ALLTERCO AD

ANNUAL CONSOLIDATED REPORT ON THE ACTIVITY
ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

(Unofficial translation of the original in Bulgarian)

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

DEAR SHAREHOLDERS,

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

The circumstances that occurred in 2022, which the Company's management believes may be of significance to the investors in deciding to acquire, sell or continue to hold publicly offered securities, have been disclosed within the time limits provided for in the Public Offering of Securities Act and by the Financial Supervision Commission, investors and the regulated securities market.

This Report on the activity of Allterco AD ("the Company"/ "the Issuer") presents information about the Company and its subsidiaries, together the Group on consolidated basis as of December 31, 2022 and covers the period 01.01.2022-31.12.2022 ("the reporting period").

1. GENERAL INFORMATION ABOUT THE COMPANY

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

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

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

The Company operates in accordance with Bulgarian legislation.

The Issuer is part of an economic group that consists of the parent company Allterco AD and its subsidiaries which as of December 31, 2022 are as follows:

- Allterco Robotics EOOD, Bulgaria;
- Allterco Properties EOOD, Bulgaria;
- Allterco Trading EOOD, Bulgaria;
- Shelly USA Inc., USA (previously Allterco Robotics US);
- Allterco Europe GmbH, Germany.

As of the end of the reporting period, the issued, subscribed, paid up and registered capital of the Company amounts to BGN 17 999 999 (seventeen million nine hundred and ninety-nine thousand nine hundred and ninety-nine leva), divided into17 999 999 (seventeen million nine hundred and ninety-nine thousand nine hundred and ninety-nine) dematerialized ordinary registered voting shares with par value of 1 (one) BGN each.

The share capital was fully paid in by five contributions:

- Contribution in kind representing 100% of the shares of Teravoice EAD, with a monetary valuation of BGN 50 000 (fifty thousand leva);
- Contribution in kind representing 69.60% of the shares of Tera Communications AD, with a monetary valuation of BGN 5 438 000 (five million four hundred and thirty-eight thousand leva);
- A combination of contributions in kind and monetary contributions amounting to BGN 8 012 000 (eight million and twelve thousand leva).
- Cash contributions at the total amount of BGN 1 500 000 (one million and five hundred thousand leva) against subscribed and paid 1 500 000 (one million and five hundred thousand) dematerialized ordinary registered voting shares with a par value of 1 BGN as a result of a procedure for initial public offering of a new issue of shares.
- Cash contributions at the total amount of BGN 2 999 999 (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine leva) against subscribed and paid 2,999,999 (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine) dematerialized ordinary registered voting shares with a par value of 1 BGN as a result of a procedure for initial public offering of a new issue of shares. The public offering of shares from the capital increase of Allterco AD was held in the period 28.09.2020 – 30.10.2020 on the basis of a Prospectus together with its supplements as affirmed by the Financial Supervision Commission with Ordinance No 148-E of 18.02.2020, Decision No 405-E of 11.06.2020, Decision No 601-E of 13.08.2020 and Decision No 791-E of 29.10.2020.

As of December 31, 2022, the capital structure of ALLTERCO AD is as follows:

SHAREHOLDER	PERCENTAGE OF THE CAPITAL
Svetlin Todorov	32,48 %
Dimitar Dimitrov	32,48 %
Other individuals and legal entities	35,04 %

As of December 31, 2022, the Company has 40,000 own shares, representing 0.22% of its capital.

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

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

1.2. Information about the management system

As of 31.12.2022, ALLTERCO AD has a one-tier management system - 5-member Board of Directors (BD).

During the reporting period, changes were made in the composition of the Company's Board of Directors. By decision of an extraordinary General Meeting of Shareholders, held on 08.04.2022, the number and members of the Board of Directors were changed from three to five members, joining Mr. Wolfgang Kirsch and Mr. Gregor Bieler to the current BD members.

Pursuant to the decision of the General Meeting of Shareholders at its first meeting, held on 08.04.2022, the Board of Directors elects among its members executive members, chairman and deputy chairman, as follows:

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

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

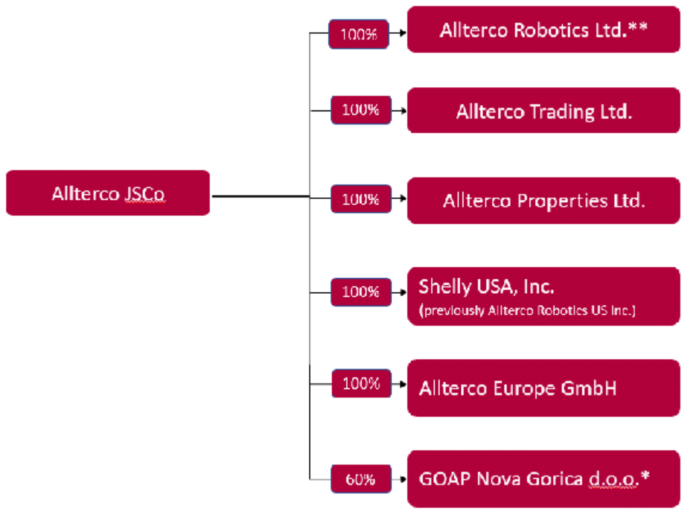
2. REVIEW OF THE COMPANY'S BUSINESS ACTIVITY AND STATUS

As of 31.12.2022 Allterco AD reports investments in the following companies:

- 100% of the capital of Allterco Robotics EOOD, Bulgaria;
- 100% of the capital of Allterco Properties EOOD;
- 100% of the capital of Allterco Trading EOOD
- 100 % of the capital of Shelly USA, USA (previously Allterco Robotics US);
- 100 % of the capital of Allterco Europe GmbH, Germany.

Allterco AD has an associate company in China, Allterco Asia Ltd. 91440300MA5GMK2T5B, with seat and management address: number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China. The share capital of the new company is CNY 100 000, and the share of Allterco AD is 30% with an option to acquire additional up to 50% and reach a controlling stake of up to 80% at the discretion of Allterco AD if the project develops successfully.

The structure of the economic group at the date of issue of this Report includes the following companies:



* During the reporting period, there was no change in the economic group of Allterco AD, but a change occurred after the end of the reporting period, as in January 2023, the Company completed the phase I of the acquisition of the Slovenian IoT supplier Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica, ("GOAP" or the "Acquiree") 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.

The remaining 40% of the Acquiree's equity, owned by three owners – individuals, are subject to an options contract, which was signed along with the SPAs. 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).

**During the reporting period, the subsidiary Allterco Robotics EOOD established a branch in Ireland, registered in the Trade Register of Ireland (Companies Registration Office) with reg. number 909893 and address 38 Upper Mount Street, Dublin, D02 PR89, Ireland.

3. RESULTS FROM OPERATIONS

3.1. Revenue and results from operations

At the end of the reporting period, Allterco AD reports on a consolidated basis a profit at the amount of BGN 17 433 thousand, which represents an increase in profit by 9,7% compared to the same reporting period of the prior year.

At the end of the reporting period, ALLTERCO AD reports on a consolidated basis an operating income amounting to BGN 94 190 thousand, which is an increase by 54,75% compared to prior year. Revenue from sale of devices increased by 58,1%.

REVENUE	2020 BGN'000	change %	2021 BGN'000	change %	2022 BGN'000
Revenue from sales of devices	39 117	50.4%	58 831	58.1%	93 007
Revenue from sales of services	7 225	-90.6%	678	-74.8%	171
Other operating income	1 013	34.1%	1 358	-25.5%	1 012
Total operating income	**47 355**	**28.5%**	**60 867**	**54.75%**	**94 190**
Profit share in associates	-	-	32	268.8%	118
Gains on transactions with financial assets	3 446	-92.7%	250	-100.0%	-
Total financial income	**3 446**	**-92.7%**	**282**	**-58.2%**	**118**

3.2. Operating expenses

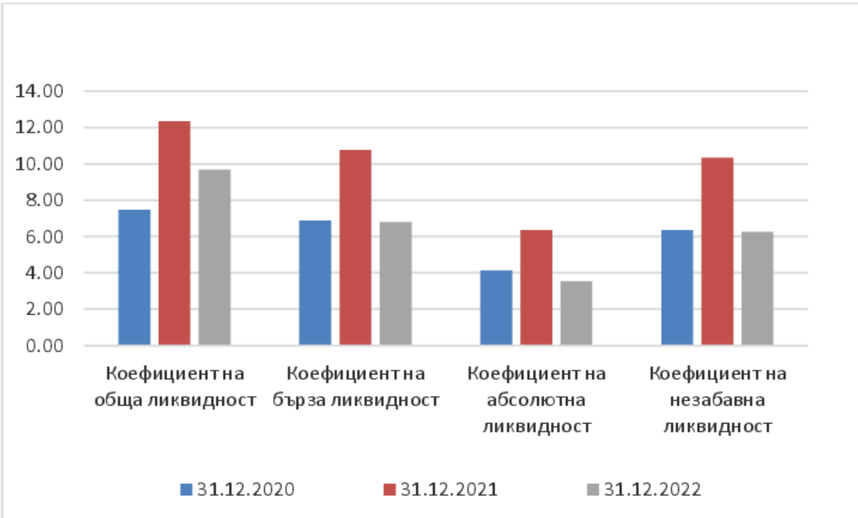
At the end of the reporting period, the total operating expenses of ALLTERCO AD on consolidated basis increased by 75,6 % compared to the same reporting period of the prior year. The increased amount of expenses was largely due to an increase in salary expenses, which grew by 92,9% compared to prior period, other operating expenses, which increased by 123,2% compared to 2021, sales expenses, which increased by 47.7%, as well as hired services expenses, which increased by 42.1% compared to 2021 and impairment expenses which increased by 464.4%. The increase in other operating expenses was mainly due to receivables written off and/or impaired.

The remuneration and insurance expenses (53,3%) represent the largest share in reported expenses for the period, followed by sales expenses by 14,5% and hired services expenses with a share of 12,8 in the total operating expenses.

EXPENSES	2020 BGN'000	change %	2021 BGN'000	change %	2022 BGN'000
Expenses for materials	131	45.0%	190	167.9%	509
Hired services expenses	1 377	80.0%	2 478	42.1%	3 521
Depreciation/ amortization expenses	353	-45.3%	193	162.2%	506
Salaries, social insurance and health insurance contributions	6 115	24.1%	7 590	92.9%	14 644
Other expenses	723	126.4%	1 637	-23.3%	1 255
Total administrative expenses	**8 699**	**39.0%**	**12 088**	69.1%	**20 435**
Impairment expenses	483	-30.8%	334	464.4%	1 885
Sales expenses	542	397.4%	2 696	47.7%	3 981
Other operating expenses	632	-16.0%	531	123.2%	1 185
Total operating expenses	**10 356**	**-17.9%**	**15 649**	**75.6%**	**27 486**

3.3. Financial indicators

Liquidity



LIQUIDITY RATIOS	2020	2021	2022
Current ratio	7.47	12.34	9.68
Quick ratio	6.88	10.77	6.79
Absolute liquidity ratio	4.13	6.34	3.53
Cash ratio	6.34	10.32	6.25

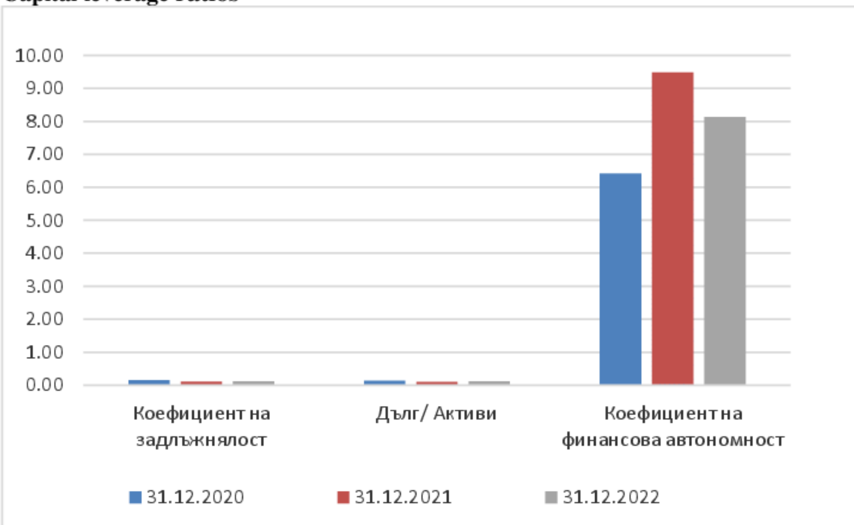
The current liquidity ratio at the end of the reporting period decreased due to the following: the current assets increased by 29,8% compared to the end of 2021, while the current liabilities decreased by 13,1%.

The quick liquidity ratio at the end of the reporting period decreased due to the following: inventories increased by 204,3% compared to the end of 2021, while the current liabilities increased by 65,4%.

The absolute liquidity ratio at the end of the reporting period decreased due to the following: the current liabilities increased by 65,4% compared to the end of 2021, while cash decreased by 7,8%.

The cash ratio at the end of the reporting period decreased due to the following: The current liabilities increased by 65,4% compared to the end of 2021, while cash decreased by 7,8% and the trade receivables increased by 12,9%.

Capital leverage ratios



FINANCIAL LEVERAGE RATIOS	2020	2021	2022
Debt / Equity	0.16	0.11	0.12
Debt/ Assets	0.13	0.10	0.11
Equity/ Debt	6.42	9.49	8.13

The change in the debt/equity ratio at the end of the reporting period is due to the following: the Company's total liabilities increased by 40,9% compared to the end of 2021, and equity increased by 20,7%.

The change in the debt/assets ratio at the end of the reporting period is due to the following: the Company's total assets increased by 22,6% compared to the end of 2021, while the Company's total liabilities increased by 40,9%.

The change in the equity/debt ratio at the end of the reporting period is due to the following: the total liabilities of the Company increased by 40,9% compared to the end of 2021, and the equity has increased by 20,7%.

3.4. Key indicators

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

Financial result

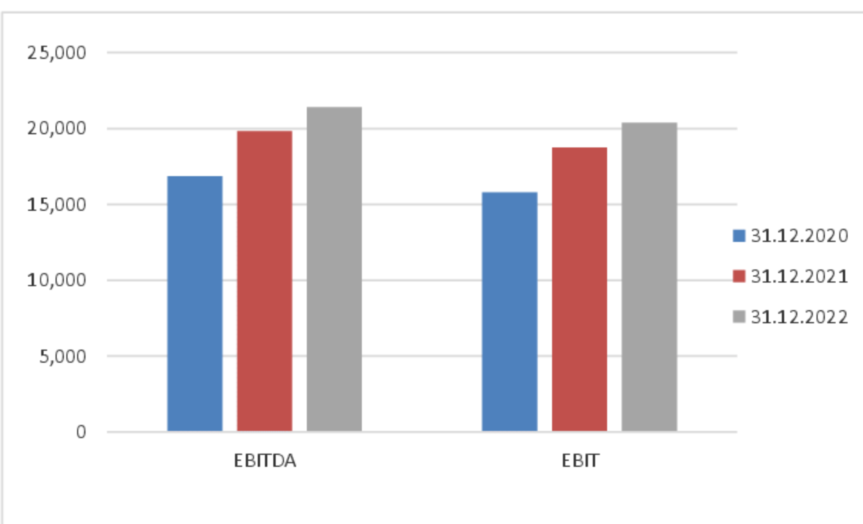


Table 6

	2020	2021	2022
EBITDA	16 859	19 814	21 405
EBIT	15 797	18 746	20 377

The calculation of the above indicators includes the gains on the sale of financial assets (realized in 2020 and 2021), which are ordinary operating revenues for a holding company.

Table 7

INDICATORS	2020 BGN'000	2021 BGN'000	2022 BGN'000
Sales revenue	46 342	59 509	93 178
Equity	56 836	65 502	79 072
Non-current liabilities	2 549	2 087	1 757
Current liabilities	6 308	4 816	7 969
Non-current assets	18 603	12 991	11 692
Current assets	47 090	59 414	77 106
Working capital	40 782	54 598	69 137
Cash	26 050	30 541	28 148
Total debt	8 857	6 903	9 725
Interest expense	110	81	69
Inventory	3 660	7 560	23 002
Current receivables	13 948	19 167	21 647
Expenses for ordinary activities	9 343	14 291	26 474
Materials expenses	131	190	509

3.5. Profitability ratio

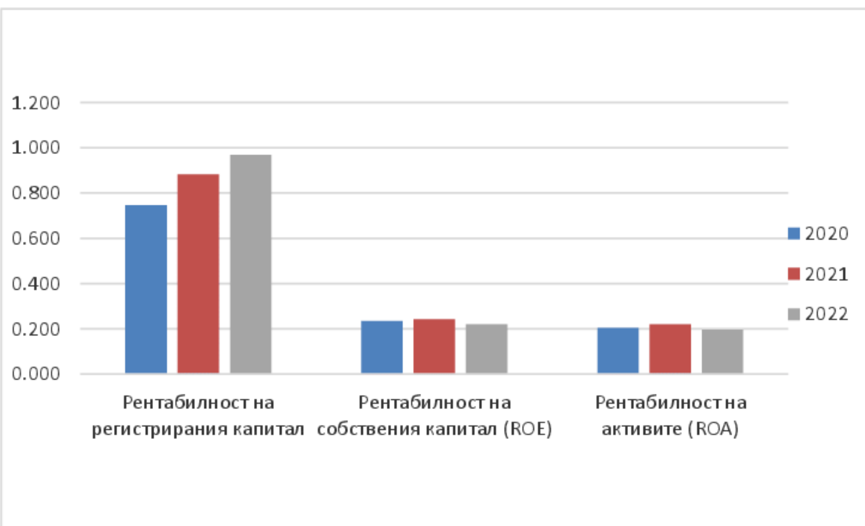


Table 8

PROFITABILITY RATIO	2020	2021	2022
Return on registered capital	0.747	0.883	0.969
ROE	0.235	0.243	0.220
ROA	0.205	0.219	0.196

Return on equity (ROE)

As of the end of the reporting period, the Return on equity ratio decrease to 0,22 compared to the same period of the prior financial year. It is due to the increase by 9.7% in the net profit compared to 2021 while the Company's equity increased by 20,7%.

