SHELLY GROUP SE
CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2025

All amounts are in thousand Bulgarian leva unless otherwise stated

ASSETS	**Note**	**March 31, 2025**	**December 31, 2024**
Non-current assets			
Property, plant and equipment	3.01	2 169	2 200
Intangible assets	3.02	14 126	13 358
Right-of-use assets	3.03	10 594	11 026
Goodwill	3.04	3 638	3 638
Investments in associates	3.05	152	160
Deferred tax assets	3.06	303	303
Total non-current assets		**30 982**	**30 685**
Current assets			
Inventory	3.07	31 489	45 558
Trade receivables	3.08	86 036	70 131
Other receivables	3.09	4 404	6 879
Cash and cash equivalents	3.10	32 712	27 353
Total current assets		**154 641**	**149 921**
TOTAL ASSETS		**185 623**	**180 606**

Date: May 14, 2025

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Executive Director:
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The consolidated statement of financial position shall be read together with the accompanying notes on pages 7 – 57. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

LIABILITIES	**Note**	**March 31, 2025**	**December 31, 2024**
Non-current liabilities			
Lease liabilities	3.12	9 304	9 898
Retirement benefit obligations	3.13	327	327
Total non-current liabilities		**9 631**	**10 225**
Current liabilities			
Bank loans	3.11	166	824
Lease liabilities	3.12	1 558	1 361
Trade payables	3.14	4 349	9 820
Payables to employees and social security	3.15	2 029	2 367
Other liabilities	3.16	7 894	7 332
Total current liabilities		**15 996**	**21 704**
TOTAL LIABILITIES		**25 627**	**31 929**
EQUITY			
Share capital	3.17	18 106	18 106
Retained earnings	3.18	134 386	123 335
Legal reserves	3.19	1 929	1 929
Premium reserve	3.20	5 403	5 403
Reserves from revaluation of defined benefits plans		(88)	(88)
Exchange differences from translation of foreign subsidiaries' financial statements		839	522
Equity attributable to Parent Company's equity holder		**160 575**	**149 207**
Non-controlling interest		(579)	(530)
TOTAL EQUITY		**159 996**	**148 677**
TOTAL EQUITY AND LIABILITIES		**185 623**	**180 606**

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The consolidated statement of financial position shall be read together with the accompanying notes on pages 7 – 57. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	For the 3 months ended December 31, 2025	For the 3 months ended December 31, 2024 (reclassified)
Sales revenue	4.01	51 759	40 164
Cost of sales	4.01	(24 456)	(17 860)
Gross profit		**27 303**	**22 304**
Other operating income	4.02	1 112	437
Sales expenses	4.03	(2 970)	(3 333)
Administrative expenses	4.04	(10 392)	(8 258)
Other operating expenses	4.05	(2 027)	(562)
Profit from operating activity		**13 026**	**10 588**
Finance income	4.06	7	3
Finance expense	4.07	(240)	(140)
Share of associated companies' profit/(loss)	3.05	(8)	5
Profit before tax		**12 785**	**10 456**
Income tax expense	4.08	(1 777)	(1 550)
Net profit		**11 008**	**8 906**
Other comprehensive income:			
Items, that will not be reclassified to profit or loss			
Exchange differences from translation of foreign subsidiaries' financial statements		317	(88)
Other comprehensive income for the year after taxes		**317**	**(88)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11 325**	**8 818**
Net profit attributable to:			
Owners of the Parent Company		11 051	8 990
Non-controlling interest		(43)	(84)
Other comprehensive income attributable to:			
Owners of the Parent Company		317	(88)
Non-controlling interest		(6)	-
Total comprehensive income attributable to:			
Owners of the Parent Company		11 368	8 902
Non-controlling interest		(49)	(84)
Earnings per share	4.09	**0.61**	**0.49**

Date: May 14, 2025

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The consolidated statement of comprehensive income shall be read together with the accompanying notes on pages 7-57. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Share capital	Retained earnings	Premium reserve	Legal reserves	Reserves from revaluation of defined benefits plans	Exchange differences from translation of foreign subsidiaries' financial statements	Total	Non-controlling interests	Total equity
Balance at January 1, 2024	**18 051**	**83 165**	**5 403**	**2 804**	**3**	**953**	**110 379**	**(776)**	**109 603**
Total comprehensive income, net, incl.	-	**44 767**	-	**(880)**	**(91)**	**(431)**	**43 365**	**246**	**43 611**
Net profit	-	44 934	-	-	-	-	**44 934**	(186)	**44 748**
Other comprehensive income	-	(167)	-	(880)	(91)	(431)	**(1 569)**	432	**(1 137)**
Exchange differences from translation of foreign subsidiaries' financial statements	-	-	-	-	-	*(59)*	***(59)***	*(7)*	***(66)***
Actuarial gain (loss)	-	-	-	-	*(100)*	-	***(100)***	-	***(100)***
Deferred tax	-	-	-	-	*9*	-	***9***	-	***9***
Effect of increase of controlling participation, net	-	*(167)*	-	*(880)*	-	*(372)*	***(1 419)***	439	***(980)***
Replenishment of reserve	-	(6)	-	6	-	-	**-**	-	**-**
Capital increase	55	-	-	-	-	-	**55**	-	**55**
Dividend (BGN 0.25 (EUR 0.13) per share)	-	(4 590)	-	-	-	-	**(4 590)**	-	**(4 590)**
Other adjustments	-	(1)	-	(1)	-	-	**(2)**	-	**(2)**
Balance at December 31, 2024	**18 106**	**123 335**	**5 403**	**1 929**	**(88)**	**522**	**149 207**	**(530)**	**148 677**
Balance at January 1, 2025	**18 106**	**123 335**	**5 403**	**1 929**	**(88)**	**522**	**149 207**	**(530)**	**148 677**
Total comprehensive income, net, incl.	-	11 051	-	-	-	317	11 368	(49)	11 319
Net profit	-	11 051	-	-	-		11 051	(43)	11 008
Other comprehensive income	-	-	-	-	-	317	317	(6)	311
Exchange differences from translation of foreign subsidiaries' financial statements	-	-	-	-	-	*317*	*317*	*(6)*	*311*
Balance at March 31, 2023	**18 106**	**134 386**	**5 403**	**1 929**	**(88)**	**839**	**160 575**	**(579)**	**159 996**

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The consolidated statement of changes in equity shall be read together with the accompanying notes on pages 7-57. The notes are an integral part of these consolidated financial statements.

All amounts are in thousand Bulgarian leva unless otherwise stated

	Note	For 3 months ended March 31, 2024	For 3 months ended March 31, 2023
Cash flows from operating activities			
Proceeds from customers		45 361	35 097
Payments to suppliers		(36 463)	(29 036)
Taxes paid (recovered)		4 704	343
Payments to employees and social security institutions		(5 427)	(5 820)
Bank fees		(85)	(4)
Other payments, net		(18)	(177)
Net cash flows from operating activities		**8 072**	**403**
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment and intangible assets		(1 348)	(790)
Proceeds from the sale of investments		312	178
Purchase of investments		(30)	(1 179)
Net cash flows used in investing activities		**(1 066)**	**(1 791)**
Cash flows from financing activities			
Lease payments		(423)	(71)
Loans received		41	297
Loans repaid		(842)	(337)
Cash flows related to interest and commissions		(4)	(7)
Net cash flows used in financing activities		**(1 228)**	**(118)**
Net increase/(decrease) in cash and cash equivalents for the year		**5 778**	**(1 506)**
Net exchange differences		(419)	(48)
Cash and cash equivalents at the beginning of the year		27 353	30 778
Cash and cash equivalents at the end of the period	*3.10*	**32 712**	**29 224**

Date: May 14, 2025

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The consolidated statement of cash flows shall be read together with the accompanying notes on pages 7-57. The notes are an integral part of these consolidated financial statements.

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1. Information on the Group

1.1. Legal status

Shelly Group SE (The Parent company), Sofia, is entered in the Commercial Register of the Registry Agency with UIC (Unified Identification Code): 201047670 and LEI code 8945007IDGKD0KZ4HD95. The Parent Company is with seat and registered office in Bulgaria, 1407 Sofia, 51 Cherni Vrah Blvd., building 3, floor 2 and 3. The initial registered fixed capital is BGN 5 488 thousand. At the end of 2015, the capital was increased to BGN 13 500 thousand through cash and non-cash contributions. At the end of 2016, the capital was increased to BGN 15 000 thousand after the successful Initial Public Offering on the Bulgarian Stock Exchange. In 2020, the capital was increased to BGN 18 000 thousand as a result of a procedure for Secondary Public Offering of a new issue of shares.

In June 2024, the capital was increased to BGN 18 105 559. The increase was addressed to employees of Shelly Group SE and its subsidiaries.

Since December 20216 the shares of Shelly Group SE are traded on the Bulgarian Stock Exchange and since November 22, 2021 the Parent company's shares are traded on the Frankfurt Stock Exchange.

1.2. Ownership and management

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

The distribution of the share capital of Shelly Group SE as of March 31, 2025, was as follows:

Name	**Number of shares:**	**% of the capital**
Dimitar Dimitrov	5 478 120	30.26%
Svetlin Todorov	5 285 620	29.19%
Persons holding less than 5% of the capital		
Other physical persons and legal entities	7 341 819	40.55%
Total	**18 105 559**	**100.00%**

The composition of the Board of Directors (BoD) as at March 31, 2025 is as follows:

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

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

1.3. Scope of activities

The main scope of activity of Shelly Group SE 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.

All amounts are in thousand Bulgarian leva unless otherwise stated

1.4. Group structure

As of 31.03.2025 and 31.12.2024, the Group includes Shelly Group SE and the following subsidiaries, in the country and abroad, which it controls.

Company name	31 March 2025 Percentage of participation	31 December 2024 Percentage of participation
In Bulgaria		
Shelly Trading EOOD	*100%*	*100%*
Shelly Europe EOOD	*100%*	*100%*

Company name	31 March 2025 Percentage of participation	31 December 2024 Percentage of participation
Abroad		
Shelly USA, USA	*100%*	*100%*
Shelly DACH GMBH, Germany	*100%*	*100%*
Shelly Tech d.o.o., Slovenia	*76%*	*76%*
Shelly Asia Ltd, China	*80%*	*80%*

On February 22, 2024, Shelly Group SE exercised its call option to acquire an additional 16% share of the capital of its subsidiary Slovenian IoT company Shelly Tech (formerly known as GOAP).

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

In 2024 the subsidiary opened a representative office in the Netherlands.

On May 31, 2024, the Parent company exercised its call option to acquire 50% in the associated company Shelly Asia ltd., (formerly known as Allterco Asia ltd.), and thus the ownership share reached 80%. The price paid for the newly acquired shares is EUR 520,000.

On September 26, 2024, the Parent company sold its subsidiary Shelly Properties EOOD.

2. Basis for preparation of the financial statements and material accounting policy information

2.1. Basis for preparation

The Group keeps its current accounting records and prepares its financial statements in accordance with the requirements of the Bulgarian commercial and accounting legislation.

These consolidated financial statements have been prepared in accordance with the requirements of the International Accounting Standards (IAS), published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

As of March 31, 2025, IASs comprises the IFRS Accounting Standards as adopted by EU and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the IASB, and the International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASC), effective from January 1, 2025, and adopted by the EU.

