-	11
Liabilities written-off	27	5
Financing/ electricity price compensations	5	7
Gains on currency transactions and exchange rate gains, net	-	346
Other operating income	9	29
Total:	41	398

4.03 Administrative expense

	For the period ended on March 31, 2023	For the period ended on March 31, 2022
Materials	(113)	(87)
Hired services	(2 511)	(904)
Depreciation/amortization expenses	(156)	(251)
Employees expenses	(4 036)	(3 026)
Other administrative expenses	(13)	(21)
Total:	(6 829)	(4 289)

All amounts are in thousand Bulgarian leva unless otherwise stated

4.04 Other operating income

	For the period ended on March 31, 2023	For the period ended on March 31, 2022
Written off receivables	(76)	(52)
Bank fees and charges	(115)	(19)
Prototyping costs	(15)	(6)
Interest, fines and penalties	(3)	(22)
Other	(12)	(8)
Total:	(221)	(107)

4.05 Financial expenses

	For the period ended on March 31, 2023	For the period ended on March 31, 2022
Foreign exchange expenses	(224)	-
Lease interest	(2)	(2)
Loans interest	(15)	(13)
Banking financial services	-	(29)
Total:	(241)	(44)

4.06 Income tax expense

	For the period ended on March 31, 2023	For the period ended on March 31, 2022
Current tax expense	(1 095)	(589)
Tax effect from temporary differences	-	-
Tax expense	(1 095)	(589)

All amounts are in thousand Bulgarian leva unless otherwise stated

5. Contingent liabilities and commitments

As of 31.03.2023, contingent liabilities and commitments 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	Raiffeisenbank Bulgaria EAD	Allterco AD	Allterco 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 Allterco Properties EOOD; Pledge of receivables on bank accounts of the Allterco 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	Raiffeisenbank Bulgaria EAD	Allterco Robotics EOOD	Allterco AD – guarantor	BGN 1 956 thousand (EUR 1 million)	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 of Allterco Robotics EOOD
Contract for a standard investment loan № 2757 of 28.09.2020	-	DSK Bank AD	Allterco Properties EOOD	Allterco 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 Allterco Properties EOOD; Pledge of receivables on bank accounts of the company and Allterco Trading EOOD in DSK Bank.

On July 29, 2022, Allterco 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 (for further information see note 11).

As of 31.12.2022, contingent liabilities and commitments 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	KBC Bank	Allterco AD	Allterco 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 Allterco Properties EOOD; Pledge of receivables on bank accounts of Allterco AD in the bank. Pledge under the Financial

All amounts are in thousand Bulgarian leva unless otherwise stated

								Collateral Contracts Act;
Overdraft September 30, 2019 – Agreement pursuant to Art. 114, para. 10 of POSA	Annexes No 1/ August 28, 2020	KBC Bank	Allterco Robotics EOOD	Allterco AD – guarantor	BGN 1 955 thousand (EUR 1 million)	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 Allterco Robotics EOOD in bank
Contract for a standard investment loan № 2757 of 28.09.2020	-	DSK Bank AD	Allterco Properties EOOD	Allterco 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 Allterco Properties EOOD; Pledge of receivables on bank accounts of the company and Allterco Trading EOOD in DSK Bank.

6. Сделки със свързани лица

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

Allterco 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 remuneration totaling BGN 258 thousand (31.03.2022: BGN 45 thousand.) from Allterco AD. The remuneration paid was in accordance with the disclosed Remuneration policy and the changes made in the number and composition of the members of the Board of Directors of the Parent Company, were adopted at the extraordinary General Meeting held on April 8, 2022.

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 Allterco AD with variable remuneration in shares of the Parent Company for the period 2022 - 2025.