Return on assets (ROA)

The value of ROA ratio as of the end of 2022 is 0,196 and decreases compared to the prior financial year. For 2022, ALLTERCO AD reports an increase of the net profit by9.7%, whereas the Company's assets increase by 22,6%.

Return on registered capital

As of the end of the reporting period, the Return on registered capital is 0,969, which is an increase compared to 2021. In 2022 compared to 2021, the Company's net profit increase, whereas the Company equity remains unchanged.

4. HUMAN RESOURCES

As of the end of the reporting period, the average number of employees in the Group is 152 people, including the Board of Directors 5.

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

The Company's management strives to improve the standard of living of its employees beyond the working hours during which they are directly focused on their business commitments. The expenses for salaries and social security for 2022 amount to BGN 14 644 thousand (2021: BGN 7 590 thousand).

5. ENVIRONMENTAL PROTECTION POLICY

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

Some of the companies in the Group produce electrical and electronic equipment - smart devices, including those with built-in batteries. The companies in the Group implement the measures required by the law in relation to obsolete electrical and electronic equipment (including its batteries), as well as its packaging by participating in collective waste management systems.

6. NON-FINANCIAL REPORTING

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

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

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

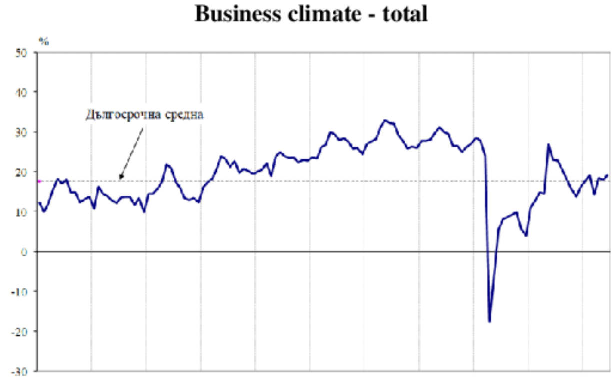
Given the criteria set out in the Accountancy Act, it can be concluded that Allterco AD, on a consolidated basis, is not obliged to report non-financial information separately or as part of the report of the Board of Directors.

7. MAIN RISKS FOR THE COMPANY

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

7.1. SYSTEMATIC RISKS

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

Type of risk	Description
POLITICAL RISK	Political risk is the likelihood of a change of Government, or of a sudden change in its policy, of occurrence of internal political upheavals and unfavourable changes in European and/or national legislation, which would have an adverse impact on the environment in which local businesses operate, and investors would incur losses. In November 2021, the country held for the second time early parliamentary elections for the Ordinary National Assembly, as a result of which for the political party ruling in last 12 years lost its position in the state governance. After voting in June 2022, a motion of censure to the coalition government formed at the end of 2021, early parliamentary elections were held in September 2022. Due to the impossibility of forming a regular government as of the date of this report, a procedure for new elections on April 2, 2023 is in process. Political risks for Bulgaria internationally are related to the commitments undertaken to implement serious structural reforms in the country in its capacity as an equal member of the EU, increasing social stability, limiting inefficient spending, on the one hand, as well as threats of terrorist attacks in Europe, strong destabilization of the Middle East countries, the military interventions and conflicts in the region of the former Soviet Union, the refugee waves generated by these factors, and the potential instability of other key countries in the immediate vicinity of the Balkans. Other factors that also affect this risk are the possible legislative changes and in particular, those concerning the economic and investment climate in the country.
GENERAL MACRO-ECONOMIC RISK	According to the National Statistical Institute, in December 2022 **the total business climate indicator** increased by 1.0 percentage points compared to November. An increase in the indicator was observed in industry and retail trade, the construction sector maintains its level, and in the services sector a decrease was noted.[1] **Business climate - total**  Source: NSI

[1] Business Conjuncture, December 2022 \| National statistical institute (nsi.bg)

	According to ECB forecasts from December 2022, global real GDP growth (excluding the euro area) is expected to slow down to 2.6% in 2023 - below the long-term average, before recovering gradually to 3 .1% and 3.3% in 2024 and 2025, respectively. This outlook is below he forecasted one in September 2022. Average annual real GDP growth is expected to slow down significantly, from 3.4% in 2022 to 0.5% in 2023, after which to accelerate to 1.9% in 2024 and to 1.8% in 2025. [2]
INTEREST RATE RISK	The interest rate risk is related to possible, eventual, adverse changes in the interest rates established by the financial institutions of the Republic of Bulgaria. At its December meeting, the ECB's Governing Council decided to raise the three main interest rates by 50 basis points and, given the substantially upwardly revised inflation outlook, it is expected to raise them further. According to this decision, the interest rate on the main refinancing operations and the interest rates on the marginal credit facility and on the deposit facility were increased to 2.50%, 2.75% and 2.00%, respectively, effective as of December 21, 2022. The ECB's Governing Council estimated that interest rates would need to rise significantly at a steady pace to reach sufficiently restrictive levels to ensure a timely return of inflation to the medium-term target of 2%. Keeping interest rates at restrictive levels will reduce inflation over time, dampening demand, and also guard against the risk of a sustained upward shift in inflation expectations. Future decisions of the ECB Governing Council on key interest rates will continue to be data-dependent and will be taken separately at each meeting. [3]

01.01.2022	0.00
01.02.2022	0.00
01.03.2022	0.00
01.04.2022	0.00
01.05.2022	0.00
01.06.2022	0.00
01.07.2022	0.00
01.08.2022	0.00
01.09.2022	0.00
01.10.2022	0.49
01.11.2022	0.59
01.12.2022	1.30

*Source BNB[4]

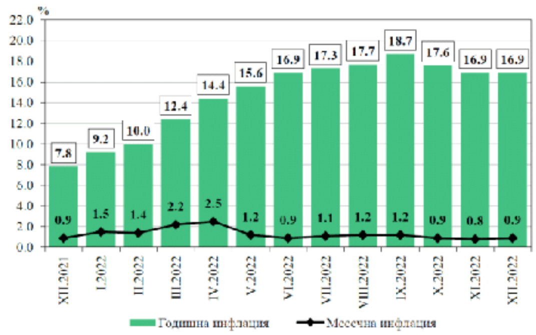
INFLATION RISK	Inflation risk is a general rise in prices in which money depreciates and there exists a probability of loss to households and firms. The consumer price index (CPI) is an official measure of inflation in the Republic of Bulgaria. It estimates the total relative change in the prices of goods and services used by households for personal (non-production) consumption and the index is calculated by applying the structure of the final cash consumer expenditure of Bulgarian households. According to the NSI in December 2022 the monthly inflation, measured by the **consumer price index (CPI)**, is 0.9% compared to the previous month, whereas the annual inflation for December 2022 compared to December 2021 is 16.9%. The average annual inflation for the period January - December 2022 compared to the period January - December 2021 is 15.3%. [5]

[2] https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202208.bg.html

[3] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202208_bg.pdf

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

[5] http://www.nsi.bg/bg/content/20021/прессъобщение/инфлация-и-индекси-на-потребителските-цени-за-декември-2022-година

	 ** Inflation, measured by the CPI, by months, Source: NSI* According to the harmonized index of consumer prices (HICP) in December 2022 the **monthly inflation** is 0.8% compared to the previous month, whereas the **annual inflation** for December 2022 compared to December 2021 is 14.3%. The average annual inflation for the period January - December 2022 compared to the period January - December 2021 is 13.0%. [6] Headline inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), fell in January 2023, for the third consecutive month, driven by lower energy price inflation. The further decline from 9.2% in December 2022 to 8.5% in January 2023 reflected a sizeable drop in energy inflation from 25.5% to 17.2%. At the same time, food inflation rose further from 13.8% in December to 14.1% in January, and HICP excluding energy and food (HICPX) inflation was unchanged from December, standing at 5.2%. While NEIG inflation increased further to a new record level of 6.9%, services inflation declined from 4.4% in December to 4.2% in January.[7]
CURRENCY RISK	Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than BGN and EUR. Since, according to the current legislation in the country the Bulgarian lev is fixed to the euro in the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian levs in circulation equal to the bank's foreign exchange reserves, the risk of devaluation of the BGN compared to the European currency is minimal and consists in the eventual early abolition of the currency board in the country. At this stage, this seems unlikely, as the currency board is expected to be abolished upon the adoption of the EUR in Bulgaria as an official unit of payment. Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country must maintain the exchange rate compared to the EUR within +/- 15% against the central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly less than the allowed ones of ± 15%. On July 10, 2020, Bulgaria joined the ERM II exchange rate mechanism, known as the 'euro area's waiting room'. The central rate of the Bulgarian lev is fixed at EUR 1 = BGN 1.95583. Around this central exchange rate of the BGN, the standard range of plus or minus 15 percent will be maintained. Bulgaria joins the exchange rate mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB [8]. At the same time, our country must enter into close cooperation with the unified banking supervision.

[6] Inflation and consumer price indices in December 2022 | National statistical institute (nsi.bg)
[7] https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202208.bg.html
[8] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html

[redacted]

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<tr><td></td><td>
The fixed exchange rate of the BGN to the EUR does not eliminate for the Bulgarian currency the risk of unfavorable movements of the euro exchange rate against other major currencies (US dollar, British pound, Swiss franc) on the international financial markets, but at present the Company does not consider that such a risk would be material to its business.
The Company may be affected by currency risk depending on the type of cash flow currency and the type of currency of the Company's potential loans.
The Allterco AD Group companies operate in Bulgaria as well as in EU countries and other countries, mainly in the USA and the Asia-Pacific region. At present, the main revenues from the Group's IoT business are in BGN or EUR, and the costs of delivery of goods in this segment are mainly in US dollars and are largely tied to the Chinese yuan, which is why the appreciation of the US dollar or Chinese yuan would have an adverse effect on the business performance. In terms of US dollar exposure, the Group companies are expected to have significant US dollar sales revenue in the US and other non-EU markets in the future, which to some extent balances the Group's net exposure to this major currency.
To limit the effects of the currency risk, the companies of the Group have introduced a system for planning the deliveries from countries inside and outside the EU, as well as procedures for ongoing monitoring of the movements in the exchange rates of the foreign currencies and control over the forthcoming payments. Currently, the Group companies do not use derivative instruments for hedging the currency risk but, if necessary, the management is ready to enter into such transactions.
</td></tr>
<tr><td>Credit risk of the state</td><td>
Credit risk represents the probability of deterioration of Bulgaria's international credit ratings, caused by the inability of the state to regularly repay its liabilities. Low credit ratings of the state may lead to higher interest rates, more difficult financing conditions for both state and individual entities, including the Issuer. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a state's credit risk. Bulgaria's credit rating is presented in the table below:
Table 1: Credit risk of Bulgaria
<table>
<tr><th>Credit agency</th><th>Date of last modification</th><th>Long-term rating</th><th>Outlook</th></tr>
<tr><td>Standard & Poor's</td><td>26.11.2022 [9]</td><td>BBB/A-2</td><td>Stable</td></tr>
<tr><td>Fitch</td><td>17.06.2022 [10]</td><td>BBB</td><td>Positive</td></tr>
</table>
Source: Ministry of Finance
The international rating agency S&P Global Ratings confirmed the long-term and short-term credit rating of Bulgaria in foreign and local currency 'BBB/A-2'. The outlook for the rating remains stable.
The stable outlook balances the weaker expectations for Bulgaria's economic growth in the short term and increased domestic political uncertainty on the one hand, and the country's low net public debt and low interest costs, on the other hand. According to S&P Global Ratings, this development gives Bulgaria policy space and makes its public finances less sensitive to rapidly rising interest rates globally. Bulgaria is currently experiencing high inflation, which according to S&P Global Ratings could pose a challenge to its membership of the Eurozone from 2024. (note Allterco AD: On February 17, 2023 Rositsa Velkova, acting as Minister of Finance announced that the adoption of the euro is postponed to July 1, 2024, the reasons being high inflation and incompatible Bulgarian legislation with that of the ECB).
S&P Global Ratings expect Bulgaria's GDP growth to weaken significantly in the coming months. Although in 2022 the economy remained more resilient to the consequences of the Russia-Ukraine conflict than the rating agency initially expected, several challenges still lie ahead. Expectations are that external demand from Bulgaria's main trading partners in the EU and consumption will decrease, since continued high inflation, estimated at nearly 10% on average in 2023, will weigh on actual wages. EU financed projects are considered to have a positive effect on the economy as they are supporting it. S&P Global Ratings forecast less than 1% growth in 2023 which is a significant slowdown compared to the 3% in 2022.
</td></tr>
</table>

[9] https://www.minfin.bg/bg/news/12025
[10] https://www.minfin.bg/bg/news/11631

	Bulgaria's successful accession to the Eurozone will eliminate the residual currency risk for the Euro in the economy, it will improve the country's access to European capital markets and allow local commercial banks direct access to the ECB's resources. As at the moment, however, Bulgaria's inflation is high (nearly 15%), which, according to the rating agency, may complicate the task of meeting the convergence criteria next year with this indicator. Domestic political uncertainty also continues with a caretaker government in place after the last election in October 2022, complicating the process of preparing to join the Eurozone. The rating agency would raise the credit rating upon the country's accession to the Eurozone, as well as upon significant improvement of Bulgaria's external position. S&P noted that they would downgrade the rating if Bulgaria's economic outlook worsened significantly from their current expectations, which could happen, for example, due to more significant indirect effects from a slowdown in global growth, a significant deterioration in the regional security situation, or a disruption in imports of energy from Russia, threatening the availability of sufficient energy supplies for the Bulgarian economy.[11] Fitch Ratings continue to expect a moderate increase in growth in 2023 (to 3.8%), largely due to stronger investments related to EU funds. Political uncertainty remains an important downside risk. The re-emerging prospect of new elections could delay the uptake of the Recovery and Resilience Plan, which was finally approved in April 2022. However, the risks of a more substantial delay appear limited at present, underscoring the resilience of the economy over the past few years as to internal as well as external shocks. Fitch Ratings expect the deficit to narrow to 2.9% of GDP in 2023, as spending pressures ease. Despite larger deficits, Bulgaria's public debt level will remain very low compared to EU countries and those with a BBB rating. The main factors that could lead to an increase in the rating are progress towards joining the Eurozone, including greater confidence in Bulgaria meeting the membership criteria and improving the growth potential of the economy. Factors that could lead to a downgrade include a significant delay in joining the Eurozone or a major adverse macroeconomic shock that would significantly reduce medium-term growth prospects compared to the rating agency's current expectations.[12]
Risk of unemployment	As a major factor affecting consumer purchasing power, an increase in unemployment would reduce the demand for IoT products. On the other hand, the demand for personnel from the business continues to be extremely active and such risk seems insignificant within the next year. Eurostat estimates that in January 2023, the euro area seasonally-adjusted unemployment rate was 6.7 %, stable compared with December 2022 and down from 6.9 % in January 2022. The EU unemployment rate was 6.1 % in January 2023, also stable compared with December 2022 and down from 6.3 % in January 2022. [13] The 4.7% unemployment reported by the National Employment Agency's administrative statistics for the last month of 2022 registered the lowest value of the indicator for December and continues to mark a decline in terms of annual dynamics - in this case by 0.1 percentage points. [14]
Legal Risk	Although Bulgaria has introduced a number of significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonied with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic and it is difficult to effectively resolve property disputes, breaches of laws and contracts, etc. Deficiencies in the legal infrastructure can result in uncertainty arising from the implementation of corporate actions, supervision and other issues.

[11] https://www.minfin.bg/bg/news/12025

[12] https://www.minfin.bg/bg/news/11867

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

[14] https://www.az.government.bg/bg/news/view/2022-g-zavyrshva-s-naj-niskoto-registrirano-ravnishte-na-bezrabotica-za-dekemvri-3939/

Tax Risk	It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, as a result of which a contradictory tax practice may arise.

7.2. UNSYSTEMATIC RISKS

Risks related to the industry in which the Group operates

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

Risk of key personnel shortage

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

Competitive Risk

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

Personal Data Security and Cyber Attacks Risk

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

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

Regulatory and specific technical requirements Risk

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

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

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

Any changes in the regulations of telecommunications services may also have some impact on the Group's operations, as mobile operators are one of the main sales channels for the existing Myki series products. A large part of the IoT devices developed and sold by the companies in the Group use Internet-based technology and can work with the services of any Internet provider. In this respect, the Group is already less dependent on regulations in the field of telecommunications, insofar as the companies in its structure are not telecommunication service providers and mobile operators are only one of the channels for trading and distribution of IoT devices.

Risk of change in technology

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

Risks related to the Group's activities

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

Operational risk

Operational risk can be defined as the risk of losses caused by flawed or failed internal processes related to management. Such risks may arise as a result of:

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

The effects of such circumstances may reduce the Issuer's revenues and deteriorate the results of its activity.

Risk related to business partners

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

Risks arising from new projects

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

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

Liquidity risk

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

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

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

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

The events after the reporting date are disclosed in Note 11 to the 2022 consolidated financial statements.

9. CURRENT TRENDS AND POSSIBLE FUTURE DEVELOPMENT OF THE COMPANY

Allterco AD does not carry out direct production activities. The production activity is carried out by the subsidiaries in the Group.

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

Name of company	Areas of activity for 2023
Allterco AD – parent company	1. Observation, control and decision-making on important issues affecting subsidiaries as sole proprietor or majority owner through: applying the principles of good corporate governance; providing efficient and transparent work conditions; improving the quality of services/products offered; 2. Transactions with assets of the Company and its subsidiaries 3. Management structure establishment 4. Funding the investments and the working capital of subsidiaries 5. Establish a unified financial reporting and accounting policy.
Allterco Trading EOOD	1. Production of children's watches and trackers; 2. B2B trade and distribution of IoT devices, developed or produced by Allterco Robotics EOOD and other companies in the Group.
Allterco Robotics EOOD, Bulgaria	1. Development, production and sale of IoT devices 2 Development activity in the sphere of IoT devices
Allterco Properties EOOD, Bulgaria	Provision of offices and car rental.
Allterco Europe GmbH, Germany	Trade and distribution of IoT products in Europe
Shelly USA Inc (previous name Allterco Robotics US) USA	Trade and distribution of IoT products in North and South America.

10. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company has not carried out any research and development activities and is not planning such activities in the foreseeable future. The Allterco Robotics EOOD subsidiary carried out such activity in 2022.

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

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

Allterco AD purchased own shares during the reporting period. As of December 31, 2022, the Company owns 40,000 own shares, representing 0.22% of its capital.

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

As of the end of the reporting period, the Company's own shares are as specified in item 11.1. above.

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

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

The following remunerations were appointed to the members of the Board of Directors of Allterco AD in 2022:

Table 10

Full name	Position	Remuneration / thousand BGN
Gregor Bieler	Chairman of the Board of Directors	166
Dimitar Stoyanov Dimitrov	Executive Director	60
Wolfgang Kirsch	Executive Director	404
Svetlin Iliev Todorov	Member of the Board of Directors	60
Nikolay Angelov Martinov	Independent member	60

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

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

During the reporting year, some of the members of the Board of Directors received remuneration from the subsidiaries for performing other functions, subject of the Report on the implementation of the Remuneration Policy.

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

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

Table 11

Name	PERCENT OF THE CAPITAL
Svetlin Todorov	32,48%
Dimitar Dimitrov	32,48%
Nikolay Angelov Martinov *	0%
Wolfgang Kirsch	0%
Gregor Bieler**	0%

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

**Gregor Bieler holds less than 0.03% acquired before his appointment as member of the Board of Directors.

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

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

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

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

Table 12

Dimitar Dimitrov as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
DVR Review EOOD entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC): 130554234, having its registered seat and headquarters address in the town of Samokov, 1, Zhitna Charshiya Street, Floor 1	DVR Review EOOD entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC): 130554234, having its registered seat and headquarters address in the town of Samokov, 1, Zhitna Charshiya Street, Floor 1 - direct	DVR Review EOOD entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC): 130554234, having its registered seat and headquarters address in the town of Samokov, 1, Zhitna Charshiya Street, Floor 1 - direct
Auto Lex Consult EOOD entered in the Commercial Register at the Registry Agency under UIC 201113818, with registered office in the city of Sofia, Vitosha municipal district, 5A, Nikola Petkov Blvd., Floor 4 (*as of the date of this Report this circumstance has ceased to exist)*	Auto Lex Consult EOOD entered in the Commercial Register at the Registry Agency under UIC 201113818, with registered office in the city of Sofia, Vitosha municipal district, 5A, Nikola Petkov Blvd., Floor 4- direct; (*as of the date of this Report this circumstance has ceased to exist*)	Auto Lex Consult EOOD entered in the Commercial Register at the Registry Agency under UIC 201113818, with registered office in the city of Sofia, Vitosha municipal district, 5A, Nikola Petkov Blvd., Floor 4– direct *(as of the date of this Report this circumstance has ceased to exist*)
Shelly USA (former name Allterco Robotics US), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect	Teracomm OOD, UIC 131267949 having its registered seat and headquarters address in city of Sofia, Mladost district, 113A, Tsarigradsko Shose Blvd - direct	Allterco Robotics EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
Sat Health AD, entered in the Commercial Register at the Registry Agency under UIC 204705650, having its registered seat and headquarters address in the city of Sofia, Vitosha district, Malinova dolina area, 4-6, Racho Petkov Kazandzhiata Street, office 2	Web Engine OOD, UIC 200303120, having its registered seat and headquarters address in the city of Sofia, Vitosha district 5A, Nikola Petkov Blvd.- direct	Allterco Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD

Dimitar Dimitrov as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
		Shelly USA (former name Allterco Robotics USA), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA
		Allterco Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
		Allterco Asia Ltd. registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Allterco AD
		Allterco Europe GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Allterco AD

Svetlin Todorov as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
Teracomm OOD, UIC 131267949 having its registered seat and headquarters address in city of Sofia, 113A, Tsarigradsko Shose Blvd.	FF Film Haus OOD, UIC 130627604, having its registered seat and headquarters address in the city of Sofia, 60, Osogovo Street - direct	Allterco Robotics EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
FF Film Haus OOD, UIC 130627604, having its registered seat and headquarters address in the city of Sofia, 60, Osogovo Street	Teracomm OOD, UIC 131267949 having its registered seat and headquarters address in city of Sofia, 113A, Tsarigradsko Shose Blvd. - 20% - direct	Allterco Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
Shelly USA (former name Allterco Robotics USA), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA	Web Engine OOD, UIC 200303120, having its registered seat and headquarters address in the city of Sofia, 5A, Nikola Petkov Blvd. - 20 % - direct	Allterco Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD

Svetlin Todorov as of 31.12.2022

Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	Participation in the capital of other companies outside the Group of Allterco AD	Companies in which the person exercises control
		Shelly USA (former name Allterco Robotics USA), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA
		FF Film Haus OOD, UIC 130627604, having its registered seat and headquarters address in the city of Sofia, 60, Osogovo Street - direct
		Allterco Europe GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Allterco AD
		Allterco Asia Ltd. registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Allterco AD

Nikolay Martinov - as of 31.12.2022

Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	Participation in the capital of other companies outside the Group of Allterco AD	Companies in which the person exercises control
Unicom Consult EOOD, UIC 121082655, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., Floor 5, Apt. 9	Unicom Consult EOOD, UIC 121082655, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., Floor 5, Apt. 9 - direct	Allterco Robotics EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
Online Media OOD, UIC:117004285, having its registered seat and headquarters address in the city of Sofia 1415, 11, Nevena Kokanova Street, fl. 5	Online Media OOD, UIC:117004285, having its registered seat and headquarters address in the city of Sofia 1415, 11, Nevena Kokanova Street, floor 5– direct and indirect through e Unicom Consult EOOD, UIC 121082655	Allterco Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD

Nikolay Martinov - as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
Inbro OOD, UIC 121003506, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha District, 271, Tsar Boris III Blvd., fl. 5	United Commercial Outlets AD, UIC: 205329927, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel municipal district, Ovcha Kupel 1 residential district, Block 48, Entrance B, Apt. 47 - indirect through ImVenture I KDA, UIC: 204870431 and ImVenture II KDA, UIC 205737996	Allterco Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
Bioseek AD, UIC 204790412, having its seat address and management address in the city of Sofia 1505 Oborishte municipal district, 42, Ilarion Dragostinov Street, Apt. 37	Inbro OOD, UIC 121003506, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., fl. 5 - direct and indirect through Unicom Consult EOOD, UIC 121082655	Shelly USA (former name Allterco Robotics USA), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect through Allterco AD
Biodit AD, UIC 203854303, having its seat address and management address in the city of Sofia 1756, Studentski municipal district, 125, Kliment Ohridski Blvd. - through Impetus Capital OOD, UIC: 203592737	Impetus Capital OOD, UIC 203592737, having its seat address and management address in the city of Sofia 1784, Mladost district, Mladost 1 residential district, bl. 29A, entrance A, floor 8 - direct	Allterco Europe GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Allterco AD
ImVenture I KDA, UIC 204870431, having its seat address and management address in city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 - as a representative representing legal entity - Impetus Capital OOD, UIC 203592737	Impetus Partners OOD, UIC 205679429, having its registered seat and headquarters address in the city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block of flats 29A, Entrance A, Floor 8 – indirect through Unicom Consult EOOD, UIC 121082655 - direct	Allterco Asia Ltd. registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Allterco AD
ImVenture II KDA, UIC 205737996 Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 - as a representative representing legal entity - Impetus Capital OOD, UIC: 203592737	Housmeister AD, UIC 203037803, having its registered seat and headquarters address in Sofia region, Stolichna Municipality, Sofia 1404, Bulgaria Blvd, No 53, floor 3 - direct	Unicom Consult EOOD, UIC 121082655, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., Floor 5, Apt. 9 - direct
Impuls I AD, UIC 206421264, Sofia 1784, district Mladost, Mladost 1, block 29A, entrance A, floor 8, apt. 38 – as representative of Impetus Capital OOD, UIC: 203592737	Bioseek AD, UIC 204790412, having its seat address and management address in the city of Sofia 1505 Oborishte municipal district, 42, Ilarion Dragostinov Street, Apt. 37 - indirect through Imventure I KDA, UIC: 204870431 and Imventure II KDA, UIC 205737996 and Impetus Capital OOD, UIC 203592737	Online Media OOD, UIC:117004285, having its registered seat and headquarters address in the city of Sofia 1415, 11, Nevena Kokanova Street, floor 5 - direct

Nikolay Martinov - as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
United Commercial Outlets AD, UIC 205329927, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel municipal district, Ovcha Kupel 1 residential district, Block 48, Entrance B, Apt. 47		Inbro OOD, UIC 121003506, having its registered seat and headquarters address in the city of Sofia 1619, Vitosha municipal district, 271, Tsar Boris III Blvd., fl. 5 - direct
Impetus Capital OOD, UIC 203592737, having its seat address and management address in the city of Sofia 1784, Mladost district, Mladost 1 residential district, bl. 29A, entrance A, floor 8, apt. 38		Impetus Capital OOD, UIC 203592737, having its seat address and management address at city of Sofia 1784, Mladost district, Mladost 1 residential district, bl. 29A, entrance A, floor 8, apt 38 - direct
Impetus Partners OOD, UIC 205679429, having its registered seat and headquarters address in the city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, entrance A, floor 8		Impetus Partners OOD, UIC 205679429, having its registered seat and headquarters address in the city of Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, entrance A, floor 8 – indirect through Unicom Consult EOOD, UIC 121082655
Storied Data Inc., having its registered seat and headquarters address at: State of Delaware, 251 Little Falls Drive, city of Wilmington, Delaware 19808, Country of New Castle, USA		Biodit AD, UIC 203854303, having its seat address and management address in the city of Sofia 1756, Studentski municipal district, 125, Kliment Ohridski Blvd – indirect through Impetus Capital OOD, UIC 203592737
		Bioseek AD, UIC 204790412, having its seat address and management address in the city of Sofia 1505 Oborishte municipal district, 42, Ilarion Dragostinov Street, Apt. 37 -indirect through Imventure I KDA, UIC 204870431
		ImVenture I KDA, UIC 204870431, Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 – indirect through Impetus Capital OOD, UIC 203592737
		ImVenture II KDA, UIC 205737996 Sofia 1784, Mladost municipal district, Mladost 1 residential district, Block 29A, Entrance A, Floor 8, Apt. 38 – indirect through Impetus Capital OOD, UIC 203592737

Nikolay Martinov - as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
		ImPuls I AD, UIC 206421264, Sofia 1784, district Mladost, Mladost 1, block 29A, entrance A, floor 8, ap. 38 – indirect through Impetus Capital OOD, UIC 203592737
		United Commercial Outlets AD, UIC 205329927, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel municipal district, Ovcha Kupel 1 residential district, Block 48, Entrance B, Apt. 47 – indirect through ImVenture I KDA, UIC 20487043 and ImVenture II KDA, UIC 205737996
		A4E OOD, UIC 203608928, having its registered seat and headquarters address in the city of Sofia 1618, Ovcha Kupel district, 56, Buket Street, floor 15, apt. 59 – indirect through Impetus Capital OOD, UIC 203592737, ImVenture I KDA, UIC 204870431 and ImVenture II KDA, UIC 205737996

Wolfgang Kirsh as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
Allterco Europe GmbH, registration number HRB 271205, registered office: Lothstr. 5, 80335 München, Germany - – indirect through Allterco AD	Vitaboni AD, registration number HRB 226533 at the Munich Registry Office, having its registered seat and headquarters address: Schellingstr. 48, 80799 München	Allterco Robotics EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
Vitaboni AD, registration number HRB 226533 at the Munich Registry Office, having its registered seat and headquarters address: Schellingstr. 48, 80799 München (as of the date of this Report this circumstance has ceased to exist)		Allterco Trading EOOD, UIC 203348672 having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
		Allterco Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia 103, Cherni Vrah Blvd. – indirect through Allterco AD

Wolfgang Kirsh as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
		Shelly USA (former name Allterco Robotics USA), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect through Allterco AD
		Allterco Asia Ltd., registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Allterco AD
		Allterco Europe GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Allterco AD
		Vitaboni AD, registration number HRB 226533 at the Munich Registry Office having its registered seat and headquarters address: Schellingstr. 48, 80799 München (as of the date of this Report this circumstance has ceased to exist)

Gregor Beiler as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
Digital OOD, having its registered seat and headquarters address at 49, Reuterweg Street, 60323 Frankfurt, Federal Republic of Germany	ICapital Partners AD having its registered seat and headquarters address at Bundesstrace 3, Switzerland – 63.2, Zug	Allterco Robotics EOOD, UIC 202320104, having its registered seat and headquarters address in the city of Sofia, 103, Cherni Vrah Blvd. – indirect through Allterco AD
Dustin Group AB Augustendalsvägen 7 131 52, Nacka Strand, Stockholm, Sweden (as of the date of this Report this circumstance has ceased to exist)	Padres Consulting OOD having its registered seat and headquarters address, 25, Bayerbrunnerstrasse, Federal Republic of Germany – 81479, München	Allterco Trading EOOD, UIC 203348672, having its registered seat and headquarters address in the city of Sofia 103, Cherni Vrah Blvd. – indirect through Allterco AD
		Allterco Properties EOOD, UIC 204639442, having its registered seat and headquarters address in the city of Sofia 103, Cherni Vrah Blvd. – indirect through Allterco AD

Gregor Beiler as of 31.12.2022		
Participation in the governing and supervisory bodies of other companies, their participation as procurators and unlimited partners	**Participation in the capital of other companies outside the Group of Allterco AD**	**Companies in which the person exercises control**
		Shelly USA (former name Allterco Robotics USA), USA, having its registered seat and headquarters address in 5851 W. Charleston Blvd, Las Vegas, NV 89146, USA - indirect through Allterco AD
		Allterco Asia Ltd., registered number 91440300MA5GMK2T5B, having its registered seat and headquarters address at number 716, Building A, XingHe Shiji, Cai Tian road 3069, Gangxia, Futian, Shenzhen, China – indirect through Allterco AD
		Allterco Europe GmbH, registered number HRB 271205, having its registered seat and headquarters address: Lothstr. 5, 80335 München, Federal Republic of Germany - indirect through Allterco AD

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

In 2022, no contracts were concluded with the members of the Board of Directors of the Company or with person related to them, that go beyond the ordinary activities of the Company or significantly deviate from market conditions.

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

Changes in the economic policy of the Company in 2023 are not foreseen. The revenue of the Group will continue to be generated mainly from sale of smart devices.

It is expected that in 2023 the number of employees in the subsidiaries will increase due to:

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

13. BRANCHES OF THE COMPANY

The Company has no registered branches.

One of the subsidiaries – Allterco Robotics EOOD has a registered branch in Ireland in 2022.

14. FINANCIAL INSTRUMENTS USED BY THE COMPANY

Allterco AD and its subsidiaries have not used financial instruments in 2022 to hedge risks from changes in foreign currency exchange rates, interest rates or uncertainty of cash flows. During the reporting year, the Company and its subsidiaries have not performed currency risk hedging transactions.

The Allterco AD has long-term financial instruments and during the reporting period it sold part of them.

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

Information regarding financial instruments and financial risk management is disclosed in Note 8 to the consolidated financial statements.

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

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

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

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

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

15.3. Information about concluded significant deals

During the reporting period Allterco AD has concluded transactions within the ordinary scope of business, which might be considered significant due to their specifics:

- In the first quarter of 2022 Allterco AD has increased the capital of its subsidiary Allterco Robotics EOOD. The registered capital of Allterco Robotics EOOD was increased from BGN 1 500 000 (EUR 766 937.82) with BGN 5 500 000 (EUR 2 812 105.34) to BGN 7 000 000 (EUR 3 579 043.16), by subscribing 5 500 000 company shares with nominal value of BGN 1 each;
- In the second quarter of 2022 Allterco AD has approved financing of the activities of the subsidiary Shelly Inc., USA with the following parameters: (1) providing additional cash contribution in the amount of USD 1 million, for a one- year term at annual interest rate of 1% and (2) increase of the capital in the amount of USD 500 000. At the end of the reporting period the financing was provided fully to the subsidiary.
- In the second quarter of 2022 the Company has acquired 40 000 own shares, representing 0,22% of the capital of Allterco AD through over-the-counter transactions (OTC transactions) at a price of BGN 19,50 for share. At the end of the reporting period the Company continues to hold these shares.
- Long-term investments have been made after the end of the reporting period, in January 2023 the Company completed phase I of the acquisition of the Slovenian IoT provider GOAP Računalniški inženiring in avtomatizacija procesov d.o.o. Nova Gorica, („GOAP" or "Acquiree") 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.

The remaining 40% of the equity of Acquiree, 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).

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

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

The Company has not entered into transactions with its subsidiaries and associated companies that are outside of its usual business or significantly deviate from market conditions. Transactions in the ordinary course of business with subsidiaries include:

- The Company uses cars rented from subsidiary at the total amount of BGN 17 thousand (reported as expenses for depreciation of right-of-use assets in compliance with IFRS 16; the gross book value of the liability is BGN 34 thousand and the current portion of the liability is BGN 17 thousand).
- Allterco AD has granted an additional cash contribution to its subsidiary Allterco Trading EOOD in the amount of EUR 900 000 and the term was extended with one more year. The interest income for the period amounts to BGN 5 thousand. The additional cash contribution was repaid fully in the beginning of a 2022.
- Allterco AD has increased the capital of its subsidiary Allterco Robotics EOOD with BGN 5 500 000 (EUR 2 812 105.34) to BGN 7 000 000 (EUR 3 579 043.16), by subscribing 5 500 000 company shares with nominal value of BGN 1 each.
- The Board of Directors of Allterco AD has approved financing of the activities of the subsidiary Shelly, USA with the following parameters: (1) providing additional cash contribution in the amount of USD 1 million, for a one- year term at annual interest rate of 1% and (2) increase of the capital in the amount of USD 500 000. At the end of the reporting period the financing was provided fully to the subsidiary.
- At the end of 2022 Allterco AD has recognized income from dividend amounting to BGN 4 001 thousand from its subsidiary Allterco Trading.