2.2. Initial application of new and amended IFRS Accounting Standards

2.2.1. Standards effective for the current reporting period

The Group's management has complied with all standards and interpretations that are applicable to its activity and have been officially adopted by the EU as of the date of preparation of these consolidated financial statements.

The management has reviewed the changes in the existing accounting standards effective from January 1, 2025 and believes that they do not require changes in terms of the accounting policy applied in the current year.

At the date of preparation of these consolidated financial statements, the following new standards, issued by IASB and adopted by the EU are effective:

- **Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates -** Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

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

At present, IFRS Accounting Standards as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS Accounting Standards as issued by IASB):

- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 -** Annual Improvements to IFRS Accounting Standards - Volume 11 - effective for annual periods beginning on or after 1 January 2026;
- **Amendments to IFRS 9 and IFRS 7** - Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026);
- **Amendments to IFRS 9 and IFRS 7 -** Amendments to Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after 1 January 2026);
- **IFRS 18 - Presentation and Disclosures in Financial Statements** (effective for annual periods beginning on or after 1 January 2027);
- **IFRS 19 - Subsidiaries without Public Accountability: Disclosures** (effective for annual periods beginning on or after 1 January 2027);

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application, except for IFRS 18 which is expected to have material impact on the presentation and disclosure of information in the financial statements. The Group is in process of analysing the specific impact of IFRS 18 on its consolidated financial statements.

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

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39 Financial Instruments** - Recognition and Measurement would not significantly impact the consolidated financial statements, if applied as at the reporting date.

2.3. Going concern

The consolidated financial statements of the Group have been prepared on the going concern principle, as it is expected that the Group shall continue its operating activity in near future.

A military conflict between Russia and Ukraine continued during the reporting period, but since the Group does not have transactions and accounts with customers from these two countries, management believes that this event is not expected to directly or indirectly affect the Group's results and financial position in the future.

The military conflict in the Middle East is also not expected to affect the Group's results and financial situation.

Management has no plans or intentions to sell the business or cease operations, which could materially change the measurement or classification of assets and liabilities reported in the consolidated financial statements.

The assessment of assets and liabilities and the measurement of income and expenses is made in compliance with the historical cost principle. This principle is modified in specific cases by the revaluation of certain assets and/or liabilities to their fair value as indicated in the relevant notes below.

2.4. Functional and reporting currency

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

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 records 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.

In order to achieve better comparability with the presentation of data for the current reporting period, the company has reclassified certain items from the comparative information for the previous comparable period (notes 4.02, 4.03, 4.04 and 4.05). Expenses related to marketing and advertising in the amount of BGN 226 thousand have been transferred from administrative expenses to sales expenses. Expenses related to training and travel in the amount of BGN 237 thousand have been transferred from other operating expenses to other administrative expenses. Income and expenses related to exchange rate differences in the first quarter of 2024 are presented as separate lines in notes 4.02 and 4.05. The reclassification does not affect the reported financial result for the comparable period of 2024.

2.6. Transactions and balances

A transaction in foreign currency is recognized initially in the functional currency by applying the foreign currency exchange rate (spot) between the functional currency and the foreign currency at the time of the transaction or operation.

At each date of financial statement preparation:
(a) monetary positions, receivables and payables denominated in foreign currency are recalculated into the functional currency using the exchange rate published by the BNB on the last business day of the respective month;
(b) non-monetary items held at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, if an exchange rate other than that of the transaction (average monthly, daily or other) is applied; and
(c) non-monetary items held at fair value in a foreign currency are recalculated using the exchange rates at the date when the fair value was determined.
Foreign currency exchange differences are recognized in accordance with IAS 21 the Effects of Changes in Foreign Exchange Rates.

The items of the consolidated statement of financial position and consolidated statement of comprehensive income of foreign companies of the Group, using a functional currency other than Bulgarian lev, are retranslated into BGN to be included in the consolidated statement of the Group as follows:

- All monetary and non-monetary assets and liabilities (including comparative information) are recalculated at the BNB closing exchange rate at the date of the relevant statement of financial position; Monetary positions in foreign currency as of December 31, 2024 and March 31, 2025 are retranslated in these financial statements at the closing exchange of the BNB. As of March 31, 2025 – BGN 1.80844 for 1 USD; BGN 0.249335 for 1 CNY and BGN 1.95583 for 1 EUR, and as of December 31, 2024 – BGN 1.8826 for 1 USD; BGN 1.95583 for 1 EUR and BGN 0.257913 for 1 CNY.
- The income and expense items of each comprehensive income statement are recalculated at the

accounting date at the weighted average exchange rate for the accounting period;

- All exchange rate differences obtained are recognized as other comprehensive income.
- The cumulative amount of these exchange rate differences is presented in a separate component of equity until the foreign operation is disposed.
- Share capital and other components of equity are translated using the historical rate, i.e. the exchange rate at the date of issue of share capital, or at the date of the associated transaction for other components of equity.

2.7. Accounting estimates and judgements

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

All assessments are based on the management's best judgment as of the date of preparation of these consolidated financial statements. Actual results could differ from those presented in these consolidated financial statements.

In preparing these consolidated financial statements, the management used judgments related to the following items:

- Right-of-use assets – period of use of the assets and discount factor (Note 3.03)
- Short-term receivables – need for impairment (Note 3.08)
- Retirement benefits obligations (Note 3.13)
- Deferred tax assets (Note 3.06)
- Warranty service provision (Note 3.16)

2.8. Subsidiaries and associated companies

Subsidiaries are the entities over which Shelly Group SE exercises control as defined in IFRS 10 Consolidated Financial Statements.

The parent-company (the investor) controls the investee company if it has:

- Rights over the ownership of the subsidiary;
- Rights over the variable returns from its participation in the subsidiary;
- Ability to use its powers over the entity in order to influence the size of return on investment.

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

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

2.9. Non-controlling interest

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

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and non-controlling interests is adjusted to reflect changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

2.10. Consolidation

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

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

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

2.11.1. Revenue

The Group recognises revenue from the following major sources:

Sale of electronic devices

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

The Group sells electronic devices both to the wholesale market and directly to customers through its own website and through direct sales. Sales-related warranties associated with the products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see Note 3.16).

For sales of electronic equipment to the wholesale market, revenue is recognised by the Group 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, and the Group expects to receive payment in the agreed term.

The Group recognizes revenue from sales through an online store at the time the goods are shipped to the address requested by the customer. The payment received from the customer is initially recognized as a contractual obligation until the goods are shipped to the customer.

Under the Group's standard contract terms, customers have a right of return within 14 days. In case of returned goods, the Group adjusts the recognized revenue by reducing it by the value of the returned goods. At the same time, the Group has an obligation to receive back the returned goods, if the customer decides to exercise its right to return the goods and accordingly reduces the cost of goods sold and increases its stock.

The Group uses historical experience to determine the expected value of returned goods in each calendar year. The method assumes that the Group does not expect, with a high probability, to receive returns of goods in amounts significantly exceeding the volume of returned goods in previous years, expressed as a percentage of revenue.

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.

The Group offers to its customers a subscription to cloud services. The subscription can be paid in monthly instalments or once for a calendar year. In the event that a customer pays an annual subscription, the entire amount is initially recognized as a contractual liability, and each month 1/12 of the amount paid is recognized as revenue.

Other income/revenue

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

The Group companies apply IFRS 15 and the management carefully examines its trade practices for possible changes at the time of revenue recognition. No change in the performance obligations and the price allocation in the contracts and revenue recognition is needed for the reporting period.

2.11.2. Expenses

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

Financial expenses consist of interest expenses and other direct costs related to loans as well as bank fees and losses from foreign currency exchange.Click or tap here to enter text.

2.11.3. Property, plant and equipment

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

Initial recognition

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

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

Measurement after recognition

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

For all other classes of non-current tangible assets, the Group applies the acquisition cost model.

Depreciation Methods

The Group uses the straight-line method of depreciation of non-current tangible assets. Depreciation of assets begins when they are available for use. The useful life by groups of assets is determined in accordance with: physical wear and tear, specifics of the equipment, future intentions for use and actual obsolescence.

The useful life by classes of assets is as follows:

Vehicles	4 years
Buildings	25 years
Computer equipment	2-5 years
Office equipment	5-6.67 years
Other non-current tangible assets	6.67 years

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

Derecognition of non-current tangible assets

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

Gains or losses arising on the derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the asset is written off. Gains and losses on disposals of non-current assets are determined when the proceeds from sale (disposal) are reduced by the book value of the asset and the costs related to the sale. They are stated net, to "Other operating income" in the statement of comprehensive income.
The amount of consideration to be included in the gain or loss arising from the derecognition of an item of property, plant and equipment is determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of IFRS 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in IFRS 15.

2.11.4. Intangible assets

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

The Group applies a straight-line method of depreciation of intangible assets with a useful life of 2 years for the software products, 6.67 years for the prototypes and software development, 3 years for an ISO certificate.

The book value of the intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the book value amount could exceed their recoverable amount. Then the impairment is included as an expense in the consolidated statement of comprehensive income.

Initial recognition

Externally generated intangible assets on their acquisition are measured at acquisition price, which includes purchase price, import duties, non-refundable taxes and expenses of preparing the asset for its intended use. The direct expenses are: costs of employee benefits (as defined in IAS 19) and professional fees arising directly from bringing the asset to its working condition; costs for testing whether the asset is functioning properly, expenses for fees of persons related to the project, non-refundable taxes, etc.
Intangible assets are recognized if they meet the definition of intangible assets set out in IAS 38 Intangible Assets, namely:

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

Subsequent costs

Expenses related to the maintenance of initially established standard efficiency, incurred after the commissioning of intangible non-current assets, are recognized as current at the time when they are incurred.

The carrying amount of the respective intangible asset is adjusted by the expenses that lead to increase of the expected future economic benefits form the use of an intangible asset above the initially determined standard efficiency.

2.11.5. Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Initially, it is measured in the consolidated financial statements as the excess of the sum of the consideration transferred over the amount of the net assets of the acquired company and subsequently it is presented at acquisition cost less impairment losses. Goodwill is not amortized.

The goodwill originating as a result of the acquisition of a subsidiary is presented in the consolidated statement of financial position as a part of non-current assets and the goodwill originating as a result of acquisition of joint-ventures or associated companies is included in the total value of investment and is reported as “investments in associated companies”.

The goodwill associated with the acquisition of associated companies is tested for impairment as part of the total value of the investment. Separately recognized goodwill on the acquisition of subsidiaries is tested mandatorily for impairment at least once annually. Impairment losses on goodwill are not reversed subsequently. Gains or losses on sale (disposal) of a subsidiary of the Group also include the book value of the goodwill, associated with the sold (disposed) company.

Any goodwill amount recognized in the financial statements is attributable to a certain cash generating object at the time a business combination is completed, and this object is applied when tests for impairment are conducted. For determining the cash-generating objects, are considered only objects that are expected to generate future economic benefits and that are subject to the business combination, which generated the goodwill.

Losses from impairment of goodwill are presented in the consolidated statement of comprehensive income (in profit or loss for the year) as part of item "Impairment expenses".

2.11.6. 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 March 31, 2025, the Group reports a share in the loss of associated companies amounting to BGN 8 thousand. The value of the investment indicated in the consolidated statement of financial position has been decreased by the same amount.