All amounts are in thousand Bulgarian leva unless otherwise stated

7. Financial instruments by categories

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

31 март 2023					
<i>Financial assets according to the Statement of financial position</i>	Financial assets at amortized cost - Cash	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	33 549	-	-	-	33 549
Other long - term capital investments	-	-	865	-	865
Long term trade receivables	-	1 027	-	-	1 027
Trade receivables	-	21 244	-	-	21 244
Deposits in commercial companies and guarantees	-	96	-	-	96
TOTAL FINANCIAL ASSETS	33 549	22 367	865	-	56 781

31 март 2023			
<i>Financial liabilities according to the Statement of financial position</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Lease liabilities	464	-	464
Bank loans	2 084	-	2 084
Trade liabilities	4 042	-	4 042
Contributory obligations	505	-	505
Guarantees	63	-	63
TOTAL FINANCIAL LIABILITIES	7 158	-	7 158

December 31, 2022					
<i>Financial assets according to the Statement of financial position</i>	Financial assets at amortized cost - Cash	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	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

All amounts are in thousand Bulgarian leva unless otherwise stated

<i>Financial liabilities according to the Statement of financial position</i>	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	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 loan 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

All amounts are in thousand Bulgarian leva unless otherwise stated
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:

	In EUR	In USD	In other foreign currency	In BGN	Total
March 31, 2022					
Cash and cash equivalents	23 336	3 486	7	6 720	33 549
Long-term trade receivables	1 027	-	-	-	1 027
Other long-term equity instruments	-	-	865	-	865
Trade receivables	20 740	168	8	328	21 244
Deposits in commercial companies	-	-	-	96	96
TOTAL ASSETS	45 103	3 654	880	7 144	56 781
Lease liabilities	291	-	-	173	464
Bank loans	1 938	146	-	-	2 084
Trade payables	2 451	939	-	652	4 042
Contributory obligations	-	-	-	505	505
Guarantees	-	-	-	63	63
TOTAL LIABILITIES	4 680	1 085	-	1 393	7 158
December 31, 2022					
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

All amounts are in thousand Bulgarian leva unless otherwise stated
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 31.03.2023 79% of Groups assets are in EUR, 6% in USD and 1.5% 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
	%		%	
2023	+/-1.00%	37	+/-1.00%	9
2022	+/-1.00%	102	+/-1.00%	14

The change in the exchange rate of the Norwegian krone also has an effect on other components of equity. 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.

The Group owns shares that are subject to trading on a regulated market, and during 2021 and 2022 the Group sold part of its shares. For the remainder of the shares, the Group is exposed to risks of negative changes on the regulated market in Norway.

As of March 31, 2023, the Group owns 593 536 shares of the capital of Link Mobility Group, which are traded on regulated market. The value of one share at market close as of 31.03.2023 is NOK 8.42 or the total value of the owned securities amounts to NOK 4 997 573 (BGN 858 thousand). If the quote changes by 1% the value of the shares will change by NOK 49 976 (BGN 8 thousand).

Risk of the interest-bearing cash flows

The companies within the Group do not have a significant concentration of interest-bearing assets, except for 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 (1M EURIBOR).

All amounts are in thousand Bulgarian leva unless otherwise stated

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.

March 31, 2023	Interest-free	With floating interest %	With fixed interest %	Total
Cash and cash equivalents	-	-	33 549	33 549
Trade receivables	21 244	-	-	21 244
Long term trade receivables	1 027	-	-	1 027
Deposits in commercial companies and guarantees	96	-	-	96
TOTAL ASSETS	22 367	-	33 549	55 916
Lease liabilities	-	-	464	464
Bank loans	-	541	1 543	2 084
Trade payables	4 042	-	-	4 042
Contributory obligations	505	-	-	505
Guarantees	63	-	-	63
TOTAL LIABILITIES	4 610	541	2 007	7 158

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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 mobile operators or other customers, which in most cases are 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.

As of March 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 March 31, 2023, the Group has not written off receivables and no impairment of receivables has been accrued. As of December 31, 2022, receivables amounting to BGN 1 444 thousand are reported as written-off by the Group and BGN 441 thousand are recognised as impairment of receivables.

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

	As of March 31, 2023	As of December 31, 2022
Cash and cash equivalents	33 549	28 148
Long-term trade receivables	1 027	1 027
Short-term financial assets	-	175
Trade receivables	21 244	19 776
Total	55 820	49 126

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

	31.03.2023			
	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and cash equivalents	33 549	-	-	33 549
Long-term trade receivables	1 027	-	-	1 027
Trade receivables	20 920	-	850	21 770

All amounts are in thousand Bulgarian leva unless otherwise stated

Total	55 496	-	850	56 346
Booked provisions (ECL) for financial assets	(50)	-	(476)	(526)
Financial assets, net of booked provisions	55 446	-	374	55 820

	31.12.2022			
	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:

<i>Gross carrying amount of the financial instruments</i>	<i>Stage 1 - expected credit loss for 12 months period</i>	<i>Stage 2 - expected credit loss for the period of the financial asset life</i>	<i>Stage 3 - expected credit loss for the period of the financial asset life</i>	<i>TOTAL</i>
Gross carrying amount as of December 31, 2022	48 802	-	850	49 652
Changes during the period:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	82 898	-	-	82 898
Maturity of financial assets	(76 204)	-	-	(76 204)
Gross carrying amount as of March 31, 2023	55 496	-	850	56 346

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

All amounts are in thousand Bulgarian leva unless otherwise stated

Gross carrying amount as of December 31, 2021	40 758	-	4 327	45 085
Changes during the period:				
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 first quarter of 2023 and 2022 are presented below:

	<i>Stage 1 - expected credit loss for 12 months period</i>	<i>Stage 2 - expected credit loss for the period of the financial asset life</i>	<i>Stage 3 - expected credit loss for the period of the financial asset life</i>	<i>TOTAL</i>
ECL provision as of December 31, 2022	(50)	-	(476)	(526)
Changes during the period:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-
Maturity of financial assets	-	-	-	-
ECL provision as of March 31, 2023	(50)	-	(476)	(526)

	<i>Stage 1 - expected credit loss for 12 months period</i>	<i>Stage 2 - expected credit loss for the period of the financial asset life</i>	<i>Stage 3 - expected credit loss for the period of the financial asset life</i>	<i>TOTAL</i>
ECL provision as of December 31, 2021	-	-	(237)	(237)
Changes during the period:				
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)

All amounts are in thousand Bulgarian leva unless otherwise stated

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.

March 31, 2022	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	-	-	-	-	-	-	-	33 549	33 549
Trade receivables	15 851	2 682	739	2 026	-	-	-	-	21 244
Long-term trade receivables	-	-	-	-	1 027	-	-	-	1 027
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	96	96
TOTAL ASSETS	15 851	2 628	739	2 026	1 027	-	-	33 645	55 916
Lease liabilities	14	27	40	71	312	-	-	-	464
Bank loans	171	111	162	263	369	1 008	-	-	2 084
Trade payables	1 067	135	264	2 576	-	-	-	-	4 042
Contributory obligations	10	20	475	-	-	-	-	-	505
Guarantees	-	-	-	-	-	63	-	-	63
TOTAL LIABILITIES	1 262	293	947	2 910	681	1 071	-	-	7 158
December 31, 2022	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

All amounts are in thousand Bulgarian leva unless otherwise stated

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.

Allterco 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:

	31 март 2023	31 декември 2022
Total debt capital, incl.	12 242	9 726
-Bank loans	2 084	2 156
-Lease liabilities	464	138
Less: cash and cash equivalents	33 549	28 148
Net debt capital	(21 307)	(18 422)
Total equity	85 381	79 072
Total capital	64 074	60 650
Debt ratio	0.00%	0.00%

As the cash is larger than the debt capital, the Company 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:

All amounts are in thousand Bulgarian leva unless otherwise stated

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	29 082	830	28 148	-
Financial liabilities				
Lease liabilities	318	-	275	-
Bank loans	2 156	-	1 866	-
TOTAL LIABILITIES	2 474	-	2 141	-
	Book value	Level 1	Level 2	Level 3
March 31, 2023				
Financial assets				
Other long - term capital investments	865	865	-	-
Cash and cash equivalents	33 549	-	33 549	-
TOTAL ASSETS	34 414	865	33 549	-
Financial liabilities				
Lease liabilities	464	-	399	-
Bank loans	2 084	-	1 942	-
TOTAL LIABILITIES	2 548	-	2 341	-

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

No adjusting or non-adjusting events have occurred between the date of this consolidated financial statement and the date of approval for its publication, except as follows:

After the end of the reporting period, the Company provided an additional cash contribution of EUR 500,000 to its subsidiary – the Slovenian company GOAP Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica. The additional cash contribution was granted for a period of 1 year at an annual interest rate of 1 % and was granted to cover losses and provide a temporary need for cash to continue the normal trading activities of the Slovenian company.

All amounts are in thousand Bulgarian leva unless otherwise stated

On 12 May 2023 Allterco JSCo published an invitation for a general meeting of shareholders, which will be held on 12 June 2023 in Sofia, Bulgaria.