All transactions between companies within the Group are eliminated in the consolidated financial statement.

After the end of the reporting period, Allterco AD, in its capacity as a lender, provided the amount of EUR 500,000 to its subsidiary under the following conditions: repayment period 31.12.2029, interest - according to statistical data published by the Bulgarian National Bank regarding "Interest rates and volumes on loans, other than overdraft to non-financial corporations sector (in EUR for a period of more than 5 years)".

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

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

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

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

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

As of the end of the reporting period Allterco AD owns shares of subsidiaries as indicated in p. 2 of this Report.

The Company owns 593 536 shares of the capital of Link Mobility Group Holding ASA, “Link Holding”. The indicated number of shares represents the remaining part of a total of 1 345 180 shares, received as part of (20%) of the price in accordance with Share Purchase Agreement (SPA) dated 29.06.2019 for the sale of telecommunications business of Allterco AD in Europe, concluded with Link Mobility Group AS.

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

Allterco AD is a borrower under a Mortgage (investment) loan agreement dated 25.08.2017, concluded with KBC Bank, secured by a guarantee of the subsidiary Allterco Properties EOOD.

The Company has assumed joint liability and a guarantee obligation for securing the following bank financing agreements concluded by its subsidiary Allterco Robotics EOOD with KBC Bank. For further information see Note 5 of the consolidated financial statements of the Company as of December 31, 2022.

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

The Board of Directors of Allterco AD has approved financing of the activities of the subsidiary Shelly USA Inc., USA with the following parameters: (1) providing additional cash contribution in the amount of USD 1 million, for a one- year term at annual interest rate of 1% and (2) increase of the capital in the amount of USD 500 000. At the end of the reporting period the financing was provided fully to the subsidiary.

During the reporting period Allterco AD has not concluded other loan agreements in its capacity of a lender. After the end of the reporting period, Allterco AD, in its capacity as a lender, provided the amount of EUR 500,000 to its subsidiary under the following conditions: repayment period 31.12.2029, interest - according to statistical data published by the Bulgarian National Bank regarding "Interest rates and volumes on loans, other than overdraft to non-financial corporations sector (in EUR for a period of more than 5 years)".

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

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

In 2020, the Company issued new securities as a result of a successful capital increase through an initial public offering. In the course of the offer were subscribed and paid 2 999 999 (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine) dematerialized ordinary registered voting shares with a nominal value of one lev.

As of the end of the reporting period, the Company has spent part of the funds from the new issue of shares, as follows:

- Expansion and building of the distribution network: participation in local and international exhibitions and registration of a subsidiary in Germany and Western Europe which will build on the distribution network and develop new sales channels in Western Europe;
- Working capital: increase of inventories of production of the subsidiaries and of critical electronic components for the manufacturing process.
- Funding of subsidiaries, developing new markets.
- R&D development: increase of IT and engineering staff; expenses for device certification.

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

Allterco AD has not published forecasts for the current financial year on a consolidated basis. The Company has published forecasts for 2022 only on a consolidated basis as part of the Prospectus for public offering of shares from the capital increase of Allterco AD, together with the amendments thereto.

15.12. Analysis and evaluation of the policy on financial resources management, specifying the capabilities for servicing the obligations, possible threats and measures that the issuer has undertaken or is about to undertake to eliminate the risks

ALLTERCO AD and its subsidiaries carry out its operational activities in a way that the management of the financial resources is exclusively subordinated to the maintaining of such a capital structure that will allow to combine the lower risk of using only own funds with the higher efficiency and flexibility of cash flow under conditions of debt financing so that the Company and its subsidiaries are able at any time to switch from one type of financing to another, depending on their specific needs.

Impact of COVID 19 on the business activity:

In 2022, the management continued to successfully implement certain stabilization measures to limit potential negative impact on the Company's personnel and/or financial position. As a result of these measures (introduction of a hybrid work option for the Group's employees; timely resourcing of key production components), the Group is reporting a positive trend in its business development and expects this trend to continue in next financial year.

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

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

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

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

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

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

A general description of the internal control and risk management system

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

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

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

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

Control environment

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

- **Commitment for competence.** The Board of Directors of the Company, as well as those involved in the internal control and risk management process, have the relevant knowledge and skills necessary to perform the tasks. The executive members of the Board of Directors of the Company monitor the levels of competence required for the specific jobs and the ways in which those competences become required skills and knowledge.
- **Participation of those charged with governance.** The awareness of control in the Company is greatly influenced by those charged with governance, namely the Board of Directors. The responsibilities of the members of the Board of Directors are stated in the Statutes of the Company and the management contracts. In addition, the Executive Members of the Board of Directors are also responsible for the supervision of the effective functioning of the early warning procedures and of improving the Company's internal control.
- **Philosophy and operational style of the management.** The philosophy and operational style of the management cover a wide range of characteristics. The attitudes of the members of the Board of Directors and their actions in relation to financial reporting are manifested through the choice of more conservative accounting principles.

- **Organizational structure.** Establishing an appropriate organizational structure includes determining the main areas of authority and responsibility and the appropriate hierarchical levels of accountability and reporting. The Board of Directors assesses the appropriateness of the organizational structure of the Company, taking into consideration the size and nature of the activities performed.
- **Assignment of powers and responsibilities**. When assigning powers and responsibilities of the employees in the Company, the management shall take into account the business practices applicable to the sector, knowledge and experience of employees and available resources available in the Company.
- **Policies and practices related to human resource.** When recruiting staff, the executive members of Board of Directors focus on qualifications, previous professional experience, past accomplishments, and evidence of integrity and ethical conduct. The purpose of corporate management is to hire competent and reliable employees.

Risk assessment process for the Company

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

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

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

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

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

A detailed description of the risks typical for the activity of Allterco AD is presented in the item 7 above MAIN RISKS, WHICH THE COMPANY FACES in this Report.

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

During the reporting period, changes were made to the composition of the Board of Directors of the Company. With a decision of the extraordinary General Meeting of Shareholders held on 08.04.2022 the number and composition of the Board of Directors was changed from three to five members and the current members were joined by Mr. Wolfgang Kirsch and Mr. Gregor Beiler.

Pursuant to the decision of the General Meeting of Shareholders at its first meeting, held on 08.04.2022, the Board of Directors elected from among its members - executive members, chairman and deputy chairman, as follows:

- Gregor Beiler – Chairman;
- Nikolay Martinov – Deputy Chairman;
- Dimitar Dimitrov – Executive Director and representative;
- Wolfgang Kirsch – Executive Director and representative;
- Svetlin Todorov – Member of the Board of Directors and representative;

The members of the Board of Directors representing the Company represent the Company jointly or severally.

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

A) received amounts and non-monetary remunerations

During the reporting period, the members of the Board of Directors received from Allterco AD cash /gross/ in the total amount of BGN 750 thousand in accordance with the effective Remuneration Policy.

- Dimitar Stoyanov Dimitrov – BGN 60 thousand.
- Svetlin Iliev Todorov – BGN 60 thousand.
- Nikolay Angelov Martinov – BGN 60 thousand.
- Wolfgang Kirsch – BGN 404 thousand.
- Gregor Beiler – BGN 166 thousand.

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

- Dimitar Stoyanov Dimitrov – BGN 596 thousand.
- Svetlin Iliev Todorov – BGN 578 thousand.
- Wolfgang Kirsch – BGN 217 thousand.

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

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

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

Based on the adopted decisions on December 13, 2022, at the General Meeting of the Shareholders a decision was taken to grant variable remuneration in shares to the executive members of the Board of Directors of Allterco AD in the form of options, according to the Scheme, namely:

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

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

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

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

(i) 29 513 shares upon meeting conditions provided for in the Scheme for reference year 2022. ("Reserve option 2022 DD");
(ii) 34 675 shares upon meeting conditions provided for in the Scheme for reference year 2023. ("Reserve option 2023 DD");
(iii) 39 675 shares upon meeting conditions provided for in the Scheme for reference year 2024. ("Reserve option 2024 DD");
(iv) 44 512 shares upon meeting conditions provided for in the Scheme for reference year 2025. ("Reserve option 2025 DD").

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

(i) 118 700 shares at QASP of at least EUR 11.16 ("Basic option 11.16 WK");
(ii) 89 025 shares at QASP of at least EUR 18.00 ("Basic option 18 WK");
(iii) 89 025 shares at QASP of at least EUR 27.00 ("Basic option 27 WK");
(iv) 89 025 shares at QASP of at least EUR 38.00 ("Basic option 38 WK");
(v) 89 025 shares at QASP of at least EUR 46.00 ("Basic option 46 WK");
(vi) 118 700 shares at QASP of at least EUR 55.00 ("Basic option 55 WK").

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

(i) 59 025 shares upon meeting conditions provided for in the Scheme for reference year 2022. ("Reserve option 2022 WK");

(ii) 69 350 shares upon meeting conditions provided for in the Scheme for reference year 2023. ("Reserve option 2023 WK");

(iii) 79 350 shares upon meeting conditions provided for in the Scheme for reference year 2024. ("Reserve option 2024 WK");

(iv) 89 025 shares upon meeting conditions provided for in the Scheme for reference year 2025. ("Reserve option 2025 WK

The occurrence of the conditions for exercising the options granted by this decision is subject to assessment by the General Meeting of Shareholders of Allterco AD after the expiration of the Period of execution according to the Scheme and with the decision of the general meeting, which determines the number of shares that the directors of the Company are entitled to receive upon exercising the respective options, the manner in which Allterco AD will secure the shares that it should provide to the directors upon exercising the options granted to them is also determined. The choice of the method of securing the shares to fulfil the obligations under the granted options should be oriented, when other conditions are equal, to achieving the most favorable financial conditions possible for the Company and its shareholders, such as analysis and justification of costs when applying different scenarios, together with the non-financial advantages and disadvantages of the respective scenarios, should be presented in the motives for the proposal.

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

The Company has prepared an actuarial evaluation of the retirement benefits of the staff as of December 31, 2022. As a result of the evaluation long-term retirement obligations to employees are reported in the statement of financial position amounting to BGN 112 thousand.

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

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

Table 14

Name	PERCENTAGE OF THE CAPITAL
Svetlin Todorov	32,48 %
Dimitar Dimitrov	32,48 %
Nikolay Angelov Martinov *	0 %
Wolfgang Kirsc	0 %
Gregor Beiler**	0 %

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

**Gregor Bieler holds less than 0.03% acquired before his appointment as member of the Board of Directors.

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

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

In October 2020, the majority shareholders and members of the Board of Directors - Svetlin Iliev Todorov and Dimitar Stoyanov Dimitrov concluded an Agreement for blocking the currently owned by them a total of 11 552 240 shares of the Company's capital for a period of 3 years, as of the date of entry of the capital increase in the Commercial Register. According to the terms of the agreement, the 6-months lock-up period expired as at the end of the reporting period and the majority shareholders are currently entitled to trade up to 7% of their shareholdings. Svetlin Iliev Todorov and Dimitar Stoyanov Dimitrov have agreed between themselves and in favor of the public listed company. The agreement is still in force during the reporting period.

Another factor as a result of which changes might occur in the relative portion of shares owned by the current shareholders is the decision taken on December 13, 2022 at the General Meeting of the Shareholders for granting variable remuneration in shares to the members of the Board of Directors of Allterco AD in the form of options, according to the Remuneration policy for the members of the Board of Directors and Scheme for granting variable remuneration in shares of the Company to the members of the Board of Directors in the period 2022 – 2025, as described in p. 15.17, letter „b" of this Report.

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

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

In connection with the Share Purchase Agreement (SPA) concluded in 2019 between Allterco AD and Link Mobility Group, Norway for the acquisition of its European telecommunications business, during the reporting period an out-of-court agreement was reached for payment of the overdue last contribution, 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 920 thousand was written-off.

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

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

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

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

The Company has no obligation for non-financial reporting.

15.23. Other information at the discretion of the Company

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

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

Date	Volume	Turnover	Highest value	Lowest value	Opening value	Closing value
18.01.2023	16 146	346 222.10	22,200	20,200	20,600	21,300
30.12.2022	65 128	1 333 161.95	20,900	19,900	19,950	20,600
30.11.2022	54 880	1 064 068.65	20,900	18,050	18,650	19,900
31.10.2022	51 521	872 052.30	18,650	15,800	16,500	18,650
30.09.2022	25 488	451 478.40	18,850	16,250	18,800	16,700
31.08.2022	95 508	1 772 671.75	20,500	17,800	17,900	18,800
29.07.2022	43 301	775 046.00	18,550	17,500	18,300	17,950
30.06.2022	34 228	633 077.35	19,000	17,600	18,500	18,750
31.05.2022	27 401	499 185.55	19,750	17,050	19,750	18,000
29.04.2022	51 828	1 042 375.50	21,300	18,750	19,000	19,800
31.03.2022	123 107	2 105 993.00	19,500	14,000	18,800	19,000
28.02.2022	55 488	1 081 219.70	21,400	16,700	20,000	19,000
31.01.2022	81 865	1 574 830.20	22,000	17,500	21,800	19,800

Source: Investor.bg

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

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

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

In relation to the Company’s shares being listed on the Frankfurt Stock Exchange and the requirements of this regulated market, inside information is provided simultaneously also through the electronic reporting system, created and maintained by Deutsche Börse AG - Exchange Reporting System (ERS) The inside information, distributed via ERS, is published on the investor portal of Deutsche Börse (https://www.boerse-frankfurt.de/) and https://www.dgap.de/ via authorized intermediary EQS Group.

Date: 2.05.2023

Executive Director: Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:49:18 +03'00'

/Dimitar Dimitrov/

CORPORATE GOVERNANCE STATEMENT

OF ALLTERCO AD

in accordance with the provisions of

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

for the period from 01.01.2022 to 31.12.2022

This Corporate Governance Statement of Allterco AD (the "Company") has been prepared in accordance with the requirements of art. 100n, para. 8 of the Public Offering of Securities Act (POSA) in connection with Art. 11, item 1 of REGULATION No. 2 of 09.11.2021 on initial and subsequent disclosure of information during public offering of securities and admission of securities to trading on a regulated market and applies to the period 01.01.2022 - 31.12. .2022 (the "Reporting Period")

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

ALLTERCO AD and its management comply, as appropriate, with the National Corporate Governance Code. Some of the recommendations of the National Code are not yet fully implemented by the corporate management of the Company, but the Board of Directors is committed to continue to bring the activities of ALLTERCO AD in line with them in 2023.

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

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

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

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

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

I. Chapter One – Corporate management

ALLTERCO AD is a Company with a one-tier management system and is managed by a Board of Directors.

Functions and obligations

The Board of Directors steers and controls independently and responsibly the activities of the Company in accordance with the established vision, goals, strategies of the Company and the interests of shareholders and stakeholders.

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

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

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

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

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

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

The Board of Directors promotes the implementation and observes the compliance by the subsidiaries of the adopted principles for sustainable development at the group level, thereby contributing to the establishment of a culture of sustainable development.

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

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

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

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

Election and dismissal of members of the Board of Directors

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

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

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

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

During the reporting financial year, ALLTERCO AD implemented the Remuneration Policy of the members of the Board of Directors, adopted by the Annual General Meeting of Shareholders, last modified through decision dated 13.12.2022. The remuneration of the members of the Board of Directors and information on its amount is duly disclosed in the activity report of the Board of Directors, as well as in the Report on the Implementation of the Remuneration Policy of the members of the Board of Directors, which are an integral part of the annual financial statements of the Company.

Structure and competence

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

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

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

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

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

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

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

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

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

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

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

Remuneration

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

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

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

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

Pursuant to the Remuneration Policy adopted by the General Meeting of Shareholders, the Company may pay executive members of the Board of Directors variable share-based remuneration in order to directly engage management in the achievement of long-term corporate objectives. Variable share-based remuneration is not provided for non-executive members of the Board of Directors. The share-based remuneration of the Company, the criteria for granting and the amounts are determined on the basis of the Share-based Remuneration Scheme, as approved by the General Meeting of Shareholders and adopted with decision dated 13.12.2021, which is in force as of the date hereof.

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

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

Conflict of interests

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

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

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

Committees

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

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

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

The Articles of Association of the Company also provide for the possibility of establishing an Advisory Board by decision of the Board of Directors.

II. Chapter Two – Audit and internal control

The Board of Directors is assisted by an Audit Committee.

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

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

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

III. Chapter Three – Protection of shareholders' rights

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

In the reporting period, the Company held one regular and two extraordinary General Meetings of Shareholders, complying with all the requirements of Art. 115 et seq. of the POSA, announcing the decision for its convention and publishing the invitation together with the materials thereto in the manner specified by the law. The shareholders were guaranteed the opportunity to add new items to the agenda under Art. 223a of the Commercial Act. The Statutes of the

Company provide for the invitation to the General Meeting to contain the information required under the Commercial Act and POSA, as well as additional information on exercising the right to vote and the possibility to add new items to the agenda under Art. 223a of the CA.

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

General Meeting of Shareholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Materials for the General Meeting of Shareholders

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

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

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

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

Equal treatment of shareholders of the same class

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

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

Consultations between shareholders regarding their basic shareholder rights

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

Transactions of shareholders with controlling rights and abusive transactions

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

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

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

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

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

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

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

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

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

The Company maintains a website - www.allterco.com with approved content, scope and frequency of the information disclosed through it. The content of the Company's website fully covers the recommendations of the National Corporate Governance Code.

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

The Company periodically discloses information about the corporate governance.

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

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

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

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

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

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

V. Chapter Five – Stakeholders. Sustainable development.

The corporate management is committed to establishing specific actions and policies regarding the sustainable development of the Company, but at present, given the lack of a legal requirement for this, it does not disclose information related to the climate and social aspects of the Company's activities.

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

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

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

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

The corporate management ensures that all stakeholders are sufficiently informed of their statutory rights. As at the end of the reporting period, the corporate management has not developed specific policies to address stakeholder interests, but is committed to taking appropriate action to comply with this requirement in 2023.

The corporate management is committed to establishing specific actions and policies regarding the sustainability of the Company.

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

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

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

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

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

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

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

Table No21

NAME OF SHAREHOLDER	PERCENT OF THE CAPITAL
Svetlin Todorov	32.48%
Dimitar Dimitrov	32.48%
Other individuals and legal entities	35.04%

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

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

ALLTERCO AD has no shareholders with special control rights.