2.11.7. Inventories

Inventories are accounted at the lower of the two following values: price for acquisition (cost) and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completing the production cycle and the estimated costs necessary to make the sale. In the event that inventories have already been depreciated to net realizable value and in a subsequent accounting period it turns out that the conditions that led to their impairment are no longer present, their new net realizable value is assumed. The amount of the refund can only be up to the amount of the book value of the inventory before the impairment. The amount of the reversal of the inventory value is reported as a reduction in the cost of materials for the period in which the reversal occurs.

The costs incurred to bring an inventory to its present condition and location are included in the cost of acquisition (cost) as follows:

- Materials - the purchase price and all related costs of delivery;

- Goods - the purchase price and all related costs of delivery, customs duties, transport costs, non-recoverable taxes and other costs incurred in order to bring the goods in ready for use state.

In the use (sale) of inventory, the weighted average method is used.

2.11.8. Financial instruments

A financial instrument is any contract that simultaneously gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual terms of the relevant financial instrument that gave rise to this asset or liability.

a) Financial assets

Initial recognition and measurement

Upon initial recognition, financial assets are classified as financial assets that are subsequently measured at amortized cost, at fair value in other comprehensive income (OCI) and as financial assets at fair value in profit or loss. Financial assets are classified upon their initial acquisition according to the characteristics of the contractual cash flows of the financial asset and the Group's business management model. The Group initially measures the financial asset at fair value plus transaction costs, in the case of financial assets that are not measured at fair value through profit or loss.

Trade receivables that do not have a significant financing component, and for which the Group has applied a practically expedient measure, are stated at the transaction price determined according to IFRS 15. The Group reclassifies financial assets only when its business model changes.

In order to be classified and measured at amortized cost or at fair value in OCI, the financial asset should generate cash flows that represent "solely payments of principal and interest" (SPPI) on the outstanding principal amount. This measurement is called the "SPPI test" and is performed at the relevant instrument level.

The Group's business model for managing financial assets refers to how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both.

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

- The financial asset is held within a business model aimed at obtaining the contractual cash flows, and
- The terms of the contract for the financial asset give rise to cash flows on specific dates that represent solely payments of principal and interest on the outstanding principal amount.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

Financial assets designated as financial assets at fair value in other comprehensive income (equity instruments)

Upon initial recognition, the Group may elect to classify irrevocably as equity instruments designated as measured at fair value in other comprehensive income when they meet the equity requirements under IAS 32 Financial Instruments: Presentation and when they are not held for trading. The classification is determined on an individual instrument basis. These investments in equity instruments are held for medium to long-term purpose and accordingly, the Group elected to designate them as equity instruments at fair value through other comprehensive income as it believes that recognising short-term fluctuations in these investments fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long term purposes.

Gains and losses on these financial assets are never "recycled" in profit or loss. Dividends are recognized as income in the statement of comprehensive income when the right to payment is established, except when the Group derives benefits from these receipts as a refund of part of the acquisition price of the financial asset, in which case the gains are reported in other comprehensive income. Equity instruments designated as measured at fair value in other comprehensive income are not in the scope of IFRS 9 expected credit loss model.

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 2.9.16);
- Trade and other receivables (Notes 3.08 and 3.09).

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 in order to prepare an impairment assessment. The Group uses historical experience in order to determine loss given default. As significant increase in credit risk has not been identified, the Group applies 12-month ECL.

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortized cost

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

Derecognition

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

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

Trade and other receivables

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

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

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

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

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

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

Borrowings

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

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

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

Payables to suppliers, other current liabilities and advances received

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

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

2.11.9. Cash and cash equivalents

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

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

2.11.10. Lease

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

The Group as a lessee

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

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

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

Short-term leases and low-value assets leases

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

2.11.11.Provisions

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

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

2.11.12. Payables to employees

Current payables to employees

Current payables to employees include liabilities for work already performed and the relevant social security contributions required by law.

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 labour for the past reporting period.

Retirement benefit plans

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

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

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

2.11.13. Share capital and reserves

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

Shelly Group SE is a joint-stock company and is obliged to register in the Commercial Register a certain amount of share capital to serve as collateral for the claims of creditors of the Parent Company. The shareholders are responsible for the Parent Company's liabilities up to the amount of their shareholding in the capital and can claim the return of this shareholding only in bankruptcy or liquidation proceedings. The Parent Company reports its share capital at the nominal value of the shares registered in court.

Equity is the residual value of the Group company's assets after deducting all of their liabilities. It includes**:**

Share capital is presented in the consolidated statement of financial position at nominal value per share according to the number of shares issued.

Financial result is the difference between the revenue and the related costs charged.

Equity is reported less the distributed dividends of the owned shares during the period in which they will be distributed (by decision of the General Meeting).

According to the requirements of the Commerce Act and the Articles of Association of the Parent Company Shelly Group SE, the Group is obliged to allocate reserves at the expense of:

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

Redeemed shares are presented in the consolidated statement of financial position at cost (acquisition price), with their gross purchase price reduced by the Group's equity capital. Profit or loss from the sale of redeemed shares are presented directly in the Group's equity, under the "Redeemed shares".

In past periods, the Group reported share-based payments to employees in Bulgarian subsidiaries. Share-based payments to employees related to services rendered are settled through equity instruments. Transferred capital instruments are measured at their fair value on the date of transfer. Share-based payment expense is recognised in the period in which the services are received.

Reserve from recalculation of the currency of the presented foreign activity - arises from the net effects of the translation of the accounts of subsidiaries abroad from their functional currencies into Bulgarian leva, for consolidation purposes.

All amounts are in thousand Bulgarian leva unless otherwise stated

2.11.14. 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 2025 and 2024 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	
	2025	2024
Germany	30%	30%
USA	15-35%	15-35 %
China	25%	25%
Slovenia	19%	19%

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

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

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

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

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

As of March 31, 2025, the Group recognises income tax expenses only for Bulgarian companies and at a 10% tax rate, for the German entity at 30% tax rate, for the Chinese entity at 25% tax rate and for the Slovenian entity at 19% tax rate.

2.11.15. Earnings per share

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

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

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

2.11.16. 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 2024 (note 3.13). The Group has not prepared actuarial valuation as of March 31, 2025.

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.

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 March 31, 2025, such review was carried out, as a result of which management considered that no impairment indicators were available. No impairment loss on property, plant and equipment is reported in the consolidated financial statements.

Impairment of inventories

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

The proposed expert prices are consistent with the prices reached under concluded contracts for realization on the domestic and foreign markets, the dynamics of supply and demand of inventories, the latest price levels and trends in transactions with similar inventories. For the calculation of the net realisable value of individual types of inventories, the estimated direct costs associated with sales are excluded from determined expert selling prices. When assessing the inventories for which sales contracts are concluded, the net realisable value is determined based on the contract price less the cost of sales. Inventories not related to sales contracts are valued according to assumptions about the possibilities for their future disposal.

As of March 31, 2025, the Group has not recognized an impairment of inventory.

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

Income taxes

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

Leases

Determining the lease term for contracts with renewal and termination options – the Group as a lessee

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by an option to extend it if it is reasonably certain that the option will be exercised, or any periods covered by a termination option if it is reasonably certain that the option will not be exercised (note 3.12).

2.11.17. Fair values

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that, directly (i.e., as prices) or indirectly (i.e., derived from prices), are available for observation for the asset or liability.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input data).

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurs. In three months of 2025 and 2024 there have been no transfers between the levels of the fair value hierarchy.

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

All amounts are in thousand Bulgarian leva unless otherwise stated

3. Notes to the consolidated statement of financial position

3.01. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Computers	Office equipment	Other	Assets under construction	**Total**
01.01.2024									
Cost	**1 476**	**3 088**	**1 181**	**644**	**549**	**256**	**342**	**277**	**7 813**
Depreciation	**-**	**(444)**	**(925)**	**(307)**	**(389)**	**(175)**	**(186)**	**(14)**	**(2 440)**
Book value	**1 476**	**2 644**	**256**	**337**	**160**	**81**	**156**	**263**	**5 373**
Additions (cost)	**-**	**-**	**88**	**390**	**296**	**137**	**964**	**982**	**2 857**
Purchase	-	-	79	390	296	137	85	982	1 969
Transfer	-	-	9	-	-	-	879	-	888
Disposals (book value)	(1 476)	**(2 774)**	**(176)**	**(431)**	(9)	(66)	(132)	(1 176)	**(6 240)**
Purchase	(1 476)	(2 774)	(176)	(431)	-	(50)	(130)	-	(5 037)
Transfer					(9)	(16)	(2)	(1 176)	(1 203)
Depreciation for the year	**-**	**(87)**	**(88)**	**(116)**	**(144)**	**(12)**	**(40)**	**-**	**(487)**
Change in depreciation	**-**	**217**	**133**	**260**	**-**	**17**	**70**	**-**	**697**
Depreciation of assets written off	-	217	133	260	-	17	70	-	697
Book value at the end og the year	**-**	**-**	**213**	**440**	**303**	**157**	**1 018**	**69**	**2 200**
31.12.2024									
Cost	**-**	**314**	**1 093**	**603**	**836**	**327**	**1 174**	**83**	**4 430**
Depreciation	**-**	**(314)**	**(880)**	**(163)**	**(533)**	**(170)**	**(156)**	**(14)**	**(2 230)**
Book value	**-**	**-**	**213**	**440**	**303**	**157**	**1 018**	**69**	**2 200**

	Land	Buildings	Machinery and equipment	Vehicles	Computers	Office equipment	Other	Assets under construction	**Total**
01.01.2025									
Cost	**-**	**314**	**1 093**	**603**	**836**	**327**	**1 174**	**83**	**4 430**
Depreciation	**-**	**(314)**	**(880)**	**(163)**	**(533)**	**(170)**	**(156)**	**(14)**	**(2 230)**
Book value	**-**	**-**	**213**	**440**	**303**	**157**	**1 018**	**69**	**2 200**
Additions (cost)	**-**	**-**	**6**	**-**	**13**	**-**	**1**	**171**	**121**
Purchase	**-**	**-**	**6**	**-**	**13**	**-**	**-**	**171**	**190**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Disposals (book value)	-	-	-	-	-	(1)	-	(69)	**(70)**
Transfer	-	-	-	-	-	**(1)**	-	(69)	**(70)**
Depreciation for the year	**-**	**-**	**(26)**	**(34)**	**(45)**	**(6)**	**(41)**	**-**	**(152)**
Change in depreciation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Book value at the end of the year	**-**	**-**	**193**	**406**	**271**	**150**	**978**	**171**	**2 169**
31.03.2025									
Cost	**-**	**-**	**1 099**	**603**	**849**	**326**	**1 175**	**185**	**4 237**
Depreciation	**-**	**-**	**(906)**	**(197)**	**(578)**	**(176)**	**(197)**	**(14)**	**(2 068)**
Book value	**-**	**-**	**193**	**406**	**271**	**150**	**978**	**171**	**2 169**

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**
01.01.2024						
Cost	**340**	**58**	**4 641**	**1 581**	**2 731**	**9 351**
Amortization	**(326)**	**(10)**	**(1 366)**	**(102)**	**-**	**(1 804)**
Book value	**14**	**48**	**3 275**	**1 479**	**2 731**	**7 547**
Additions (cost)	**70**	**23**	**4 882**	**1 666**	**5 772**	**12 413**
Purchase	**70**	7	-	169	1 480	1 726
Self-constructed	-	-	-	-	3 980	3 980
Business combination	-	-	-	909	-	909
Transfer	-	16	4 882	588	312	5 798
Disposals (book value)	-	-	**(16)**	-	**(5 468)**	**(5 484)**
Transfer	-	-	(16)	-	(5 468)	(5 484)
Amortization for the year	**(7)**	**(26)**	**(832)**	**(253)**	**-**	**(1 118)**
Change in amortization	-	-	-	-	-	-
Book value at the end of the year	**77**	**45**	**7 309**	**2 892**	**3 035**	**13 358**
31.12.2024						
Cost	**410**	**81**	**9 507**	**3 247**	**3 035**	**16 280**
Amortization	**(333)**	**(36)**	**(2 198)**	**(355)**	**-**	**(2 922)**
Book value	**77**	**45**	**7 309**	**2 892**	**3 035**	**13 358**

	Software	ISO Certificates and intellectual property rights	Patents, licenses, trademarks, prototypes and development	Other	Assets under construction	**Total**
01.01.2025						
Cost	**410**	**81**	**9 507**	**3 247**	**3 035**	**16 280**
Amortization	**(333)**	**(36)**	**(2 198)**	**(355)**	**-**	**(2 922)**
Book value	**77**	**45**	**7 309**	**2 892**	**3 035**	**13 358**
Additions (cost)	-	-	-	-	**1 228**	**1 228**
Self-constructed	-	-	-	-	1 159	1 159
Transfer	-	-	-	-	69	69
Disposals (book value)	-	-	-	-	-	-
Amortization for the year	**(4)**	**(5)**	**(334)**	**(117)**	**-**	**(460)**
Change in amortization	-	-	-	-	-	-
Book value at the end of the year	73	40	6 975	2 775	4 263	14 126
31.03.2025						
Cost	**410**	**81**	**9 507**	**3 247**	**4 263**	**17 508**
Amortization	**(337)**	**(41)**	**(2 532)**	**(472)**	**-**	**(3 382)**
Book value	**73**	**40**	**6 675**	**2 775**	**4 263**	**14 126**

All amounts are in thousand Bulgarian leva unless otherwise stated

3.03. Right-of-use assets

	31.03.2025			31.12.2024		
	Vehicles	Buildings	**Total**	Vehicles	Buildings	**Total**
At the beginning of the period						
Cost	**353**	**11 462**	**11 815**	**397**	**517**	**914**
Depreciation	**(243)**	**(546)**	**(789)**	**(260)**	**(232)**	**(492)**
Book value	**110**	**10 916**	**11 026**	**137**	**285**	**422**
Additions (cost)				**118**	**10 957**	**11 075**
Operating lease				118	10 957	11 075
Disposals (book value)	**(63)**	**(9)**	**(72)**	**(162)**	**(12)**	**(174)**
Written off	(63)	-	(63)	(162)	(12)	(174)
Other changes	-	(9)	(9)			
Depreciation for the year	**(13)**	**(347)**	**(360)**	**(71)**	**(314)**	**(385)**
Change in depreciation	**-**	**-**	**-**	**88**	**-**	**88**
Written off	-	-	-	88	-	88
Book value at the end of the year	34	10 560	10 594	**110**	**10 916**	**11 026**
Cost	**290**	**11 453**	**11 743**	**353**	**11 462**	**11 815**
Depreciation	**(256)**	**(893)**	**(1 149)**	**(243)**	**(546)**	**(789)**
Book value	**34**	**10 560**	**10 594**	**110**	**10 916**	**11 026**

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

3.04. Goodwill

Name	**March 31, 2025**	**December 31, 2024**
Shelly Tech d.o.o, Slovenia	3 388	3 388
Shelly Asia Ltd., China	250	250
Total	**3 638**	**3 638**

3.05. Investments in associates

Until the end of May 2024, SHELLY GROUP SE reported an investment in an associated company - Shelly Asia Ltd., with ь registered office and management address in Shenzhen, Guangdong Province, China. The Chinese company’s registered capital is CNY 100,000, with SHELLY GROUP SE’s participation being 30% (BGN 8 thousand). After May 31, 2024, the investment in the Chinese company is presented as an investment in a subsidiary related to an option exercised by SHELLY GROUP SE to acquire additionally up to 50% and reach a controlling package of up to 80% of the capital of Shelly Asia Ltd.

Shelly Group ED has an associated ownership in the amount of 8,010 preferred shares, representing 8.495% of the capital of "Ground Solutions Group" AD, UIC: 206606897. The participation was acquired as a result of the transformation through merger of "Corner Solutions" EOOD into "Ground Solutions Group" AD. Movement of investments in associates is as follows:

All amounts are in thousand Bulgarian leva unless otherwise stated

	For the 3 months ended March 31, 2025	For the year ended December 31, 2024
Balance as of January 01	**160**	**403**
Acquisition of shares	-	-
Transfer of shares to subsidiaries	-	(218)
Share in net profit/(loss) for the year	(8)	(25)
Balance as of the end of the period	**152**	**160**

3.06. Deferred tax assets

	March 31, 2025	December 31, 2024
Deferred tax assets		
Deferred tax on provision for expenses	129	129
Deferred tax on unused paid leave	95	95
Deferred tax on impairment of receivables	34	34
Deferred tax on unused benefits of individuals	45	45
Deferred tax on long-term employee benefits	24	24
Total assets	**327**	**327**
Deferred tax liabilities		
Deferred tax related to the application of IFRS 16	(24)	(24)
Total liabilities	**(24)**	**(24)**
Total deferred tax assets	**303**	**303**

3.07. Inventory

	March 31, 2025	December 31, 2024
Goods	24 280	39 241
Goods in transit	997	104
Materials stored abroad	2 984	3 785
Materials stored in Bulgaria	3 228	2 428
Total	**31 489**	**45 558**

As of March 31, 2025, the consolidated statement of financial position includes:

- Materials stored abroad representing components for production, purchased on behalf of the Group, by its main suppliers of production services amounting to BGN 2 984 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

As of 31.03.2025 and 31.12.2024, the Group has no accrued impairment of goods and inventories.

3.08. Trade receivables

	March 31, 2025	December 31, 2024
Receivables from clients	66 561	61 984
Impairment of receivables from clients, net	(336)	(336)
Advances to suppliers	19 811	8 483
Total	**86 036**	**70 131**

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

	March 31, 2025	December 31, 2024
Impairment at the beginning of the year	**336**	**2 042**
Written off and reversed impairment	-	(1 706)
Impairment charged	-	-
Impairment at the end of the period, net	**336**	**336**

3.09. Other receivables

	March 31, 2025	December 31, 2024
TAX RECEIVABLES, including:	**3 165**	**5 689**
VAT recoverable	*3 060*	*5 294*
Corporate tax advance payments	*104*	*229*
account balances related to customs import	*-*	*20*
Other taxes	*1*	*146*
OTHER RECEIVABLES, including:	**1 239**	**1 190**
Deposits in commercial entities and guarantees	*326*	*150*
Petty cash	*86*	*77*
Prepaid expenses	*761*	*942*
Other receivables	*66*	*21*
Total	**4 404**	**6 879**

The prepaid expenses include:

	March 31, 2025	December 31, 2024
Information services	222	356
Insurance	82	149
Licenses/certificates	54	89
Membership fees	41	68
Subscriptions	68	36
Exhibitions	189	173
Analysis and publications	5	13
Other	100	58

All amounts are in thousand Bulgarian leva unless otherwise stated

Total	**761**	**942**

3.10. Cash and cash equivalents

	March 31, 2025	December 31, 2024
Cash on hand	26	41
Cash in current bank accounts	32 152	26 778
Restricted cash	524	524
Cash equivalents	10	10
Total	**32 712**	**27 353**

Restricted cash represents funds related to deposits and bank guarantees provided by subsidiaries within the Group. Debit cards are connected and included into the bank accounts.

By currency	March 31, 2025	December 31, 2024
EUR	25 920	22 163
BGN	4 652	1 993
USD	1 397	2 024
Other	743	1 173
Total	**32 712**	**27 353**

The Group's cash is in bank accounts with banks with a stable long-term rating. The Management has assessed the expected credit losses on Cash and cash equivalents. The estimated credit losses are insignificant and are not recognized in the consolidated financial statements of the Group as of March 31, 2025.

3.11. Bank loans

Bank loans are as follows:

	March 31, 2025	December 31, 2024
UBB AD, incl.:	-	519
– *up to one year*	-	*519*
– *over one year*		-
Other short-term financing Shelly USA	119	201
Other short-term financing Shelly Tech	22	98
Other short-term financing Shelly DACH	25	6
Total bank loans – non-current portion:	**-**	**-**
Total bank loans – current portion:	**166**	**824**

The subsidiaries Shelly USA and Shelly DACH use financing under company credit card. The Slovenian company Shelly Tech d.o.o. uses factoring services.

The subsidiary Shelly Europe EOOD has an agreed bank financing in the form of an overdraft, with a total limit of BGN 10 million. As of 31.03.2025 the limit of the overdraft was recovered. Details of the parameters of the provided financing are presented in Note 5.

All amounts are in thousand Bulgarian leva unless otherwise stated

3.12. Lease liabilities

	March 31, 2025	December 31, 2024
Lease liabilities		
- up to 1 year	1 558	1 361
- more than 1 year	9 304	9 898
Total	**10 862**	**11 259**

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

3.13. Retirement benefits obligation

As of December 31, 2024, the Group reports obligations for a defined benefit plan upon retirement of BGN 327 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:

	March 31, 2025	December 31, 2024
Liabilities at the beginning of the year	327	197
Liabilities paid during the year	-	(3)
Expenses recognized in profit or loss	-	-
Current service expense	-	42
Actuarial loss/(gain), recognized in other comprehensive income	-	91
Liabilities at the end of the period	**327**	**327**

In the case of early retirement due to disability, the staff shall be entitled to a benefit of up to two months' salaries, increased by 100% for a minimum period of five years and provided that no such benefits have been received during the last five years of service.

The demographic statistical assumptions used are based on the following:

- turnover rate of the Group's staff over the past few years;
- mortality of the population of Bulgaria in the period 2020 – 2022 according to the data of the National Statistical Institute;
- statistics of the National Center for Health Information on disability of the population and premature retirement.

3.14. Trade payables

	March 31, 2025	December 31, 2024
Suppliers	4 241	9 392

All amounts are in thousand Bulgarian leva unless otherwise stated

Customer Advances	108	428
Total	**4 349**	**9 820**

3.15. Payables to employees and social security obligations

	March 31, 2025	December 31, 2024
Payables to employees	579	922
Liabilities for unused paid leave	1 004	992
Liabilities to insurance companies	446	453
Total	**2 029**	**2 367**

3.16. Other liabilities

	March 31, 2025	December 31, 2024
Tax payables, including	**6 576**	**5 173**
Corporate tax	2 841	1 166
Value Added Tax	2 809	1 885
Income tax	144	101
Payables to customs	708	1 945
Other taxes	74	76
Other liabilities, including	**1 318**	**2 159**
Liabilities for participations	265	295
Warranty service provisions	128	1 073
Guarantees/Rental deposits	15	15
Deferred income	276	5
Other	634	771
Total other liabilities	**7 186**	**7 332**

3.17. Share capital

SHELLY GROUP SE is registered in 2010. The registered capital of the Parent Company as of December 31, 2024, amounts to BGN 18 105 559 and is distributed in 18 105 559 ordinary registered shares with value of BGN 1 each. The registered capital is fully paid in four instalments:

The first issue was made upon the establishment of the Parent Company in the form of a non-monetary contribution in the amount of BGN 50,000 consisting ordinary registered voting shares of Terravoice 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 Terra Communications AD at the total cash value of BGN 5 438 000.