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

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

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

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

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

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

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

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

The Board of Directors of ALLTERCO AD has the following powers:

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

(i) plans and programs for the Company's activities;

(ii) organizational structure of the Company;

(iii) participation in tenders and competitions;

(iv) adopts the rules for the Board of Directors' activities, as well as changes to these rules;

(v) election and dismissal of its Executive Members;

(vi) acquisition by the Company of interests in other companies;

(vii) opening and closing branches of the Company in the country and abroad;

(viii) acquisition and disposal of real estate and limited real estate rights owned by the Company;

(ix) establish a mortgage on Company's real estate or a pledge on fixed tangible assets of the Company;

(x) granting loans to non-related third parties, providing guarantees, taking out guarantees and providing collaterals for obligations of non-related third parties, signing bank credit agreements for amounts (excluding interest and expenses) exceeding 3% (three percent) the amount of the Company's consolidated revenues reported in the last audited annual financial statements of the Company;

(xi) operating or finance lease contracts for amounts exceeding BGN 250,000 (excluding interest and expenses due) sighed by the Company;

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

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

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

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

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

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

5. Members and functions of the administrative, management and supervisory bodies of ALLTERCO AD and their committees

ALLTERCO AD has a one-tier management system. The Company is managed and represented by a Board of Directors, which, as of the date of preparation of this Declaration, has the following members, according to a decision of the General Meeting of Shareholders held on April 8, 2022:

- Dimitar Stoyanov Dimitrov
- Svetlin Iliev Todorov
- Nikolay Angelov Martinov
- Wolfgang Kirsch
- Gregor Bieler

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

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

The Board of Directors can make decisions in absentia.

Committees:

The Company has an audit committee elected by the Annual General Meeting of Shareholders consisting of: Anelia Petkova Angelova - Tumbeva, Marian Nikolov, Albena Benkova Beneva. The Audit Committee performs its functions in accordance with the Articles of Association adopted by the Annual General Meeting of Shareholders and the requirements of the Independent Financial Audit Act. The members of the Audit Committee, Marian Nikolov and Albena Beneva, have applied for their release from the Audit Committee for personal reasons, and in compliance with the legal requirements, new replacement applicants will be reviewed at the next General Meeting of Shareholders.

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

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

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

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

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

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

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

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

In accordance with the latest amendments to the Articles of Association, adopted on October 15, 2021, the Board of Directors decided to form an Advisory Board and appointed Mr. Gregor Bieler as its chairman. Due to the subsequent election of Mr. Gregor Bieler as an independent member of the Board of Directors, an incompatibility with his function as Chairman of the Advisory Board has arisen and he has announced his withdrawal from this position. Due to the lack of members for more than 6 months, the Board of Directors has decided to suspend the Advisory Board and there is no such body operating in the Company as at the end of the reporting period.

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

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

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

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

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

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

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

Dimitar Stoyanov Dimitrov
Digitally signed by Dimitar Stoyanov Dimitrov
Date: 2023.05.02 20:49:42 +03'00'

………………………………………………………………

Dimitar Dimitrov

Executive Director of ALLTERCO AD

ALLTERCO AD

UIC 201047670

DECLARATION

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

We, the undersigned,

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

and

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

Hereby DECLARE that to the best of our knowledge:

1. The consolidated annual financial statements of ALLTERCO AD for 2022, prepared in accordance with the applicable accounting standards, present correctly and fairly the information about the assets and liabilities, financial standing and profit or loss of ALLTERCO AD and its subsidiaries;

2. The 2022 consolidated report on the activities contains a truthful overview of the development and results of the activities of ALLTERCO AD and its subsidiaries, as well as the position of ALLTERCO AD and its subsidiaries, together with a description of the main risks and uncertainties they face.

Declarants:

Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:49:56 +03'00'

……………………………………

Dimitar Dimitrov
Executive Director

Svetozar Gospodinov Iliev Digitally signed by Svetozar Gospodinov Iliev Date: 2023.05.02 20:37:59 +03'00'

……………………………………

Svetozar Iliev

Chief Financial Officer

ALLTERCO AD
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

(Unofficial translation of the original in Bulgarian)

ALLTERCO

All amounts are in thousand Bulgarian leva unless otherwise stated

ASSETS	**Note**	**December 31, 2022**	**December 31, 2021 (restated)**
Non-current assets			
Property, plant and equipment	3.01	4 653	4 798
Intangible assets	3.02	4 220	3 116
Right-of-use assets	3.03	296	108
Advance payments for asset acquisition		-	19
Goodwill	3.04	160	160
Investments in associates	3.05	158	40
Other capital investments	3.06	830	2 624
Trade receivables	3.07	1 027	2 054
Deferred tax assets	3.08	348	72
Total non-current assets		**11 692**	**12 991**
Current assets			
Inventory	3.09	23 002	7 560
Trade receivables	3.10	21 647	19 167
Other receivables	3.11	3 622	1 912
Short-term financial assets	3.12	175	-
Cash and cash equivalents	3.13	28 148	30 541
Prepaid expenses	3.14	512	234
Total current assets		**77 106**	**59 414**
TOTAL ASSETS		**88 798**	**72 405**

Date: May 2, 2023

Preparer: Silviya Ivanova Tomova — Digitally signed by Silviya Ivanova Tomova Date: 2023.05.02 21:08:27 +03'00'
/Sylvia Ivanova Tomova/

Executive Director: Dimitar Stoyanov Dimitrov — Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:50:39 +03'00'
/Dimitar Stoyanov Dimitrov/

Desislava Dinkova Peneva — Digitally signed by Desislava Dinkova Peneva Date: 2023.05.02 23:15:33 +03'00'

Desislava Dinkova

Registered auditor in charge of the audit

Statutory Manager at Deloitte Audit OOD

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

The consolidated statement of financial position shall be read together with the accompanying notes on pages 7-71. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

LIABILITIES	**Note**	**December 31, 2022**	**December 31, 2021 (restated)**
Non-current liabilities			
Bank loans	3.15	1 488	2 007
Lease liabilities	3.16	157	80
Retirement benefit obligations	3.17	112	-
Total non-current liabilities		**1 757**	**2 087**
Current liabilities			
Bank loans	3.15	668	572
Lease liabilities	3.16	161	58
Trade payables	3.18	1 891	1 557
Payables to employees	3.19	1 837	173
Payables to social security obligations	3.19	204	115
Tax payables	3.20	2 074	1 315
Other liabilities	3.21	1 098	1 026
Deferred income		36	-
Total current liabilities		**7 969**	**4 816**
TOTAL LIABILITIES		**9 726**	**6 903**
EQUITY			
Share capital	3.22	18 000	18 000
Purchased own shares		(780)	-
Retained earnings	3.23	55 117	39 324
Legal reserves	3.24	1 800	1 800
Premium reserve	3.25	5 403	5 403
Revaluation reserve	3.26	(507)	1 036
Exchange differences from translation of foreign subsidiaries' financial statements		39	(61)
TOTAL EQUITY		**79 072**	**65 502**
TOTAL EQUITY AND LIABILITIES		**88 798**	**72 405**

Data: May 2, 2023

Preparer: Silviya Ivanova Tomova
Digitally signed by Silviya Ivanova Tomova Date: 2023.05.02 21:09:37 +03'00'
/Sylvia Ivanova Tomova/

Executive Director Dimitar Stoyanov Dimitrov
Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:50:57 +03'00'
/Dimitar Stoyanov Dimitrov/

Desislava Dinkova

Registered auditor in charge of the audit

Statutory Manager at Deloitte Audit OOD

Desislava Dinkova Peneva
Digitally signed by Desislava Dinkova Peneva Date: 2023.05.02 23:16:07 +03'00'

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

The consolidated statement of financial position shall be read together with the accompanying notes on pages 7-71. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	Year ended December 31, 2022	Year ended December 31, 2021 (restated)
Sales revenue	4.01	93 178	59 509
Cost of sales	4.01	(46 327)	(26 722)
Gross profit		**46 851**	**32 787**
Other operating income	4.02	1 012	1 358
Sales expenses		(3 981)	(2 696)
Administrative expenses	4.03	(20 435)	(12 088)
Impairment expense	4.04	(1 885)	(334)
Other operating expenses	4.05	(1 185)	(531)
Profit from operating activity		**20 377**	**18 496**
Finance income	4.06	-	250
Finance expense	4.07	(265)	(126)
Share of associated companies' profit	3.05	118	32
Profit before tax		**20 230**	**18 652**
Income tax expense	4.08	(2 797)	(2 760)
Net profit		**17 433**	**15 892**
Other comprehensive income:			
Items, that will not be reclassified to profit or loss			
Other long-term capital instruments		(1 383)	(3 573)
Exchange differences from translation of foreign subsidiaries' financial statements		100	(95)
Exchange differences of written-off investments		-	(246)
Other comprehensive income for the period after taxes		**(1 283)**	**(3 914)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**16 150**	**11 978**
Earnings per share	4.09	**0.97**	**0.88**

Date: May 2, 2023

Preparer: Silviya Ivanova Tomova Digitally signed by Silviya Ivanova Tomova Date: 2023.05.02 21:10:08 +03'00'

/Sylvia Ivanova Tomova/

Executive Director Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:51:34 +03'00'

/Dimitar Stoyanov Dimitrov/

Desislava Dinkova

Registered auditor in charge of the audit

Statutory Manager at Deloitte Audit OOD

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

Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2023.05.02 23:16:38 +03'00'

The consolidated statement of comprehensive income shall be read together with the accompanying notes on pages 7-71. The notes are an integral part of these consolidated financial statements.

АЛТЕРКО АД

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *UIC 201047670*

FOR THE YEAR ENDED DECEMBER 31, 12

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, 2021	**18 000**	**26 938**	**4 849**	**5 703**	**1 500**	**(138)**	**280**	**57 132**	**(296)**	**56 836**
Legal reserves replenishment	-	-	-	(300)	300	-	-	-	-	-
Net profit	-	15 892	-	-	-	-	-	15 892	-	15 892
Other comprehensive income	-	-	(3 573)	-	-	-	(341)	(3 914)	-	(3 914)
Other adjustments	-	240	(240)	-	-	-	-	-		-
Dividends distribution	-	(3 600)	-	-	-	-	-	(3 600)	-	(3 600)
Sale of repurchased own shares	-	-	-	-	-	138	-	138	-	138
Change in non-controlling interest	-	(296)	-	-	-	-	-	(296)	296	-
Effect from sale of subsidiaries	-	150	-	-	-	-	-	150	-	150
Balance at December 31, 2021 (restated)	**18 000**	**39 324**	**1 036**	**5 403**	**1 800**	**-**	**(61)**	**65 502**	**-**	**65 502**
Balance at January 1, 2022	**18 000**	**39 324**	**1 036**	**5 403**	**1 800**	**-**	**(61)**	**65 502**	**-**	**65 502**
Total comprehensive income, net, incl.	-	17 433	(1 383)	-	-	-	100	16 150		16 150
Net profit	-	*17 433*	-	-	-	-	-	*17 433*	-	*17 433*
Other comprehensive income, gross	-	-	*(1 439)*	-	-	-	*100*	*(1 339)*	-	*(1 339)*
Deferred tax	-	-	*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**

Date: May 2, 2023

Preparer: Silviya Ivanova Tomova Digitally signed by Silviya Ivanova Tomova Date: 2023.05.02 21:10:42 +03'00'

/Sylvia Ivanova Tomova/

Executive Director Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:51:51 +03'00'

/Dimitar Stoyanov Dimitrov/

Desislava Dinkova

Registered auditor in charge of the audit

Statutory Manager at Deloitte Audit OOD

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

Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2023.05.02 23:17:03 +03'00'

The consolidated statement of changes in equity shall be read together with the accompanying notes on pages 7-71. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities			
Proceeds from customers		83 914	57 364
Payments to suppliers		(65 109)	(36 973)
Taxes paid		(4 621)	(3 054)
Corporate tax paid		(2 660)	(2 087)
Payments to employees and social security institutions		(10 879)	(6 972)
Other payments, net		(374)	(139)
Net cash flows from operating activities		**271**	**8 139**
Cash flows from investing activities			
Cash flows related to non-current tangible and intangible assets		(2 176)	(1 583)
Cash flows from sale of property, plant and equipment		-	44
Proceeds from the sale of investments		2 798	2 054
Purchase of investments		(130)	(18)
Net cash flows from investing activities		**492**	**497**
Cash flows from financing activities			
Repurchased own shares		(780)	-
Lease payments		(104)	(75)
Loans repaid		(510)	(502)
Cash flows related to interest and commissions		(61)	(73)
Dividends paid		(1 800)	(3 600)
Other payments, net		(71)	(45)
Net cash flows used in financing activities		**(3 326)**	**(4 295)**
Net increase/(decrease) in cash and cash equivalents for the year		**(2 563)**	**4 341**
Net exchange differences		**170**	**150**
Cash and cash equivalents at the beginning of the year		30 541	26 050
Cash and cash equivalents at the end of the year	*3.13*	**28 148**	**30 541**

Date: May 2, 2023

Preparer: Silviya Ivanova Tomova Digitally signed by Silviya Ivanova Tomova Date: 2023.05.02 21:11:30 +03'00'

/Sylvia Ivanova Tomova/

Executive Director Dimitar Stoyanov Dimitrov Digitally signed by Dimitar Stoyanov Dimitrov Date: 2023.05.02 20:52:08 +03'00'

/Dimitar Stoyanov Dimitrov/

Desislava Dinkova

Registered auditor in charge of the audit

Statutory Manager at Deloitte Audit OOD

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

Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2023.05.02 23:17:27 +03'00'

The consolidated statement of cash flows shall be read together with the accompanying notes on pages 7-71. The notes are an integral part of these consolidated financial statements.

CONTENTS

All amounts are in thousand Bulgarian leva unless otherwise stated

1. Information on the Group

1.1. Legal status

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 20216 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 December 31, 2021, is as follows:

Name	**Number of shares**	**% of the capital**
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 shares are intended to provide payment of part of the acquisition price of the Slovenian IoT company GOAP d.o.o. Nova Gorica (GOAP).

The composition of the Board of Directors as at December 31, 2022 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

As of December 31, 2022 the Group includes Allterco AD and the following subsidiaries in the country and abroad, which it controls:

Company name	December 31 2022 Percentage of participation	December 31 2021 Percentage of participation
In the country		
ALLTERCO TRADING OOD (Ltd.)	*100%*	*100%*
ALLTERCO ROBOTICS EOOD (Solely-owned LLC)	*100%*	*100%*
ALLTERCO PROPERTIES EOOD (Solely-owned LLC)	*100%*	*100%*

Company name	December 31 2022 Percentage of participation	December 31 2021 Percentage of participation
Abroad		
SHELLY USA (formerly ALLTERCO ROBOTICS INC), USA	*100%*	*100%*
ALLTERCO EUROPE GMBH, Germany	*100%*	*100%*

At the beginning of 2021, Allterco AD acquired a stake in a newly established (associated) company in China - Allterco Asia Ltd. with seat and registered office in Shenzhen, Guangdong Province. The share capital of the new company is CNY 100,000, with the participation of Allterco AD being 30% (BGN 8,000) with the possibility of acquiring additional 50% and reaching a controlling stake of up to 80% at the management's discretion.

In September 2021, Allterco sold its stake in three Asian subsidiaries.

In December 2021, Allterco AD established a new subsidiary in Germany. The name of the new company is Allterco Europe GmbH and has share capital of EUR 500,000, which is 100% held by Allterco AD.

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.

On June 15, 2022 the Board of Directors of Allterco AD took a decision to provide additional funding to the US subsidiary Shelly USA amounting to USD 1.5 million, partially through capital increase in the amount of USD 500 000 and partially through an additional cash contribution in the amount of USD 1 million, for a period of 1 year, at an annual interest rate of 1%.

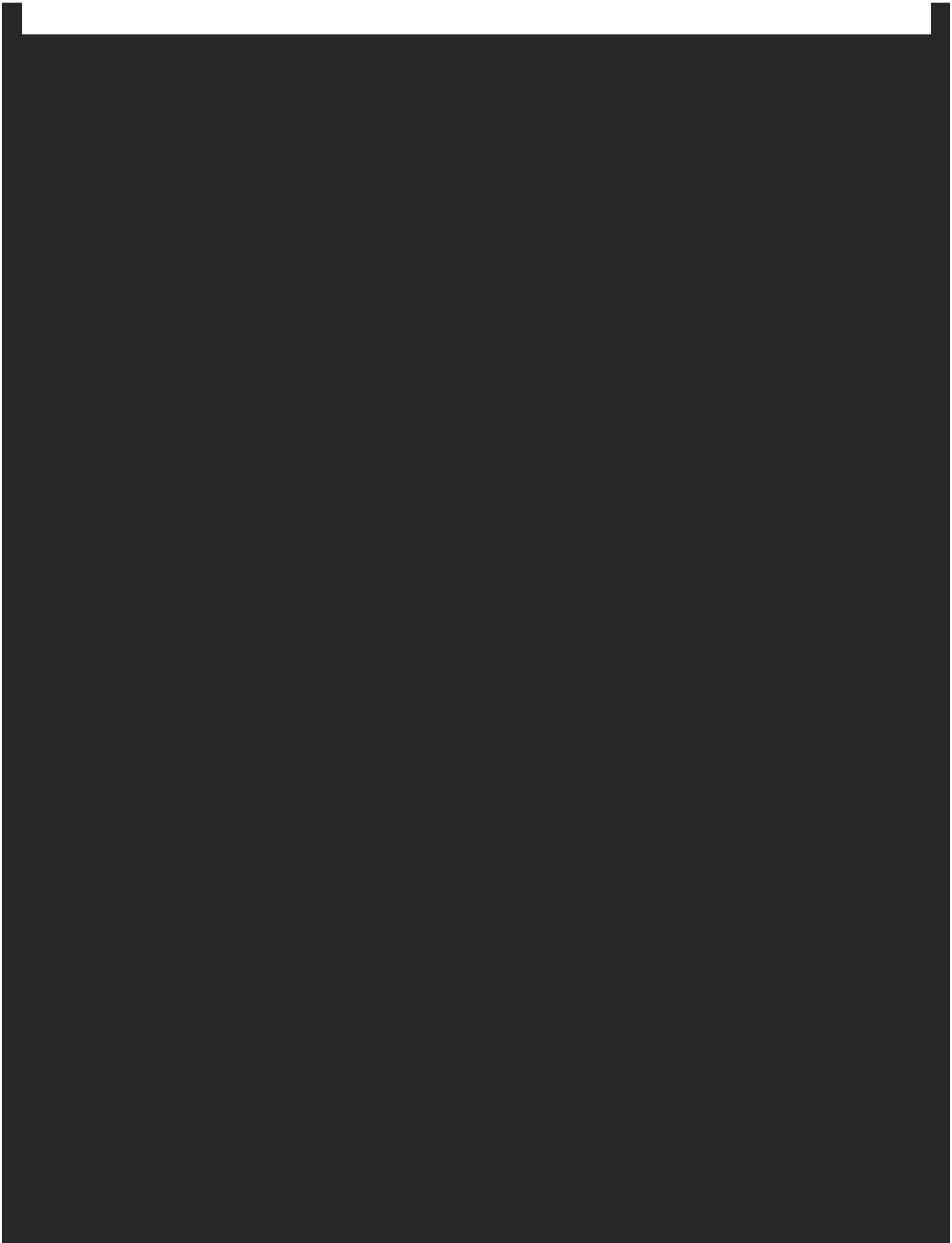
At the end of the reporting period, Allterco AD has made an additional cash contribution amounting to BGN 1 834 thousand (USD 1 million) to its subsidiary Shelly USA, which was granted for a period of one year with an annual interest rate of 1.0%. As at the date of these statements, the money transfer for the subsidiary's capital increase by BGN 921 thousand (USD 500 thousand) was completed.
In November 2022, the subsidiary Allterco Robotics EOOD opened a branch in the Republic of Ireland.

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 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 December 31, 2022, 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:

- **Amendments to IAS 16 Property, Plant and Equipment** - Proceeds before Intended Use adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022);
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022);
- **Amendments to IFRS 3 Business Combinations** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after January 1, 2022);
- **Amendments to various standards due to Improvements to IFRSs (cycle 2018 -2020)** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on June 28, 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.);

The management has reviewed the changes in the existing accounting standards effective from January 1, 2022 and believes that they do not require changes in terms of the accounting policy applied in the current year.

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

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **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).

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the 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 Group in the period of initial application.

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

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 Financial Instruments - Recognition and Measurement would not significantly impact the 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 expected that the Group shall continue its operating activity in near future.

A military conflict between Russia and Ukraine began in February 2022, 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 December 31 of the current year and December 31 of the previous year, as indicated in the relevant notes below.

2.4. Functional and reporting currency

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

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

2.6. Prior period errors

Prior period errors are omissions, misstatements or inconsistencies in the Group's financial statements for prior periods arising as a result of omitted or misused reliable information. This is information that was available at the time of approval for issue of the financial statements or that was reasonably expected to be obtained and used in the preparation and presentation of those statements. Prior period errors may arise in recognising, measuring, presenting or disclosing elements of the financial statements.

They are adjusted retrospectively by restating comparative information or opening balances of assets, liabilities and equity (where they arose in prior periods for which information was not disclosed in the financial statements). The adjustment is reflected in the first financial statements authorised for issue after discovery of the error and the statements include a statement of financial position as at the beginning of the earliest comparative period, in case the error has a material effect on the information presented in the statement of financial position in the beginning of the comparative period (see Note 10).

2.7. 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.

2.8. Accounting estimates and judgements

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

All assessments are based on the management's best judgment as of the date of preparation of these 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, 3.10 and 4.04)
- Retirement benefits obligations (Note 3.17)
- Deferred tax assets (Note 3.08)
- Warranty service provision (Note 4.05)

2.9. 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 subsidiary;
- Ability to use its powers over the entity in order to influence the size of return on investment.

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

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

2.10. Non-controlling interest

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

2.11. Consolidation

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

Subsidiaries are those entities that are controlled by the parent company. Control occurs when the parent company exercises its rights on variable return arising from its participation in the subsidiary's capital and has the ability to influence this return from investment through its power. The consolidated financial statements have been prepared following the same accounting policies with respect to similar transactions and business facts of all companies in the Group. All mutual interests, as well as significant internal transactions, balances and unrealized gains in the Group are eliminated and the financial statements are prepared using the full consolidation method. The financial results of operations of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control over them and cease to be consolidated from the date on which such control is lost. When a subsidiary is acquired as a result of an internal group restructuring, its net assets and financial result are included from the beginning of the earliest accounting period presented in the financial statements.

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

2.12.1. Revenue

The Group recognises revenue from the following major sources:
• Sale of electronic devices

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

The Group sells electronic devices both to the wholesale market and directly to customers through its own website and through direct sales. Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see note 4.04).

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 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.

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 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.***

2.12.2. Expenses

Expenses for future periods shall be deferred for recognition as current expenses in the period in which the obligations under the contracts to which they refer, would be performed.

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

2.12.3. Property, plant and equipment

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

Initial recognition

Upon initial acquisition, property, plant and equipment are evaluated at acquisition cost (cost price), which includes the purchase price, including customs charges and any directly attributable costs of bringing the asset to working condition. The direct costs are as follows: costs of site preparation, costs of initial delivering and handling, installation costs, costs for personnel remuneration fees related to the project, non-refundable taxes, etc.

When acquiring property, plant and equipment on a deferred payment basis, the purchase price is equivalent to the present value of the liability, discounted on the basis of the interest rate on the borrowed resources of the Group with a similar maturity and purpose. The difference between the cash price equivalent and the total payment is recognized as interest over the course of the loan, unless it is capitalized in accordance with IAS 23.

Measurement after recognition

The approach chosen by the Group for the subsequent measurement of property, plant and equipment is the acquisition cost model - less any subsequent depreciation and any accumulated impairment losses.

For all other classes of non-current tangible assets, the company has applied the acquisition cost model.

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

The determined useful life of non-current tangible assets is reviewed at the end of each year and, if significant deviations are found against future expectations for the useful life of the assets, it is adjusted prospectively.

Derecognition of non-current tangible assets

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

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

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

2.12.4. Intangible assets

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

The Group applies a straight-line method of depreciation of intangible assets with a useful life of 2 years for the software products, 6.67 years for the 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 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 form the use of an intangible asset above the initially determined standard efficiency.

2.12.5. Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Initially, it is 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 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".

2.12.6. Other long-term equity investments

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

Initial recognition

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

Subsequent measurement

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

2.12.7. Investments in associated companies

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

As of December 31, 2022, the 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.

2.12.8. 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.

2.12.9. Financial instruments

A financial instrument is any contract that simultaneously gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and liabilities are recognised in the 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 assets to generate cash flows. The business model determines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both.

Purchases or sales of financial assets, the terms of which require the delivery of the assets within a certain period of time, usually established by a regulatory provision or current practice in the relevant market (regular purchases), are recognized on the date of trading (transaction), i.e. on the date on which the Group has committed to buy or sell the asset.

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

Financial assets 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 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:

- 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 and 4.04).

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

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

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

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

Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, incl. derivatives or as financial liabilities at amortized value, incl. loans and other borrowings and trade and other payable as appropriate. Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowed funds and liabilities, net of direct transaction costs.

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

Subsequent measurement

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

Financial liabilities 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.

Financial liabilities at amortized cost

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

Derecognition

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

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

Trade and other receivables

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

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

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

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

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

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

Borrowings

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

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

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

Payables to suppliers, other current liabilities and advances received

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

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

2.12.10. Cash and cash equivalents

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

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

2.12.11. Lease

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

The Group as a lessee

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

Right-of-use assets

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

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

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

Lease liabilities

From the inception date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any eligible lease incentives, variable lease payments depending on an index or an interest rate, and amounts that are expected to be paid under guarantees for residual value.
Lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option, as well as penalties for terminating the lease, if the lease term reflects the Group's exercising an option to terminate the lease.

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

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

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

Short-term leases and low-value assets leases

The Group applies recognition exemption for short-term leases to its short-term building leases (for example, leases with lease term of 12 months or less from the inception date and not containing a purchase option). The Group also applies the recognition exemption of low-value assets leases to leases of office equipment which is considered low-value. Lease payments on short-term leases and low-value assets leases are carried as an expense on the straight-line basis over the lease term.

2.12.12. Provisions

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

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

2.12.13. Payables to employees

Defined benefit plans

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

Paid annual leave

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

Retirement benefit plans

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

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

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

2.12.14. Share capital and reserves

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

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**:**

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:

All amounts are in thousand Bulgarian leva unless otherwise stated

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

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.

2.12.15. Income tax expense

Income tax expense is the amount of current income tax and the tax effect on temporary tax differences. Current taxes on the profit of Bulgarian companies are determined in accordance with the requirements of the Bulgarian tax legislation. The nominal tax rate in Bulgaria for 2021 and 2022 is 10%.

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

Country	**Nominal tax rates per year**	
	2022	**2021**
Germany	15,825%	15,825%
USA	15-35%	15-35 %

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

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

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

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

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

As of December 31, 2022, the Group recognises deferred income tax only for Bulgarian companies and at a 10% tax rate, which remains the same for 2023.

2.12.16. Earnings per share

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

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

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

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

Key estimates and assumptions with high uncertainty

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

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

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

Defined benefit plans

The employee defined benefit obligation is determined by actuarial valuation. This estimate requires assumptions on the discount rate, future wage growth, staff turnover and mortality rates. Due to the long-term nature of defined benefit plans, these assumptions are subject to significant uncertainty. The Group prepared an actuarial valuation of defined benefits and reported them in the consolidated financial statements at the end of 2022 (note 3.17).

Useful lives of property, plant and equipment and intangible assets

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

Impairment of receivables

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

The Group uses a simplified approach in reporting trade and other receivables and recognises an impairment loss as expected credit losses over the entire term. They represent the expected shortfall in contractual cash flows, given the possibility of default at any point in the life of the financial instrument. The Group uses its experience, external indicators and information to calculate expected credit losses in the long-term. Impairments recognised for the reporting period are disclosed in Note 4.04.

Impairment of property, plant and equipment

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

As of December 31, 2022, such review was carried out, as a result of which management considered that no impairment indicators were available. No impairment loss on property, plant and equipment is reported in the financial statements.

Impairment of inventories

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

The proposed expert prices are consistent with the prices reached under concluded contracts for realization on the domestic and foreign markets, the dynamics of supply and demand of inventories, the latest price levels and trends in transactions with similar inventories. For the calculation of the net realisable value of individual types of inventories, the estimated direct costs associated with sales are excluded from determined expert selling prices. When assessing the inventories for which sales contracts are concluded, the net realisable value is determined based on the contract price less the cost of sales. Inventories not related to sales contracts are valued according to assumptions about the possibilities for their future disposal. Based on these review and analysis, no impairment of existing inventories was made as of December 31, 2022.

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

Income taxes

The companies in the Group are tax entities under the jurisdiction of the tax administration in the country in which they operate. A significant estimate needs to be made to determine the tax provision. There are numerous examples for which the tax finally determined is unspecified in the normal course of business. Group companies recognise liabilities for expected tax payables based on the judgement of the management of the relevant company and the Group. When the final tax result of such events is different from the amounts originally recognized, those differences will affect current income tax and deferred tax provisions in the tax revisions period.

Leases

Determining the lease term for contracts with renewal and termination options - The Group as 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).

2.12.18. Fair values

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

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

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

All amounts are in thousand Bulgarian leva unless otherwise stated

• Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities.

• Level 2: inputs other than quoted prices included in Level 1 that, directly (i.e., as prices) or indirectly (i.e., derived from prices), are available for observation for the asset or liability.

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input data).

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurs. In 2022 and 2021 there have been no transfers between the levels of the fair value hierarchy.

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

3. Notes to the consolidated statement of financial position

3.01. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Computers	Office equipment	Other	Assets under construction	Total
01.01.2021									
Cost	**1 476**	**3 032**	**859**	**458**	**240**	**128**	**151**	**9**	**6 353**
Depreciation	**-**	**(92)**	**(507)**	**(291)**	**(183)**	**(97)**	**(116)**	**-**	**(1 286)**
Book value	**1 476**	**2 940**	**352**	**167**	**57**	**31**	**35**	**9**	**5 067**
Additions (cost)	**-**	**-**	**53**	**-**	**25**	**58**	**142**	**46**	**324**
Purchase	-	-	53	-	25	58	142	46	324
Disposals (book value)	**-**	**-**	**-**	**(6)**	**(8)**	**(45)**	**-**	**-**	**(59)**
Sale	-	-	-	-	-	(43)	-	-	(43)
Other	-	-	-	(6)	-	-	-	-	(6)
Written-off book value of assets of investments sold					(8)	(2)	-	-	(10)
Depreciation for the period	**-**	**(121)**	**(256)**	**(94)**	**(49)**	**(8)**	**(13)**	**-**	**(541)**
Change in depreciation	**-**	**-**	**-**	**3**	**4**	**-**	**-**	**-**	**7**
Depreciation of assets written-off		-	-	3	4			-	7
Book value at the end	**1 476**	**2 819**	**149**	**70**	**29**	**36**	**164**	**55**	**4 798**
31.12.2021									
Cost	**1 476**	**3 032**	**912**	**452**	**257**	**141**	**293**	**55**	**6 618**
Depreciation	**-**	**(213)**	**(763)**	**(382)**	**(228)**	**(105)**	**(129)**	**-**	**(1 820)**
Book value	**1 476**	**2 819**	**149**	**70**	**29**	**36**	**164**	**55**	**4 798**
01.01.2022									
Cost	**1 476**	**3 032**	**912**	**452**	**257**	**141**	**293**	**55**	**6 618**
Depreciation	**-**	**(213)**	**(763)**	**(382)**	**(228)**	**(105)**	**(129)**	**-**	**(1 820)**
Book value	**1 476**	**2 819**	**149**	**70**	**29**	**36**	**164**	**55**	**4 798**
Additions (cost)	**-**	**56**	**18**	**6**	**46**	**84**	**2**	**57**	**269**
Purchase/transfer		56	18	6	46	84	2	57	269
Disposals (book value)	**-**	**-**	**(38)**	**-**	**(5)**	**-**	**(58)**	**(30)**	**(131)**
Sale			(38)		(5)		(58)		(101)
Other								(30)	(30)
Depreciation for the period		**(120)**	**(105)**	**(43)**	**(30)**	**(21)**	**(27)**	**-**	**(346)**
Change in depreciation	**-**	**-**	**-**	**-**	**5**	**-**	**58**	**-**	**63**
Depreciation of assets written-off					5		58		**63**
Book value at the end	**1 476**	**2 755**	**24**	**33**	**45**	**99**	**139**	**82**	**4 653**
31.12.2022									
Cost	**1 476**	**3 088**	**892**	**458**	**298**	**225**	**237**	**82**	**6 756**
Depreciation	**-**	**(333)**	**(868)**	**(425)**	**(253)**	**(126)**	**(98)**	**-**	**(2 103)**
Book value	**1 476**	**2 755**	**24**	**33**	**45**	**99**	**139**	**82**	**4 653**

Contractual mortgages have been established on the lands and buildings owned by the Group, in connection with bank financing used by the companies in Bulgaria (see 3.15).

All amounts are in thousand Bulgarian leva unless otherwise stated

3.02. Intangible assets

	Software	ISO Certificates and intellectual property rights	Patents, licenses, trademarks, prototypes and development	Other	Assets under construction	**Total**
01.01.2021						
Cost	**190**	**874**	**2 691**	**212**	**1 535**	**5 502**
Amortization	**(190)**	**(244)**	**(625)**	**(34)**	**-**	**(1 093)**
Book value	**-**	**630**	**2 066**	**178**	**1 535**	**4 409**
Additions (cost)	**141**	**5**	**1 767**	**-**	**2 285**	**4 198**
Purchase	6	5	11	-	-	22
Self-constructed	-	-	-	-	2 285	2 285
Put into operation	135	-	1 756	-	-	1 891
Disposals (book value)	**-**	**(867)**	**(844)**	**(155)**	**(3 695)**	**(5 561)**
Written-off book value of assets of investments sold	-	(867)	-	(155)	-	(1 022)
Other	-	-	(844)	-	(3 695)	(4 539)
Amortization for the period	**(17)**	**(3)**	**(456)**	**(8)**	**-**	**(484)**
Change in amortization	**-**	**242**	**298**	**14**	**-**	**554**
Amortization of assets written-off	-	-	298	-	-	298
Amortization written-off of assets of investments sold	-	242	-	14	-	256
Book value at the end	**124**	**7**	**2 831**	**29**	**125**	**3 116**
31.12.2021						
Cost	**331**	**12**	**3 614**	**57**	**125**	**4 139**
Amortization	**(207)**	**(5)**	**(783)**	**(28)**	**-**	**(1 023)**
Book value	**124**	**7**	**2 831**	**29**	**125**	**3 116**
01.01.2022						
Cost	**331**	**12**	**3 614**	**57**	**125**	**4 139**
Amortization	**(207)**	**(5)**	**(783)**	**(28)**	**-**	**(1 023)**
Book value	**124**	**7**	**2 831**	**29**	**125**	**3 116**
Additions (cost)	**-**	**-**	**267**	**207**	**1 466**	**1 940**
Purchase			267	207	**370**	844
Self-constructed					1 096	1 096
Disposals (book value)	**-**	**-**	**(346)**	**-**	**-**	**(346)**
Book value written-off of assets of investments sold			(346)		-	(346)
Amortization for the period	**(68)**	**(2)**	**(532)**	**(8)**		**(610)**
Change in amortization	**-**	**-**	**120**	**-**	**-**	**120**
Amortization of assets written-off			120			120
Book value at the end	**56**	**5**	**2 340**	**228**	**1 591**	**4 220**
31.12.2022						
Cost	**331**	**12**	**3 535**	**264**	**1 591**	**5 733**
Amortization	**(275)**	**(7)**	**(1 195)**	**(36)**	**-**	**(1 513)**
Book value	**56**	**5**	**2 340**	**228**	**1 591**	**4 220**

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

All amounts are in thousand Bulgarian leva unless otherwise stated

3.03. Right-of-use assets

	December 31, 2022			December 31, 2021		
	Vehicles	Buildings	**Total**	Vehicles	Buildings	**Total**
At the beginning of the period						
Cost	**232**	**9**	**241**	**127**	**9**	**136**
Depreciation	**(124)**	**(9)**	**(133)**	**(84)**	**(6)**	**(90)**
Book value	**108**	**-**	**108**	**43**	**3**	**46**
Additions (cost)	**162**	**99**	**261**	**116**	**-**	**116**
New leases	162	99	261	116	-	**116**
Disposals (cost)	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Written-offs	-	-	**-**	(11)	-	**(11)**
Depreciation for the period	(58)	(14)	**(72)**	(40)	(3)	**(43)**
Book value at the end of the period						
Cost	**394**	**108**	**502**	**232**	**9**	**241**
Depreciation	**(183)**	**(23)**	**(206)**	**(124)**	**(9)**	**(133)**
Book value	**211**	**85**	**296**	**108**	**-**	**108**

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	**December 31, 2022**	**December 31, 2021**
Allterco Robotics Inc., USA	34	34
Allterco Properties EOOD	126	126
Total	**160**	**160**

The Group has not recognized impairment on goodwill as of 31.12.2022.