At the end of 2015, a new issue of 8,012,000 ordinary registered voting shares was issued, with a nominal value of BGN 1 (one) each.

At the end of 2016 the capital of Shelly Group SE was increased with a new issue in the amount of 1,500,000 shares on the basis of a successful initial public offering, according to the Prospectus for public offering of shares.

All amounts are in thousand Bulgarian leva unless otherwise stated

In 2020 the capital of the Parent Company was increased by cash contributions in the total amount of 2,999,999 against 2,999,999 subscribed and paid dematerialized ordinary registered voting shares with a nominal value of BGN 1 as a result of a procedure for Public Offering of a new issue of shares.

In July 2023 the Parent Company successfully completed the public offering of shares from its capital increase. The capital increase was addressed to employees of Shelly Group SE and its subsidiaries. The registered increase of capital amounts to BGN 50 946, representing 50 946 ordinary, dematerialized, registered shares with voting right and par value of BGN 1 each. The capital of Shelly Group SE after the increase is BGN 18 050 945, representing 18 050 945 ordinary, dematerialized, registered shares with voting right and par value BGN 1 each.

In July 2024, the Company successfully completed a public offering of shares from the capital increase of its registered capital), addressed to employees of Shelly Group SE and its subsidiaries. The capital increase is in the amount of BGN 54 614, representing 54 614 ordinary, dematerialized, registered voting shares with a nominal value of BGN 1 each. The capital of Shelley Group SE after the increase is BGN 18 105 559, representing 18 105 559 ordinary, dematerialized, registered shares with voting rights and a nominal value of BGN 1 each.

The shareholders of the Parent Company are disclosed in note 1.2.

3.18. Retained earnings

	March 31, 2025	December 31, 2024
Balance at the beginning of the year	**123 335**	**83 165**
Net profit for the year	11 051	44 934
Profit distribution for dividends	-	(4 590)
Effect of increase in controlling interest and business combination	-	(167)
Transfer to reserves	-	(6)
Other changes	-	(1)
Balance at the end of the period	**134 386**	**123 335**

3.19. Legal reserves

	March 31, 2025	December 31, 2024
Balance at the beginning of the year	**1 929**	**2 804**
Additional legal reserve	-	6
Effect of business combination and increase in controlling interest	-	(880)
Other changes	-	(1)
Balance at the end of the period	**1 929**	**1 929**

All amounts are in thousand Bulgarian leva unless otherwise stated

3.20. Share premium reserve

As of March 31, 2025 and December 31, 2024 the reserves from issue of shares amount to BGN 5 403 thousand. They are formed by the excess of proceeds from new shares issued in 2020 above their nominal value in the amount of BGN 6 000 thousand, reduced by the costs related to the capital increase amounting to BGN 297 thousand, and by BGN 300 thousand, that were transferred to Legal reserves by decision of the General Meeting of the Shareholders held on June 28, 2021.

4. Notes to the consolidated statement of comprehensive income

4.01. Sales revenue and cost of sales

	3 months ended March 31, 2024			3 months ended March 31, 2023		
	Devices	Services	**Total**	Devices	Services and rent	**Total**
REVENUE	**51 564**	**195**	**51 759**	**40 009**	**155**	**40 164**
Book value of goods sold	*(23 842)*	-	*(23 842)*	*(17 576)*	-	*(17 576)*
Other direct costs	*(614)*	-	*(614)*	*(284)*	-	*(284)*
COST OF SALES	**(24 456)**	**-**	**(24 456)**	**(17 860)**	**-**	**(17 860)**
GROSS PROFIT	**27 108**	**195**	**27 303**	**22 149**	**155**	**22 304**

4.02. Other operating revenue

	3 months ended March 31, 2025	**3 months ended March 31, 2024 (reclassified)**
Insurance benefits	22	5
Payables written off	-	4
Financing/electricity price compensations	20	-
Gains on FX operations and exchange rate gains	976	413
Other operating income	94	15
Total	**1 112**	**437**

4.03. Sales expenses

	3 months ended March 31, 2025	**3 months ended March 31, 2024**
Transport of goods to customers	(484)	(495)
Certification of products	(20)	(34)
Exhibitions	(689)	(402)
Marketing and advertising	(1 681)	(2 217)
Fees and commissions	-	(56)
Representative costs	(96)	(100)
Other	-	(29)
Total	**(2 970)**	**(3 333)**

All amounts are in thousand Bulgarian leva unless otherwise stated

4.04. Administrative expenses

	3 months ended March 31, 2025	3 months ended March 31, 2024 (reclassified)
Materials	(75)	(90)
Hired services	(3 121)	(2 686)
Depreciation/amortization expenses	(640)	(203)
Employees expenses	(6 302)	(5 246)
Other administrative expenses	(254)	(259)
Total	**(10 392)**	**(8 258)**

4.05. Other operating expenses

	3 months ended March 31, 2025	3 months ended March 31, 2024 (reclassified)
Bank service fees	(11)	(2)
Receivables written off	-	(1)
Interest, fines and penalties	-	(2)
Returned goods	-	(383)
Samples	(63)	-
Foreign exchange rate expenses	(1 848)	(169)
Other	(105)	(5)
Total	**(2 027)**	**(562)**

4.06. Financial income

	3 months ended March 31, 2025	3 months ended March 31, 2024
Interest income	7	3
Total	**7**	**3**

4.07. Financial expenses

	3 months ended March 31, 2025	3 months ended March 31, 2024
Lease interest	(78)	(4)
Loans interest	(18)	(9)
Banking charges	(144)	-
Total	**(240)**	**(13)**

4.08. Income tax expense

	3 months ended March 31, 2025	3 months ended March 31, 2024
Current tax expense	(1 777)	(1 550)

Tax effect from temporary differences	-	-
Tax expense	**(1 777)**	**(1 550)**

4.09. Earnings per share, net

	3 months ended March 31, 2025	3 months ended March 31, 2024
Net profit for the reporting period in thousand BGN	**11 008**	**8 906**
Weighted-average number of shares	18 095 384	18 026 985
Basic earnings per share in BGN	**0.61**	**0.49**

In 2024 the Parent Company's share capital is increased by 54 614 shares up to 18 105 559 shares.

5. Contingent liabilities and commitments

Contract	Annex	Creditor	Debtor	Joint debtor / Guarantor	Amount / Limit	Financial conditions	Maturity	Collateral provided by the borrower
Overdraft November 28, 2024 – Agreement pursuant to Art. 114, para. 10 of POSA	-	UBB AD	Shelly Europe EOOD		BGN 10 000 thousand	Short-term interest rate of UBB increased by 2.5% management fee; processing fee	October 30,.2025	Pledge of receivables on accounts of Shelly Europe EOOD in the bank;
Credit limit for bank guarantee April 4, 2024	-	Eurobank Bulgaria EOOD	Shelly Europe EOOD	-	BGN 978 thousand (EUR 500 thousand)	PRIME business clients increased by 1.5%; management fee; commission for issuing bank guarantee	03.04.2025	Deposit of funds on accounts of Shelly Europe EOOD for the period of the guarantee;

As of March 31, 2025 the amount utilized under the bank guarantee of Eurobank Bulgaria EOOD is BGN 408 thousand and related to the conclusion of an office lease agreement for a period of 10 years. As of March 31, 2025 the limit under the overdraft of UBB AD is not utilized.

As of December 31, 2024 contingent liabilities include:

Contract	Annex	Creditor	Debtor	Joint debtor / Guarantor	Amount / Limit	Financial conditions	Maturity	Collateral provided by the borrower
Overdraft November 28, 2024 – Agreement pursuant to Art. 114, para. 10 of POSA	-	UBB AD	Shelly Europe EOOD		BGN 10 000 thousand	Short-term interest rate of UBB increased by 2.5% management fee; processing fee	October 30,.2025	Pledge of receivables on accounts of Shelly Europe EOOD in the bank;
Credit limit for bank guarantee April 4, 2024	-	Eurobank Bulgaria EOOD	Shelly Europe EOOD	-	BGN 978 thousand (EUR 500 thousand)	PRIME business clients increased by 1.5%; management fee; commission for issuing bank guarantee	03.04.2025	Deposit of funds on accounts of Shelly Europe EOOD for the period of the guarantee;

As of December 31, 2024 the amount utilized under the bank guarantee of Eurobank Bulgaria EOOD is BGN 408 thousand and related to the conclusion of an office lease agreement for a period of 10 years. As of December 31, 2024 the amount utilized under the overdraft of UBB AD is BGN 519 thousand.

All amounts are in thousand Bulgarian leva unless otherwise stated

6. Related party transactions

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

Shelly Group SE 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 personnel

During the reporting period the members of the Board of Directors of the Parent Company received gross renumeration totalling BGN 394 thousand (as of March 31, 2024: BGN 394 thousand.) from Shelly Group SE.

The remuneration paid was in accordance with the disclosed Remuneration policy of the members of the Board of Directors of the Parent Company.

At the General Meeting of Shareholders held on December 18, 2023, decisions was adopted to amend the Remuneration policy, as well as schemes were approved to provide members of the Board of Directors of Shelly Group SE 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:

	March 31, 2025		
Financial assets according to the Statement of financial position	**Financial assets at amortized cost - Cash**	**Financial assets at amortized cost**	**Total**
Cash and cash equivalents	32 712	-	**32 712**
Trade receivables	-	66 225	**66 225**
Deposits in commercial companies and guarantees	-	326	**326**
TOTAL FINANCIAL ASSETS	**32 712**	**66 551**	**99 263**

	March 31, 2025	
Financial liabilities according to the Statement of financial position	**Financial liabilities at amortized cost**	**Total**
Lease liabilities	10 862	**10 862**
Bank loans	166	**166**
Trade liabilities	4 241	**4 241**
Contributory obligations	265	**265**
Guarantees	15	**15**
TOTAL FINANCIAL LIABILITIES	**15 549**	**15 549**

December 31, 2024

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 amortized cost	Total
Cash and cash equivalents	27 353	-	**27 353**
Trade receivables	-	61 648	**61 648**
Deposits in commercial companies and guarantees	-	150	**150**
TOTAL FINANCIAL ASSETS	**27 353**	**61 798**	**89 151**

	December 31, 2024	
Financial liabilities according to the Statement of financial position	**Financial liabilities at amortized cost**	**Total**
Lease liabilities	11 259	**11 259**
Bank loans	824	**824**
Trade liabilities	9 392	**9 392**
Contributory obligations	295	**295**
Guarantees	15	**15**
TOTAL FINANCIAL LIABILITIES	**21 785**	**21 785**

The fair value of the bank loans that the Group is using, is determined based on market interest rate applicable for similar instruments with similar term.

8. Financial risk management

In the course of their usual business activity, the companies of the Group may be exposed to various financial risks, the most important of which are: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management is focused on forecasting changes in financial markets in order to minimize the potential negative effects that could affect the financial results. Financial risks are currently identified, measured and monitored using various control mechanisms to adequately assess market conditions and their effects by the companies of the Group to avoid unjustified concentration of any specific risk.

Risk management is carried out on an ongoing basis under the direct supervision of the management and the Group's financial experts in accordance with the policy set by the Board of Directors of the Parent Company who developed the basic principles of general financial risk management. Based on these principles, the specific procedures for managing separate specific financial risks have been defined.
The following describes the different types of risks to which the companies within the Group are exposed, as well as the approach taken in managing these risks.

Market risk

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

All amounts are in thousand Bulgarian leva unless otherwise stated

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:

March 31, 2025	In EUR	In USD	In other foreign currency	In BGN	Total
Cash and cash equivalents	25 920	1 397	743	4 652	**32 712**
Trade receivables	63 757	929	1 150	389	**66 225**
Deposits in commercial companies	87	155	-	84	**326**
TOTAL ASSETS	**89 764**	**2 481**	**1 893**	**5 125**	**99 263**
Lease liabilities	123	-	237	10 502	**10 862**
Bank loans	47	119	-	-	**166**
Trade payables	3 416	418	42	365	**4 241**
Contributory obligations	-	-	-	265	**265**
Guarantees	-	-	-	15	**15**
TOTAL LIABILITIES	**3 586**	**537**	**279**	**11 147**	**15 549**

December 31, 2024	In EUR	In USD	In other foreign currency	In BGN	Total
Cash and cash equivalents	22 163	2 024	1 173	1 993	**27 353**
Trade receivables	53 310	6 185	1 297	856	**61 648**
Deposits in commercial companies	47	30	-	73	**150**
TOTAL ASSETS	**75 520**	**8 239**	**2 470**	**2 922**	**89 151**
Lease liabilities	143	-	278	10 838	**11 259**
Bank loans	104	201	-	519	**824**
Trade payables	4 155	2 749	373	2 115	**9 392**
Contributory obligations	-	-	-	295	**295**
Guarantees	-	-	-	15	**15**
TOTAL LIABILITIES	**4 402**	**2 950**	**651**	**13 782**	**21 785**

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.

All amounts are in thousand Bulgarian leva unless otherwise stated

There is a currency risk exposure mainly in USD. As of March 31, 2025 90% of the Group's assets are in EUR, 2% in USD. After the acquisition in the Chinese subsidiary Shelly Asia Ltd, the Group is exposed to currency risk of changes in Chinese yuan.

In the table below, a sensitivity analysis is presented to the possible changes in the exchange rate BGN/USD, and BGN/CNY 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/ foreign currency	Effect on the profit before tax BGN/USD	Effect on the profit before tax BGN/CNY
	%		
31.12.2024	+/-1.00%	82	25
31.03.2025	+/-1.00%	25	19

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

Risk of the interest-bearing cash flows

The companies within the Group do not have a significant concentration of interest-bearing assets, except for loans granted and cash on current accounts with banks, therefore the revenue and operating cash flows are not largely dependent on changes in market interest rates.

At the same time, the cash outflows of the companies within the Group are exposed to interest rate risk from utilizing a bank loans and lease, agreed with a variable interest rate.

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

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

All amounts are in thousand Bulgarian leva unless otherwise stated

March 31, 2025	Interest-free	With floating interest %	With fixed interest %	Total
Cash and cash equivalents	-	-	32 712	32 712
Trade receivables	66 225	-	-	66 225
Deposits in commercial companies	326	-	-	326
TOTAL ASSETS	**66 551**	**-**	**32 712**	**99 263**
Lease liabilities	-	-	10 862	10 862
Bank loans	-	-	166	166
Trade payables	4 241	-	-	4 241
Liabilities on acquired shares	265	-	-	265
Guarantees	15	-	-	15
TOTAL LIABILITIES	**4 521**	**-**	**11 028**	**15 549**

December 31, 2024	Interest-free	With floating interest %	With fixed interest %	Total
Cash and cash equivalents	-	-	27 353	27 353
Trade receivables	61 648	-	-	61 648
Deposits in commercial companies	150	-	-	150
TOTAL ASSETS	**61 798**	**-**	**27 353**	**89 151**
Lease liabilities	-	-	11 259	11 259
Bank loans	-	-	824	824
Trade payables	9 392	-	-	9 392
Liabilities on acquired shares	295	-	-	295
Guarantees	15	-	-	15
TOTAL LIABILITIES	**9 702**	**-**	**12 083**	**21 785**

Credit risk

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

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

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

Significant part of Group’s revenue is generated by large companies with good credit rating.

The collection and concentration of receivables is monitored on an ongoing basis, according to the established policy of the companies within the Group. For this purpose, the open positions by clients, as well as the received receipts, are periodically reviewed by the financial and accounting department and the management, and an analysis of the unpaid amounts is performed.

All amounts are in thousand Bulgarian leva unless otherwise stated

In addition, the Group has an insurance on the receivables from 21 of its largest customers.

As of March 31, 2025 cash and the payment operations of the companies within the Group are spread over several banks which limits the risk for cash and cash equivalents.

Management has defined its policy for assessing credit losses. For trade receivables, the simplified method is applied, with percentages determined based on past experience.

As of March 31, 2025 and December 31, 2024, the Group has not recognized any impairment of receivables. During 2024 the Group has collected impaired receivables in the amount of BGN 856 thousand and has written off receivables in the amount of BGN 850 thousand.

Group's credit risk exposure arising from its financial assets as of March 31, 2025 and December 31, 2023 is presented below:

	March 31, 2025	**December 31, 2024**
Cash and cash equivalents	32 712	27 353
Trade receivables	66 225	61 648
Total	**98 937**	**89 001**

The impairment staging of the financial assets as of March 31, 2025 and December 31, 2024:

	March 31, 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Cash and cash equivalents	32 712	-	-	32 712
Trade receivables	66 275	-	286	66 561
Total	**98 987**	**-**	**286**	**99 273**
Booked provisions (ECL) for financial assets	**(50)**	**-**	**(286)**	**(336)**
Financial assets, net of booked provisions	**98 937**	**-**	**-**	**98 937**

	December 31, 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Cash and cash equivalents	27 353	-	-	27 353
Trade receivables	61 698	-	286	61 984
Total	**89 051**	**-**	**286**	**89 337**
Booked provisions (ECL) for financial assets	**(50)**	**-**	**(286)**	**(336)**
Financial assets, net of booked provisions	**89 001**	**-**	**-**	**89 001**

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, 2024	**89 051**	**-**	**286**	**89 337**
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	161 220	-	-	161 220
Maturity of financial assets	(151 284)	-	-	(151 284)
Gross carrying amount as of March 31, 2025	**98 987**	**-**	**286**	**99 273**

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, 2023	**75 489**	**-**	**1 992**	**77 481**
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	639 685	-	-	639 685
Maturity of financial assets	(626 123)	-	(1 706)	(627 829)
Gross carrying amount as of December 31, 2024	**89 051**	**-**	**286**	**89 337**

The changes in booked ECL provision for financial assets 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, 2024	**(50)**	**-**	**(286)**	**(336)**
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-
Maturity of financial assets	-	-	-	-

ECL provision as of March 31, 2025	**(50)**	**-**	**(286)**	**(336)**

	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, 2023	**(50)**	**-**	**(1 992)**	**(2 042)**
Changes during the year:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
New financial assets	-	-	-	-
Maturity of (written off) financial assets	-	-	1 706	1 706
ECL provision as of December 31, 2024	**(50)**	**-**	**(286)**	**(336)**

Liquidity risk

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

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

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

March 31, 2025	**Up to 1 m.**	**1-3 m.**	**3-6 m.**	**6-12 m.**	**1-2 y.**	**2-5 y.**	**over 5 y.**	**Without maturity**	**Total**
Cash and cash equivalents	-	-	-	-	-	-	-	32 712	32 712
Trade receivables	19 559	45 639	-	1 027	-	-	-	-	66 225
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	326	326
TOTAL ASSETS	**19 559**	**45 639**	**-**	**1 027**	**-**	**-**	**-**	**33 038**	**99 263**
Lease liabilities	141	282	423	846	1 497	3 641	5 490	-	12 320
Bank loans	166	-	-	-	-	-	-	-	166
Trade payables	4 241	-	-	-	-	-	-	-	4 949
Contributory obligations	10	20	30	205	-	-	-	-	265
Guarantees	-	-	-	-	-	-	-	15	15
TOTAL LIABILITIES	**4 558**	**302**	**453**	**1 051**	**1 497**	**3 641**	**5 490**	**15**	**17 007**

All amounts are in thousand Bulgarian leva unless otherwise stated

December 31, 2024	Up to 1 m.	1-3 m.	3-6 m.	6-12 m.	1-2 y.	2-5 y.	over 5 y.	Without maturity	Total
Cash and cash equivalents	-	-	-	-	-	-	-	27 353	27 353
Trade receivables	18 405	42 216	-	1 027	-	-	-	-	61 648
Deposits in commercial companies and guarantees	-	-	-	-	-	-	-	150	150
TOTAL ASSETS	**18 405**	**42 216**		**1 027**	**-**	**-**	**-**	**27 503**	**89 151**
Lease liabilities	113	226	338	656	1 372	2 994	5 560	-	11 259
Bank loans	519	-	305	-	-	-	-	-	824
Trade payables	9 322	-	70	-	-	-	-	-	9 392
Contributory obligations	10	20	30	235	-	-	-	-	295
Guarantees	-	-	-	-	-	-	-	15	15
TOTAL LIABILITIES	**9 964**	**246**	**743**	**891**	**1 372**	**2 994**	**5 560**	**15**	**21 785**

Capital risk management

With the capital management the Parent Company aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return on investment of shareholders, and to maintain optimal capital structure, to reduce capital expenses.

Shelly Group SE 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:

	March 31, 2025	December 31, 2024
Total debt capital, incl.	25 627	31 929
-Bank loans	166	824
-Lease liabilities	10 862	11 259
Less: cash and cash equivalents	32 712	27 353
Net debt capital	**(7 085)**	**4 576**
Total equity	159 996	148 677
Total capital	**152 911**	**153 253**
Debt ratio	**0.00%**	**2.99%**

The Group does not report indebtedness as the value of its cash and cash equivalents is higher than its liabilities.

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 2.9.17. 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:

March 31, 2025	**Book value**	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash and cash equivalents	32 712	-	32 712	-
TOTAL ASSETS	**32 712**	**-**	**32 712**	-
Financial liabilities				
Lease liabilities	10 862	-	10 818	-
Bank loans	166	-	166	-
TOTAL LIABILITIES	**11 028**	**-**	**10 984**	**-**

December 31, 2024	**Book value**	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash and cash equivalents	27 353	-	27 353	-
TOTAL ASSETS	**27 353**	**-**	**27 353**	-
Financial liabilities				
Lease liabilities	11 259	-	10 819	-
Bank loans	824	-	824	-
TOTAL LIABILITIES	**12 083**	-	**11 643**	-

The fair value of the financial liabilities included in Level 2 in the table above was determined in accordance with the generally accepted valuation model based on discounted cash flows, the interest rate on the loan was used as a discount factor.

The fair value of trade receivables, short-term financial assets, trade payables and other liabilities approximates their carrying amount as these assets/liabilities are short-term in nature and there are not subject to effects, that lead to different fair value.

10. Events after the end of the reporting period

After the end of reporting period the Board of Directors of Shelly Group SE took a decision to establish a subsidiary in Poland with a registered capital of PLN 1 600 000 (BGN 728 925.54). The subsidiary was registered on April 24, 2025.