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

Movement of investments in associates is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance as of January 01	40	-
Acquisition of shares	-	8
Share in current profit for the period	118	32
Balance as of the period end	**158**	**40**

3.06. Other long-term capital investments

	December 31, 2022	December 31, 2021
Ordinary registered shares - Link Mobility Group Holding ASA, at the beginning of the period	**2 624**	**6 566**
Decrease	***(1 794)***	***(3 942)***
Financial instruments sold	(355)	(369)
Effect from subsequent revaluation of financial assets	(1 439)	(3 573)
Ordinary registered shares - Link Mobility Group Holding ASA, at the end of the period	**830**	**2 624**

3.07. Long-term trade receivables

In September 2021 the Group sold its business located, through ALLTERCO PTE, ALLTERCO SDN and ALLTERCO CO. LTD in Singapore, Malaysia and Thailand, respectively. As part of the clauses of the sales contract, the payment of part of the value of the transaction is deferred. BGN 1 027 thousand are due after the end of 2023, which is why in these consolidated financial statements they are presented as a long-term receivable.

At the end of the third quarter of 2021 the Group finalized a deal with Skylight Venture Capital Pte. Ltd., Singapore for sale of three subsidiaries under the following conditions:

- Sales price: EUR 2 100 000;

- Term of payment: i. 50% - after signing a sales agreement and receipt a letter by the buyer confirming that the Group met certain conditions under the deal; ii. 25% within 18 months as of the date of the sales agreement; iii. 25% within 36 months as of the date of the sales agreement.

After the sale the Group recognizes profit at the amount of BGN 201 thousand presented as financial income in the statement of comprehensive income.

As a result of the deal the Group derecognizes the following assets/liabilities:

- Cash – BGN 184 thousand
- Total other assets – BGN 2 069 thousand
- Total liabilities – BGN 2 840 thousand

All amounts are in thousand Bulgarian leva unless otherwise stated

3.08. Deferred tax assets

	December 31, 2022	December 31, 2021
Deferred tax assets		
Deferred tax on revaluation reserve	56	-
Deferred tax on provision for expenses	66	30
Deferred tax on unused paid leave	40	19
Deferred tax on impairment of receivables	46	25
Deferred tax on unused benefits of individuals	128	-
Deferred tax on long-term employee benefits	13	-
Total assets	**349**	**74**
Deferred tax liabilities		
Deferred tax related to the application of IFRS 16	(1)	(2)
Total liabilities	**(1)**	**(2)**
Total deferred tax assets/(liabilities)	**348**	**72**

3.09. Inventory

	December 31, 2022	December 31, 2021
Goods	18 436	3 900
Goods in transit	3 317	979
Deliveries	937	2 227
Materials	312	454
Total:	**23 002**	**7 560**

As of December 31, 2022, 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 937 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

	December 31, 2022	December 31, 2021
Receivables from clients	20 302	12 642
Receivables written-off	(1 486)	-
Impairment of receivables from clients, net	(526)	(237)
Advances to suppliers	3 357	6 762
Total:	**21 647**	**19 167**

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

	December 31, 2022	December 31, 2021
Impairment at the beginning of the period	237	-
Impairment reversed and written-off	(152)	-
Impairment charged for the period	441	237
Impairment at the period end, net	**526**	**237**

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 and part of the receivables written-off as presented above, relate to this agreement.

3.11. Other receivables

	December 31, 2022	December 31, 2021
TAX RECEIVABLES, including:	**3 515**	**1 884**
VAT recoverable	*3 447*	*1 857*
Corporate tax advance payments	*68*	*2*
Account balances with customs	*-*	*25*
OTHER RECEIVABLES, including:	**107**	**28**
Deposits in commercial entities and guarantees	*104*	*22*
Petty cash	*3*	*4*
Other receivables	*-*	*2*
Total:	**3 622**	**1 912**

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 will be added to the value of the investment.

All amounts are in thousand Bulgarian leva unless otherwise stated

3.13. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	24	92
Cash in current bank accounts	24 114	30 320
Debit cards	12	4
Other cash	3 988	125
Cash equivalents	10	-
Total:	**28 148**	**30 541**

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

By currency	December 31, 2022	December 31, 2021
EUR	13 160	6 180
BGN	5 744	13 298
USD	8 640	11 063
Other	604	-
Total:	**28 148**	**30 541**

The Group's cash is in bank accounts with banks with a stable long-term rating. The Management has assessed the expected credit losses on Cash and cash equivalents.

The estimated credit losses are insignificant and are not recognized in the consolidated financial statements of the Group as of December 31, 2022.
As of December 31, 2022 36.8% of the cash and cash equivalents of the Group are held in one bank.

3.14. Prepaid expenses

	December 31, 2022	December 31, 2021
Information services	26	28
Insurance	68	35
Licenses / certificates	260	-
Membership fees	52	34
Subscriptions	49	27
Exhibitions	48	109
Other	9	1
Total	**512**	**234**

All amounts are in thousand Bulgarian leva unless otherwise stated

3.15. Bank loans

Bank loans are as follows:

	December 31, 2022	December 31, 2021
KBC Bank, incl.:	1 615	1 900
– *up to one year*	*293*	*285*
– *over one year*	*1 322*	*1 615*
DSK Bank AD	*392*	*617*
– *up to one year*	*225*	*225*
– *over one year*	*167*	*392*
Other short-term financing in Shelly USA (previously named Allterco Robotics Inc., USA)	*149*	*62*
Total bank loans – non-current portion:	**1 488**	**2 007**
Total bank loans – current portion:	**668**	**572**

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

	December 31, 2022	December 31, 2021
Lease liabilities		
- up to 1 year	161	58
- more than 1 year	157	80
Total	**318**	**138**

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.

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

	December 31, 2022	December 31, 2021
Liabilities at the beginning of the period	-	-
Liabilities paid during the period	-	-
Expenses recognized in profit or loss		
Current service expense	111	-
Finance costs on future liabilities	1	-
Actuarial loss, recognized in other comprehensive income	-	-
Liabilities at the end of the period	**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 Statistical Institute;
- statistics of the National Center for Health Information on disability of the population and premature retirement.

All amounts are in thousand Bulgarian leva unless otherwise stated

3.18. Trade payables

	December 31, 2022	December 31, 2021 (restated)
Suppliers	1 797	1 001
Advances on customers	94	556
Total:	**1 891**	**1 557**

3.19. Payables to employees and social security obligations

	December 31, 2022	December 31, 2021
Payables to employees	1 213	5
Liabilities for unused paid leave	624	168
Total:	**1 837**	**173**

	December 31, 2022	December 31, 2021
Social security and health contributions	**204**	**115**

3.20. Tax payables

	December 31, 2022	December 31, 2021
Corporate tax	479	281
Value Added Tax	797	940
Income tax	51	73
Payables to customs	710	-
Other taxes	37	21
Total:	**2 074**	**1 315**

3.21. Other liabilities

	December 31, 2022	December 31, 2021
Liabilities for participations	535	665
Warranty service provisions	502	300
Guarantees/Rental deposits	61	61
Total other liabilities	**1 098**	**1 026**

3.22. Share capital

Allterco AD was registered in 2010. The share capital of the Parent Company as of December 31, 2022, 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:

All amounts are in thousand Bulgarian leva unless otherwise stated

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 December 31, 2022, the shareholders of the Parent 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		
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. The shares are intended to provide payment of part of the acquisition price of the Slovenian IoT company GOAP d.o.o. Nova Gorica (GOAP).

All amounts are in thousand Bulgarian leva unless otherwise stated

3.23. Retained earnings

	Year ended December 31, 2022	Year ended December 31, 2021 (restated)
Balance as of January 1	**39 324**	**26 938**
Net profit	17 433	15 892
Profit distribution for dividends	(1 800)	(3 600)
Effect from sale of subsidiaries	-	94
Other changes	160	-
Balance at the period end	**55 117**	**39 324**

3.24. Legal reserves

	Year ended December 31, 2022	Year ended December 31, 2021
Balance as of January 1	**1 800**	**1 500**
Transfer of reserves from share issue	-	300
Balance at the period end	**1 800**	**1 800**

3.25. Share premium reserve

As of 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

	Year ended December 31, 2022	Year ended December 31, 2021
Balance at the beginning of the period	**1 036**	**4 849**
Reserve transferred to retained earnings	(160)	(240)
Reserve related to long-term equity instruments at fair value through other comprehensive income, gross	(1 439)	(3 573)
Deferred tax	56	-
Balance at the period end	**(507)**	**1 036**

The reserve related to long-term equity instruments was reduced by BGN 1,543 thousand as a result of a fair value revaluation of other long-term capital instruments as of December 31, 2022 and as a result of the sale of some capital instruments during the reporting period.

All amounts are in thousand Bulgarian leva unless otherwise stated

4. Notes to the consolidated statement of comprehensive income

4.01. Sales revenue and cost of sales

	Year ended December 31, 2022			Year ended December 31, 2021			
	Devices	Services and rent	**Total**	Production	Devices	Services and rent	**Total**
REVENUE	**93 007**	**171**	**93 178**	**108**	**58 723**	**678**	**59 509**
Book value of goods sold	(44 719)	-	(44 719)	-	(24 964)	**-**	(24 964)
Costs	(1 608)	-	(1 608)	-	(1 525)	(233)	(1 758)
COST OF SALES	**(46 327)**	**-**	**(46 327)**	**-**	**(26 489)**	**(233)**	**(26 722)**
GROSS PROFIT	**46 680**	**171**	**46 851**	**108**	**32 234**	**445**	**32 787**

	Year ended December 31, 2022	**Year ended December 31, 2021**
Revenue from sales of Shelly devices to B2B clients	72 309	46 621
Revenue from sales of Shelly devices to retail clients – through Internet	16 135	8 640
Revenue from sales of Myki devices to B2B clients	4 157	3 297
Revenue from sales of Myki devices to retail clients – through Internet	267	203
Revenue from sales of Shelly devices to retail clients – direct sales	91	28
Revenue from sales of Myki devices to retail clients – direct sales	48	42
Revenue from services and rent	171	678
Total:	**93 178**	**59 509**

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

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

	Year ended December 31, 2022	**Year ended December 31, 2021**
Revenue from sales in European Union	71 800	45 087
Revenue from sales in third countries	15 876	11 903
Revenue from sales in Bulgaria	5 331	1 842
Total	**93 109**	**58 831**

All amounts are in thousand Bulgarian leva unless otherwise stated

	Year ended December 31, 2022	**Year ended December 31, 2021**
Non-current assets in Bulgaria	11 642	12 955
Non-current assets in European Union	18	-
Non-current assets in third countries	32	36
Total	**11 692**	**12 991**

Included in revenues arising from European Union are revenues from a single customer who is the only customer that contributed 10% or more to the Group's revenue in either 2022 or 2021:

	Year ended December 31, 2022		**Year ended December 31, 2021**	
	Revenue	Share	Revenue	Share
Allnet GmbH, Germany	18,036	19.36%	8,355	14.04%

4.02. Other operating revenue

	Year ended December 31, 2022	**Year ended December 31, 2021**
Profit / loss on sale of assets	-	(23)
Rentals and overheads	-	2
Liabilities written-off	39	40
Financing/ electricity price compensations	26	-
Gains on currency transactions and exchange rate gains, net	734	866
Other operating income	213	473
Total:	**1 012**	**1 358**

4.03. Administrative expense

	Year ended December 31, 2022	**Year ended December 31, 2021 (restated)**
Materials	(509)	(190)
Hired services	(3 521)	(2 478)
Depreciation/amortization expenses	(506)	(193)
Employees expenses	(14 644)	(7 590)
Other administrative expenses	(1 255)	(1 637)
Total:	**(20 435)**	**(12 088)**

All amounts are in thousand Bulgarian leva unless otherwise stated

4.04. Impairment expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Write-off	1 444	97
Impairment	441	237
Total	**1 885**	**334**

4.05. Other operating expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Bank fees and charges	(367)	(134)
Prototypes written-off	(263)	-
Interest, fines and penalties	(53)	(19)
Warranty service provision	(502)	(300)
Donations	-	(15)
Other	-	(63)
Total:	**(1 185)**	**(531)**

Movement in warranty service provision is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Liabilities for provisions at the beginning of the period	300	250
Provision charged during the period	502	300
Provisions used during the period	(300)	(250)
Liabilities for provisions at the period end	**502**	**300**

4.06. Financial income

	Year ended December 31, 2022	Year ended December 31, 2021
Gains on the sale of financial assets, incl.:	**-**	**250**
- Income from sale of investments		4 526
- Carrying amount		(4 276)
Total	**-**	**250**

All amounts are in thousand Bulgarian leva unless otherwise stated

4.07. Financial expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Losses on the operations with financial assets, incl.:	**(119)**	**-**
Income from sale of financial assets	*236*	-
Carrying amount of assets sold	*(355)*	-
Lease interest	(4)	(2)
Loans interest	(65)	(76)
Banking financial services	(77)	(45)
Other interest	-	(3)
Total:	**(265)**	**(126)**

4.08. Income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax expense	(3 017)	(2 755)
Tax effect from temporary differences	220	(5)
Tax expense	**(2 797)**	**(2 760)**

	Year ended December 31, 2022	Year ended December 31, 2021
Profit before tax	20,230	18,652
Tax rate	10%	10%
Expected income tax expense	(2,023)	(1,865)
Non-taxable income and unrecognized expenses for tax purposes and effect of differences in applied tax rates	(774)	(895)
Income tax expense	(2,797)	(2,760)
Income tax expense includes:		
Current income tax	(3,017)	(2,755)
Deferred tax expenses:		
Tax effect from temporary differences	220	(5)
Income tax expense	**(2,797)**	**(2,760)**
Effective tax rate	13.83%	14.80%
Income tax expense, recognized in the consolidated statement of comprehensive income	**(2,797)**	**(2,760)**

All amounts are in thousand Bulgarian leva unless otherwise stated

Deferred taxes as of December 31, 2022 and December 31, 2021:

	Year ended December 31, 2022	**Year ended December 31, 2021**
Deferred tax assets		
Compensated leave	20	2
Impairment of receivables	44	23
Pension expenses	12	-
Audit expenses	11	-
Income of individuals	120	-
Provisions	51	30
Other	9	2
Deferred tax liabilities		
Impairment of receivables	(15)	-
Impairment of investments		(437)
Provisions	(30)	(25)
Other	(2)	(8)
Deferred tax income/(expense)	**220**	**(413)**

4.09. Earnings per share

	Year ended December 31, 2022	**Year ended December 31, 2021**
Net profit	**17 433**	**15 892**
Weighted-average number of shares	17 979 835	17 999 999
Basic earnings per share	**0.97**	**0.88**

As of December 31, 2022 the Parent Company holds 40 000 own shares, which are taken into account in determining the weighted-average earnings per share for 2022.

Earnings per share without taking into account the held own shares is BGN 0.97.

All amounts are in thousand Bulgarian leva unless otherwise stated

5. Contingent liabilities and commitments

Contract	Annex	Creditor	Debtor	Joint debtor / Guarantor	Amount / Limit	Financial conditions	Maturity	Collateral provided by the borrower
Investment loan August 25, 2017 Agreement pursuant to Art. 114, para. 10 of POSA	Annexes No. 1/ October 31, 2018	KBC Bank	Allterco AD	Allterco Properties EOOD – joint debtor	BGN 3 168 thousand. (EUR 1 620 tho usand)	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 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.

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).

All amounts are in thousand Bulgarian leva unless otherwise stated

The contingent liabilities as of December 31, 2021 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, 2022	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.

6. Transactions and balances with related parties

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 renumeration totaling BGN 750 thousand (2021: BGN 130 thousand.) from Allterco AD.

During the reporting period the following members of the Board of Directors have received gross remuneration from the subsidiaries, as follows:

All amounts are in thousand Bulgarian leva unless otherwise stated

- Dimitar Stoyanov Dimitrov – BGN 596 thousand
- Svetlin Iliev Todorov – BGN 578 thousand
- Wolfgang Kirsch – BGN 217 thousand

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.

7. Financial instruments by categories

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

	December 31, 2022				
Financial assets according to the Statement of financial position	**Financial assets at amortized cost - Cash**	**Financial assets at amortized cost**	**Financial assets at fair value through other comprehensive income**	**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**

Financial liabilities according to the Statement of financial position	**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**

All amounts are in thousand Bulgarian leva unless otherwise stated

Financial assets according to the Statement of financial position	**Financial assets at amortized cost - Cash**	**Financial assets at fair value through profit or loss**	**Total**
Cash and cash equivalents	30 541	-	**30 541**
Other long - term capital investments	-	-	**2 624**
Long term trade receivables	-	-	**2 054**
Trade receivables	-	-	**12 405**
Deposits in commercial companies and guarantees	-	-	**22**
TOTAL FINANCIAL ASSETS	**30 541**	**-**	**47 646**

Financial liabilities according to the Statement of financial position	**Financial liabilities at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Total**
Lease liabilities	138	**-**	**138**
Bank loans	2 579	**-**	**2 579**
Trade liabilities	1 00 1	**-**	**1 001**
Contributory obligations	665	**-**	**665**
Guarantees	61	**-**	**61**
TOTAL FINANCIAL LIABILITIES	**4 444**	**-**	**4 444**

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

Based on these principles, the specific procedures for managing separate specific financial risks have been defined.