On 29.04.2025, Shelly Group ED announced the convening of a regular General Meeting of Shareholders on 02.06.2025 at 14.30 in Sofia, 51 Cherni Vrah Blvd., Office X building

REPORT ON BUSINESS ACTIVITIES

first quarter of 2025

consolidated basis

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

These Notes to the Interim Report on the Business Activities of SHELLY GROUP on a consolidated basis present information about the company, relevant to the end of first quarter of 2025 for the period 01.01.2025 –31.03.2025 (the "reporting period').

1. INFORMATION ABOUT THE GROUP

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

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

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

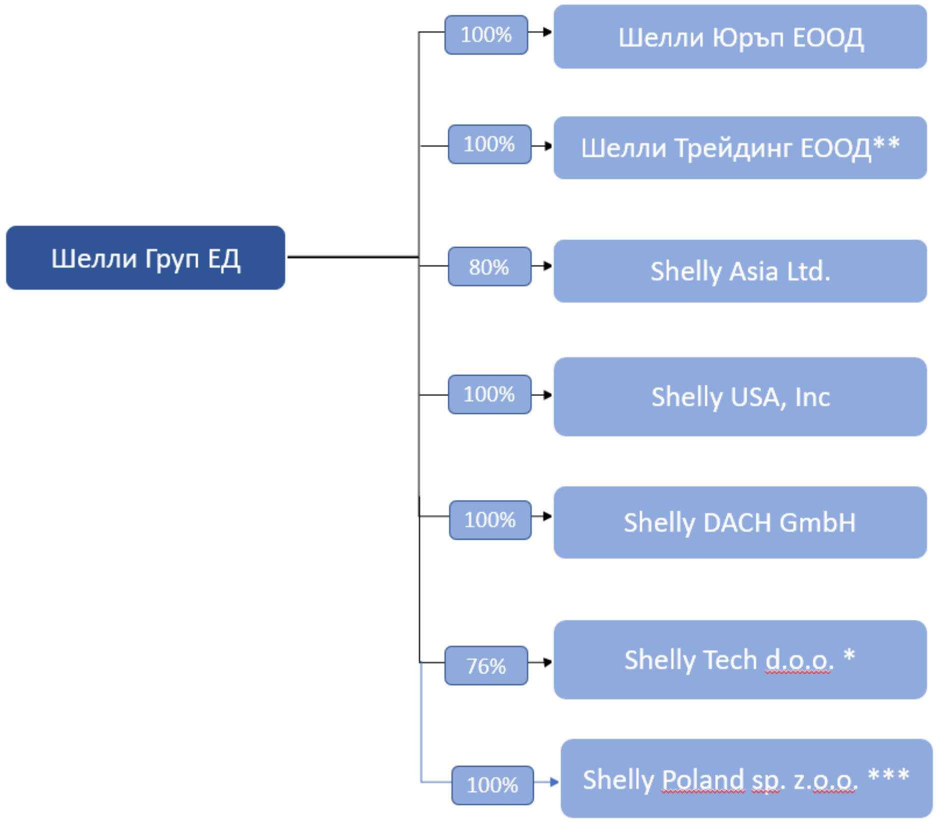
The Company is publicly listed within the meaning of the Public Offering of Securities Act and is registered as a public company in the register kept by the FSC with Decision 774 - PD of November 14, 2016 as a result of successfully completed initial public offering of shares from the Company's capital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

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

The company operates according to Bulgarian legislation.

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

1.1. Structure of the economic group at the end of the first quarter for 2025



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

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

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

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

*** After the end of the reporting period, the Board of Directors of Shelly Group SE made a decision to establish a subsidiary in Poland ("Shelly Poland sp. z o.o. with a capital of PLN 1,600,000 (BGN 728,925.54). The subsidiary in Poland was registered on April 24, 2025.

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

The core business of the company and its group during the reporting period of 2024 remains the development, production and sales of IoT devices. As of today, majority of the income for the Group is coming from sales of products under the brand of Shelly.

1.2. Management

In connection with the transformation of the Company from a joint stock company into a European company pursuant to Chapter Nineteen of the Bulgarian Commercial Act and Article 37 of Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE), by its resolution of 14.10.2024 the General Meeting of Shareholders has re-elected the members of the Board of Directors and the latter, by its resolution of the same date, has assigned their functions as follows:

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

The representatives represent the Company together or individually.

1.3. Capital structure

As of the end of the reporting period the issued, subscribed, paid-in and registered capital of the Company amounts to 18 105 559 BGN, divided into 18 105 559, dematerialized ordinary registered voting shares, with a par value of 1 (one) BGN each.

The capital is fully paid in five contributions:

- Non-monetary contribution representing 100% of the shares of Teravoice EAD, with an appraised monetary value of BGN 50,000;
- Non-monetary contribution representing 69.60% of the shares of Terra Communications JSCo, with an appraised monetary value of BGN 5,438,000;
- A combination of non-monetary and cash contributions amounting to BGN 8,012,000.
- Cash contributions at the amount of BGN 1,500,000 compared to 1,500,000 subscribed and fully paid-in dematerialized ordinary registered voting shares with a par value of BGN 1 each, as a result of a procedure for Initial Public Offering of a new issue of shares.
- Cash contributions at the amount of BGN 2,999,999 against 2,999,999 subscribed and paid-in dematerialized ordinary registered voting shares with a nominal value of BGN 1 each, as a result of a procedure for Public Offering of a new issue of shares. The public offering of shares from the capital increase of Allterco AD (*currently SHELLY GROUP SE*) was carried out in the period 28.09.2020 - 30.10.2020, on the basis of a Prospectus, together with the supplements thereto, confirmed by the Financial Supervision Commission with Decision № 148- F of 18.02.2020, Decision № 405-E of 11.06.2020, Decision № 601-E of 13.08.2020 and Decision № 791-E of 29.10.2020.
- In July 2023 the Company's capital was increased to 18 050 945 BGN, divided into 18 050 945 ordinary registered shares with voting rights, with a par value of 1 BGN per share. The increase was

made by cash contributions in the total amount of BGN 50 496 in procedure of initial public offering of the issue of shares, held in the period from 28.06.2023 to 29.06.2023, in accordance with the procedure under Art. 112, par. 3 of the Public Offering of Securities Act, without a prospectus and based on Information Document pursuant to Article 1(4)(i) in conjunction with Article 1(5)(h) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market

- In July 2024 the Company successfully completed closing of a public offering of shares. The increase was addressed to employees of the Company and its subsidiaries. The capital increase was in the amount of 54 614 BGN representing 54 614 ordinary, registered, dematerialized, voting shares, with a par value of BGN 1 each. The capital of Shelly Group PLC following the increase amounts to 18 105 559 BGN, representing 18 105 559 ordinary, registered, dematerialized, voting shares, with a par value of BGN 1 each.

As of 31 March, 2025 the capital structure of SHELLY GROUP SE is as follows:

NAME OF SHAREHOLDER	CAPITAL PERCENTAGE
Dimitar Dimitrov	30,26 %
Svetlin Todorov	29,19 %
Other individuals and legal entities	40,55 %

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

1.4. Development and research activities

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

2. IMPORTANT EVENTS FOR SHELLY GROUP SE

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

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

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

3.1. Operating income

As of the end of the first quarter of 2025 the Company reported sales of goods in the amount of BGN 51 564 thousand, while for the same period of the previous year it reported BGN 40 009 thousand which is growth of 28.9%. Revenue from services in the amount of BGN 195 thousand compared to BGN 155 thousand for the period, which was growth of 25.8%.

For the reporting period, financial revenue from operations (interest income not included) amounted to BGN 7 thousand, compared to BGN 3 thousand reported in the same period of the previous year, which is a decrease of 133.3%.

As of the end of the first quarter of 2025 the Company reports profit in the amount of BGN 11 008 thousand, which is increase of 23.6% compared to the previous year.

REVENUE	3 months of 2024 **BGN thousand**	y/y change %	3 months of 2025 **BGN thousand**
Sale of goods and production	40 009	28.9%	51 564
Revenue from services	155	25.8%	195
Other operating revenue	437	154.5%	1 112
Total operating revenue	**40 601**	**30.2%**	**52 871**
Share in the profit of associated companies	5	(240.0%)	(8)
Financial income	3	133.3%	7
Total financial income	**8**	**(112.5%)**	**(1)**

3.2. Operating expenses

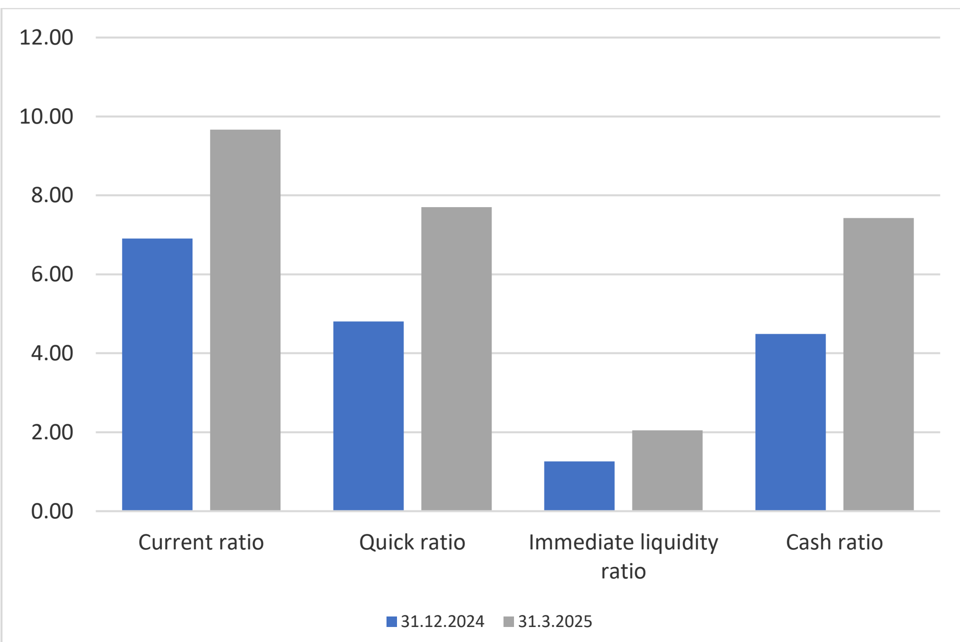
As of the end of the reporting period the total operating expenses of the Group increased by 27.1% compared to the same reporting period of the previous year. This is mainly due to the increase of other operating expenses by 260.7% and increase of Salaries by 20.1%.

The biggest share of the reported operating expenses for the reporting period belongs to the expenses for salaries with 40.3% share in the total expenses, followed by the external services with 20.0% share in total expenses.