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

Market risk

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

a. Currency risk

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

The tables below summarize the currency risk exposure:

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

All amounts are in thousand Bulgarian leva unless otherwise stated

December 31, 2021	In EUR	In USD	In other foreign currency	In BGN	Total
Cash and cash equivalents	6 180	11 063	-	13 298	**30 541**
Long-term trade receivables	2 054	-	-	-	**2 054**
Other long-term equity instruments	-	-	2 624	-	**2 624**
Trade receivables	10 036	1 344	419	606	**12 405**
Deposits in commercial companies	-	11	-	11	**22**
ОБЩО АКТИВИ	**18 270**	**12 418**	**3 043**	**13 915**	**47 646**
Lease liabilities	18	-	-	120	**138**
Bank loans	2 517	62	-	-	**2 579**
Trade payables	440	68	-	493	**1001**
Contributory obligations	-	-	-	665	**665**
Guarantees	-	-	-	61	**61**
TOTAL LIABILITIES	**2 975**	**130**	**-**	**1 339**	**4 444**

Currency sensitivity analysis

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

There is a currency risk exposure mainly in USD and Norway kroner (NOK). As of 31.12.2022 62% of Groups assets are in EUR, 22% in USD and 1.3% in Norwegian krone.

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

	Increase/ Decrease in exchange rate BGN/ USD	Effect on the profit before tax	Increase/ Decrease in exchange rate BGN/ NOK	Effect on profit before tax
	%		%	
2022	+/-1.00%	102	+/-1.00%	14
2021	+/-1.00%	124	+/-1.00%	30

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

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 December 31, 2022, 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 30.12.2022 is NOK 7.52 or the total value of the owned securities amounts to NOK 4 057 311 (BGN 830 thousand). If the quote changes by 1% the value of the shares will change by NOK 40 573 (BGN 7 thousand).

c. 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).

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

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

December 31, 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**

All amounts are in thousand Bulgarian leva unless otherwise stated

December 31, 2021	Interest-free	With floating interest %	With fixed interest %	Total
Cash and cash equivalents	-	-	30 541	30 541
Trade receivables	12 405	-	-	12 405
Long term trade receivables	2 054	-	-	2 054
Deposits in commercial companies and guarantees	22	-	-	22
TOTAL ASSETS	**14 481**	**-**	**30 541**	**45 022**
Lease liabilities	-	-	138	138
Bank loans	-	679	1 900	2 579
Trade payables	1 001	-	-	1 001
Contributory obligations	665	-	-	665
Guarantees	61	-	-	61
TOTAL LIABILITIES	**1 727**	**679**	**2 038**	**4 444**

Credit risk

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

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

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

Significant part of Group's revenue is generated by 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 December 31, 2022 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.

All amounts are in thousand Bulgarian leva unless otherwise stated

As of December 31, 2022, receivables amounting to BGN 1 444 thousand are reported as written-off by the Group and BGN 152 thousand are recognised as impairment of receivables. As of December 31, 2021, receivables amounting to BGN 97 thousand are reported as written-off and BGN 237 thousand are recognised as impairment of receivables. (Note 4.04).

Group's credit risk exposure arising from its financial assets as of December 31, 2022 and December 31, 2021 is presented below:

	As of December 31, 2022	As of December 31, 2021
Cash and cash equivalents	28 148	30 541
Long-term trade receivables	1027	2 054
Short-term financial assets	175	-
Trade receivables	19 776	12 405
Total	**49 126**	**45 000**

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

	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**

	31.12.2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Cash and cash equivalents	30 541	-	-	30 541
Long-term trade receivables	2 054	-	-	2 054
Trade receivables	11 792	-	850	12 642
Total	**44 387**	**-**	**850**	**45 237**
Booked provisions (ECL) for financial assets	**-**	**-**	**(237)**	**(237)**
Financial assets, net of booked provisions	**44 387**	**-**	**613**	**45 000**

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

All amounts are in thousand Bulgarian leva unless otherwise stated

Gross carrying amount of the financial instruments	***Stage 1 - expected credit loss for 12 months period***	***Stage 2 - expected credit loss for the period of the financial asset life***	***Stage 3 - expected credit loss for the period of the financial asset life***	***TOTAL***
Gross carrying amount as of December 31, 2021	**40 758**	**-**	**4 327**	**45 085**
Changes during the 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**

Gross carrying amount of the financial instruments	***Stage 1 - expected credit loss for 12 months period***	***Stage 2 - expected credit loss for the period of the financial asset life***	***Stage 3 - expected credit loss for the period of the financial asset life***	***TOTAL***
Gross carrying amount as of December 31, 2020	**34 600**	**-**	**-**	**34 600**
Changes during the period:		-	-	-
Transfer from Stage 1 to Stage 2	(4 327)	-	4 327	-
Transfer from Stage 1 to Stage 3		-	-	-
Transfer from Stage 2 to Stage 3	237 161	-	-	237 161
New financial assets	(226 524)	-	-	(226 524)
Maturity of financial assets	**40 910**	**-**	**4 327**	**45 237**

The changes in booked ECL provision for financial assets in 2022 and 2021 are presented below:

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

	Stage 1 - expected credit loss for 12 months period	Stage 2 - expected credit loss for the period of the financial asset life	Stage 3 - expected credit loss for the period of the financial asset life	TOTAL
ECL provision as of December 31, 2020	**-**	**-**	**-**	**-**
Changes during the period:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	(237)	(237)
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-
Maturity of financial assets	-	-	-	-
ECL provision as of December 31, 2021	**-**	**-**	**(237)**	**(237)**

Liquidity risk

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

The companies within the Group carry out a conservative liquidity management policy, through which they constantly maintain an optimal liquid stock of cash. Borrowed credit resources are also used.
In order to control the liquidity risk, the companies within the Group monitor the timely payment of the incurred liabilities according to agreed terms of payment.

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

December 31, 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

December 31, 2021	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	125	-	-	-	-	-	-	30 416	30 541
Trade receivables	9 048	455	-	2 902	-	-	-	-	12 405
Long-term trade receivables	-	-	-	-	1 027	1 027	-	-	2 054
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	22	22
TOTAL ASSETS	**9 173**	**455**	**-**	**2 902**	**1 027**	**1 027**	**-**	**30 438**	**45 022**
Lease liabilities	3	7	10	38	27	53	-	-	138
Bank loans	48	109	158	256	523	1 103	382	-	2 579
Trade payables	839	87	25	50	-	-	-	-	1 001
Contributory obligations	10	20	30	605	-	-	-	-	665
Guarantees	-	-	-	-	-	-	-	61	61
TOTAL LIABILITIES	**900**	**223**	**223**	**949**	**550**	**1 156**	**382**	**61**	**4 444**

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:

	December 31, 2022	December 31, 2021
Total debt capital, incl.	9 725	6 903
-Bank loans	2 156	*2 579*
-Lease liabilities	318	*138*
Less: cash and cash equivalents	28 148	30 541
Net debt capital	**(18 423)**	**(23 638)**
Total equity	79 072	65 502
Total capital	**60 649**	**41 864**
Debt ratio	**0.00%**	**0.00%**

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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 2.12.18. Fair Values.

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

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

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

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

December 31, 2021	**Book value**	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash and cash equivalents	30 541	-	30 541	-
Other long - term capital investments	2 624	2 624	-	-
Long-term trade receivables	2 054	-	-	-
TOTAL ASSETS	**35 219**	**2 624**	**30 541**	**-**
Financial liabilities				
Lease liabilities	138	-	127	-
Bank loans	2 579	-	2 326	-
TOTAL LIABILITIES	**2 717**	**-**	**2 453**	**-**

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

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. Correction of errors and restatements

When preparing the consolidated financial statements for 2022, the Group restated the comparative information as a result of error correction. As a result of the adjustments made, there were effects in the statement of financial position and in the statement of comprehensive income of the Group.

Upon preparation of the consolidated financial statements for 2022 the Group identified that for 2021 (comparative information) a mistake is made in calculation and recognition of current for the period expenses related to hired services provided to foreign counterparties. It was identified that the Group has not recognized current expenses for 2021 at the amount of BGN 70 thousand.

As a result of the corrections as of January 1, 2022 the amount of retained earnings was decreased by BGN 70 thousand. As of the moment of correction no tax effect had been originated.

The following tables summarize the effects on the Group's consolidated financial statements:

	Before restatement as of 01.01.2022	Restatement	After restatement as of 01.01.2022
Non-current assets	12 991	-	12 991
Current assets	59 414	-	59 414
Total assets	**72 405**	**-**	**72 405**
Share capital	18 000	-	18 000
Retained earnings	39 394	(70)	39 324
Legal reserves	1 800	-	1 800
Share premium reserve	5 403	-	5 403
Revaluation reserve	1 036	-	1 036
Foreign-exchange gains\losses on translation of financial statements of foreign operations	(61)	-	(61)
Total equity	**65 572**	**(70)**	**65 502**
Non-current liabilities	2 087	-	2 087
Current liabilities	4 746	70	4 816
Total liabilities	**6 833**	**70**	**6 903**
Total equity and liabilities	**72 405**	**-**	**72 405**

All amounts are in thousand Bulgarian leva unless otherwise stated

The effect of changes in the consolidated statement of other comprehensive income of the Group is presented below:

	Year ended 31.12.2021 Before restatement	Restatement	Year ended 31.12.2021 (restated)
Total revenue	61 289	-	61 289
Total expenses	(42 567)	(70)	(42 637)
Tax expenses	(2 760)	-	(2 760)
Net profit for the year	**15 962**	**(70)**	**15 892**
Other comprehensive income	**(3 914)**	**-**	**(3 914)**
Total comprehensive income	**12 048**	**(70)**	**11 978**

11. Events after the end of the reporting period

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 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).

The transactions have been concluded in accordance with the decision of the General meeting of the shareholders of Allterco AD in December 2022. By the acquisition Allterco AD intends to expand its technological portfolio and thus expand the offering of products both for customers and professional users.

All amounts are in thousand Bulgarian leva unless otherwise stated

The net assets determined based on preliminary figures of GOAP at January 4, 2023 are as follows:

	January 4, 2023
Non-current assets	356
Inventory	819
Receivables	766
Cash and cash equivalents	149
Deferred revenue	17
Loans received	(828)
Current liabilities	(985)
Net Assets (A)	**295**
Non-controlling interest (40%) (B)	**118**
Consideration transferred in cash (C)	**3 912**
Goodwill (B+C-A)	**3 735**

On January 16, 2023 Allterco AD disclosed that based on preliminary data for the financial results on consolidated basis by the end of the fourth quarter of 2022, Allterco AD reported an annual increase of 56.1% of the consolidated annual sales revenue of devices (including related services) for 2022, which amounts to EUR 47.5 million (BGN 92.9 million). Sales revenue of devices for home automation with the Shelly brand increased by 60.0%, reaching up to EUR 45.2 million (BGN 88.4 million), followed by the revenue from sales of devices for tracking MyKi, which increased by 20.6% up to EUR 2.2 million (BGN 4.3 million).
With this sales revenue Allterco AD exceeds the forecast for 2022 sales revenue amounting to EUR 45-46 million.

On the grounds of art. 114a, para. 9 of the Public Offering of Securities Act (POSA) on 23.03.2023, Allterco AD announced that in connection with request for approval received under art. 114, par. 3 POSA, the Board of Directors of Allterco AD has approved and the public company has granted to the subsidiary GOAP a loan amounting to EUR 500 000 under the following conditions: repayment period 31.12.2029, interest – according to the statistical data published by the Bulgarian National Bank on "Interest rates and volumes on loan balances other than overdrafts, for non-financial corporations sector (in EUR for a period of more than 5 years)".

The loan provided is a special purpose loan and the funds provided under this loan should be used for: (i) repayment of amounts due under loans of the company provided by minority shareholders before acquisition, (ii) remuneration payments to key personnel; (iii) payments to suppliers and financing of working capital for the normal continuation of commercial activity in accordance with the approved GOAP budget and business plan; (iv) repayment of the loan granted to GOAP by Bank Nova KBM d.d. before the acquisition or provision of a guarantee in exchange for the guarantee provided by the GOAP Manager, Mr. Leon Krali.

All amounts are in thousand Bulgarian leva unless otherwise stated

After the end of the reporting period, Allterco AD has entered into a non-binding Term Sheet investment agreement on the essential parameters of an investment in Ground Solutions Group AD through participation in the capital increase and subscription of new preferred shares in the capital of its subsidiary Corner Solutions EOOD (the "Investment"), and namely - 625 new preferred company shares, representing 10% of the capital of "Corner Solutions" EOOD after the increase, against a price of EUR 100,000. The investment will be carried out jointly with Vitosha Venture Partners - Fund I KD, UIC: 206223492. Parties to the Term Sheet agreement are Vitosha Venture Partners - Fund I KD, UIC: 206223492, Ground Solutions Group AD, UIC: 206606897, Corner Solutions EOOD and three individuals holding 100% of the capital of Ground Solutions Group AD. The conclusion of an Investment Agreement is subject to further negotiations between the parties. No interested parties are involved in the transaction.

No other significant events have occurred after the reporting period, which require adjustments or disclosures in the Group’s consolidated financial statements for the year ended December 31, 2022.

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Allterco AD

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Allterco AD (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue from contracts with customers The Group's disclosures about revenue from contracts with customers are included in Notes 2.12.1 and 4.01 to the consolidated financial statements.	
In the consolidated financial statements for the year ended December 31, 2022, the Group has recognized revenue from contracts with customers amounting to BGN 93,178 thousand. This revenue is recorded predominantly as a result of sales of electronic devices to business clients and to direct end-customers. In developing a policy for revenue recognition in accordance with IFRS 15 the Management of the Group has applied various judgments, related to determining the nature of the separate performance obligations within the contracts with customers and the manner of satisfaction of the identified performance obligations. The Management of the Group analyses every year the necessity for review of the previously applied judgments. During 2022 the assessment of the Group is that no changes to judgments are necessary. Because of the significance of revenue from contracts with customers, we have identified this area as a key audit matter.	In this area our audit procedures, among others, included: • Understanding and performing walkthrough of the process for revenue recognition; •Testing of the design and implementation of selected key controls related to the processes for recognizing revenue; • We have reviewed the significant accounting judgements and determined their reasonableness based on the IFRS requirements for recognition and measurement of revenue from contracts with customers. • We assessed the conclusions of the significant accounting judgements made by the Group by assessing the audit evidence received in the course of understanding and testing the design and implementation of key controls over the revenue process and through performing substantive procedures. • We have performed analytical procedures and tests of details as appropriate in order to gain sufficient and appropriate audit evidence that revenue from contracts with customers is presented fairly, in all material respects. • We have assessed the appropriateness of the disclosures regarding revenue presented in the consolidated financial statement for 2022 to determine whether these are in accordance with IFRS 15 Revenue from contacts with customers.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2022.

Information Other than the consolidated financial statements and Auditor's Report Thereon

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

We have performed a reasonable assurance engagement regarding the compliance of the electronic format of the Group's consolidated financial statements for the year ended December 31, 2022 attached in the electronic file "8945007IDGKD0KZ4HD95-20221231-EN-CON.zip", with the requirements of Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council by means of regulatory technical standards to define the European Single Electronic Format for reporting ("ESEF Regulation").

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

Description of the subject and applicable criteria

The Management has prepared electronic format of the consolidated financial statements of the Group for the year ended December 31, 2022, in accordance with the ESEF Regulation to comply with the requirements of the POSA. The rules for preparing consolidated financial statements in this electronic format are set out in the ESEF Regulation and, in our opinion, have the characteristics of appropriate criteria for forming a reasonable assurance opinion.

Responsibilities of Management and Those Charged with Governance

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

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

Auditor's responsibility

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

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

Requirements on quality control

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

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

Summary of work performed

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

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

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

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

In our opinion, except for the effects of the matter described in Basis for qualified opinion section, the electronic format of the consolidated financial statements of the Group for the year ended December 31, 2022, contained in the attached electronic file “8945007IDGKD0KZ4HD95-20221231-EN-CON.zip“, is prepared in all material respects in compliance with the requirements of the ESEF Regulation.

Basis for qualified opinion

We have identified that the following tags are inappropriately applied in the English version of the electronic format and we present the appropriate tags:

Financial Statement Line	Main Statement	December 31, 2022	December 31, 2021	Tag, Applied by the Group	Appropriate Tag
Retained Earnings	Consolidated statement of Changes in Equity	BGN 55,117 thousand	BGN 39,324 thousand	DescriptionOfOtherAccountingPoliciesRelevantToUnderstandingOfFinancialStatements	DisclosureOfAdditionalInformationExplanatory
Repurchased own shares	Consolidated statement of Cash Flows	BGN 780 thousand	-	ProceedsFromIssuingSharesAllterco	PaymentsToAcquireOrRedeemEntitysShares
Basic Earnings per Share	Consolidated Statement of Comprehensive income	BGN 0.97 per share	BGN 0.88 per share	Inappropriately presented as BGN 970 per share for 2022 and BGN 880 per share for 2021	Appropriate presentation would be BGN 0.97 per share for 2022 and BGN 0.88 per share for 2021.

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

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

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

Based on the procedures performed, in our opinion:

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

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

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

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

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

- Deloitte Audit OOD was appointed as a statutory auditor of the consolidated financial statements of the Group for the year ended December 31, 2022 by the general meeting of shareholders held on June 27, 2022 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended December 31, 2020 represents first total consecutive statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Parent Company's Audit Committee on May 2, 2023, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.
- For the period to which our statutory audit refers, we have not provided other services to the Group in addition to the statutory audit.

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

Desislava Dinkova Peneva Digitally signed by Desislava Dinkova Peneva Date: 2023.05.02 23:57:18 +03'00'

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

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