EXPENSES	3 months of 2024 **BGN thousand**	y/y change **%**	3 months of 2025 **BGN thousand**
Materials	(90)	(16.7%)	(75)
External services	(2 460)	26.9%	(3 121)
Depreciation	(203)	215.3%	(640)
Salaries	(5 246)	20.1%	(6 302)
Other administrative expenses	(259)	(1.9%)	(254)
Total Administrative expenses	**(8 258)**	**25.8%**	**(10 392)**
Sales and marketing	(3 333)	(10.9%)	(2 970)
Other operating expenses	(562)	260.7%	(2 027)
Financial expenses	(140)	71.4%	(240)
Total Operating Expenses	**(12 293)**	**27.1%**	**(15 629)**

3.3. Financial indicators

Liquidity Ratios



LIQUIDITY RATIOS	31-12-24	31-03-25
Current ratio	6.91	9.67
Quick ratio	4.81	7.70
Absolute liquidity ratio	1.26	2.05
Cash ratio	4.49	7.42

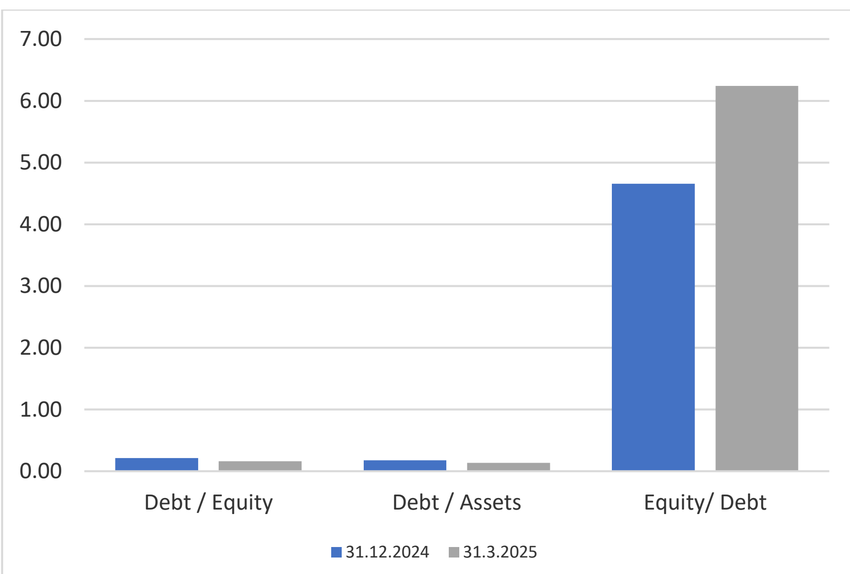
The current liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 3.1% compared to the end of 2024, while the current liabilities decreased by 26.3%.

The quick liquidity ratio at the end of the reporting period increased due to the following: the current assets increased by 3.1% compared to the end of 2024, while the current liabilities decreased by 26.3% and the inventories decreased by 30.9%.

The absolute liquidity ratio at the end of the reporting period increased due to the following: the current cash increased by 19.6% compared to the end of 2024, while current liabilities decreased by 26.3%.

The cash ratio at the end of the reporting period increased due to the following: The current liabilities decreased by 26.3% compared to the end of 2024, while cash increased by 19.6% and the commercial receivables increased by 22.7%.

Financial autonomy coefficients



DEBT RATIOS	31-12-24	31-03-25
Debt / Equity	0.21	0.16
Debt / Assets	0.18	0.14
Equity/ Debt	4.66	6.24

The debt/equity ratio at the end of the reporting period decreased due to the following: current liabilities decreased by 26.3% compared to the end of 2024, while equity increased by 7.6%.

The debt/assets ratio at the end of the reporting period decreased due to the following: total amount of liabilities of the Group decreased by 19.7% compared to the end of 2024, while amount of assets increased by 2.8%.

The change in equity/ debt ratio at the end of the reporting period is due to the following: the total liabilities of the Group decreased by 19.7% compared to the end of 2024, and equity increased by 7.6%

4. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES

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

4.1. SYSTEMIC RISKS

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

Type of risk	Description
POLITICAL RISK	Political risk is the likelihood of a change of Government, or of a sudden change in its policy, of occurrence of internal political turmoil and adverse changes in European and/or national legislation, as a result of which the environment in which local businesses operate will change negatively, and investors will incur losses. Political risks for Bulgaria internationally are related to the commitments undertaken to implement serious structural reforms in the country in its capacity as an equal member of the EU, increasing social stability, limiting inefficient spending, on the one hand, as well as the strong destabilization of the countries of The Middle East, military interventions and conflicts in the region of the former Soviet Union, the refugee waves generated by these factors, and the potential instability of other key countries in the immediate proximity of the Balkan. Since the beginning of 2025, a significant political factor has been the foreign policy led by the United States towards NATO, the EU, and Europe. Other factors that also affect this risk are the possible legislative changes and in particular those concerning the economic and investment climate in the country.

<table>
<tr><td>GENERAL MACROECONOMIC RISK</td><td>
According to the National Statistical Institute, in March 2025 the overall business climate indicator decreased by 0.5 point compared to February (from 20.9% to 20.4%), as a decrease of the indicator is registered only in the industry..[1]

According to ECB experts' forecasts, the economy faces ongoing challenges and ECB experts have again reduced their growth forecasts - to 0.9% for 2025, 1.2% for 2026 and 1.3% for 2027..[2]
</td></tr>
<tr><td>INTEREST RATE RISK</td><td>
Interest rate risk is related to possible negative changes in interest rates established by the financial institutions of the Republic of Bulgaria.

Basic Interest Rate
<table>
<tr><th>Date</th><th>Percentage</th></tr>
<tr><td>01.01.2025</td><td>2.95</td></tr>
<tr><td>01.02.2025</td><td>2.82</td></tr>
<tr><td>01.03.2025</td><td>2.59</td></tr>
<tr><td>01.04.2025</td><td>2.39</td></tr>
</table>
*Source: BNB[3]

At the meeting on 6 March 2025 the Governing council decided to decrease ECB's three key interest rates by 25 basis points. The Governing Council is committed to ensuring a sustained stabilisation of inflation at the medium-term aim of 2%. [4]
</td></tr>
<tr><td>INFLATION RISK</td><td>
Inflation risk is a general price increase in which money depreciates and households and firms are likely to suffer a loss.

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

According to the NSI the monthly inflation rate was 0.2%, while the annual inflation rate was 4.0%. The inflation rate is measured by the CPI, with monthly inflation referring to March 2025 compared to the previous month, and the annual inflation is for March 2025 compared to the same month of the previous year. […] In March 2025, the monthly inflation rate was 0.2% and the annual inflation rate in March 2025, compared to March 2024, was 4.0%1 . The inflation rate since the beginning of the year (March 2025 compared to December 2024) was 2.8%, and the annual average inflation rate for the period April 2024 - March 2025 compared to the period April 2023 - March 2024 was 2.6%..[5]

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

According to the NSI, in March 2025, the monthly inflation rate, measured by HICP, was 0.3% and the annual inflation rate in March 2025 compared to March 2024 was 4.0%. The inflation rate since the beginning of the year (March 2025 compared to December 2024)
</td></tr>
</table>

[1] Business Conjuncture, March 2025 (nsi.bg)
[2] ECB Economic Bulletin, Issue 2 / 2025 (bnb.bg)
[3] https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm
[4] ECB Economic Bulletin, Issue 2 / 2025 (bnb.bg)
[5] Инфлация и индекси на потребителските цени за март 2025 година (nsi.bg)

	was 2.5%, and the annual average inflation rate for the period April 2024 - March 2025 compared to the period April 2023 - March 2024 was 2.7%.[6] ECB experts expect headline inflation to average 2.3% in 2025, 1.9% in 2026 and 2.0% in 2027. The upward revision to headline inflation for 2025 reflects the significant dynamics of energy prices. In terms of inflation (excluding energy and food), staff expect 2.2% in 2025, 2.0% in 2026 and 1.9% in 2027, respectively. [...] According to Eurostat's preliminary estimate, annual inflation in February 2025 was 2.4%, compared with 2.5% in January and 2.4% in December 2024. Energy price inflation slowed to 0.2% after a significant increase to 1.9% in January, compared with 0.1% in December. In contrast, food inflation increased to 2.7%, compared with 2.3% in January and 2.6% in December. Goods inflation increased to 0.6%, while services inflation decreased to 3.7%, compared with 3.9% in January and 4.0% in December.. [7]
CURRENCY RISK	Exposure to currency risk is the dependence and effects of changes in exchange rates. Systemic currency risk is the probability of a possible change in the currency regime of the country (currency board), which would lead either to BGN devaluation or to BGN appreciation compared to foreign currencies. Currency risk will have an impact on companies with market shares, the payments of which are made in a currency other than BGN and EUR. Since, according to the current legislation in the country the Bulgarian lev is fixed to the euro in the ratio EUR 1 = BGN 1.95583, and the Bulgarian National Bank is obliged to maintain a level of Bulgarian levs in circulation equal to the bank's foreign exchange reserves, the risk of devaluation of the BGN compared to the European currency is minimal and consists in the eventual early abolition of the currency board in the country. At this stage, this seems unlikely, as the currency board is expected to be abolished upon the adoption of the EUR in Bulgaria as an official unit of payment. Theoretically, currency risk could increase when Bulgaria joins the second stage of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country must maintain the exchange rate compared to the EUR within +/- 15% on the background of the central parity. In practice, all countries currently in this mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) are witnessing fluctuations that are significantly less than the allowed ones of ± 15%. On July 10, 2020, Bulgaria joined the ERM II exchange rate mechanism, known as the 'euro area's waiting room'. The central rate of the Bulgarian lev is fixed at EUR 1 = BGN 1.95583. Around this central exchange rate of the BGN, the standard range of plus or minus 15 percent will be maintained. Bulgaria joins the exchange rate mechanism with its existing currency board regime, as a unilateral commitment and without additional requirements to the ECB.[8] At the same time, our country must enter into close cooperation with the unified banking supervision. The fixed exchange rate of the BGN to the EUR does not eliminate for the Bulgarian currency the risk of unfavorable movements of the euro exchange rate against other major currencies (US dollar, British pound, Swiss franc) on the international financial markets, but at present the company does not consider that such a risk would be material to its business. The company may be affected by currency risk depending on the type of cash flow currency and the type of currency of the company's potential loans.

[6] Инфлация и индекси на потребителските цени за септември 2024 година (nsi.bg)
[7] ECB Economic Bulletin, Issue 2 / 2025 (bnb.bg)
[8] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html

	The SHELLY GROUP SE companies operate in Bulgaria as well as in EU countries and first countries, mainly in the USA, Latin America and Australia. 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.
Credit risk of the state	Credit risk is the probability of deterioration of Bulgaria's international credit ratings, caused by the government's inability to repay its liabilities regularly. Low credit ratings of the country can lead to higher interest rates, more difficult financing conditions, both for the state and for individual economic entities, including the Company. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk.
	In its report from 12.04.2025 **Fitch Ratings** has affirmed Bulgaria's 'BBB' long-term foreign and local currency sovereign credit rating with a positive outlook. Fitch Ratings has affirmed Bulgaria's Long-Term Foreign and Local Currency Issuer Default Ratings (IDR) at 'BBB' with a Positive Outlook. Bulgaria's ratings are supported by its strong external and public balance sheets versus 'BBB' peers and credible policy framework, underpinned by EU membership and a long-standing currency board. Fitch Ratings also points out that low labour productivity and unfavourable demographics weigh on potential growth over the long term. The Rating Agency notes that the recent record of unstable coalition governments has affected reform implementation. The Positive Outlook reflects the prospects for euro adoption, which would lead to further improvement in external metrics. In February 2025, Bulgaria submitted a request to the European Commission and the ECB for an extraordinary convergence assessment after meeting all nominal Maastricht criteria, including the price stability criterion. The reports will likely be released in early June and, if the assessment is positive, will allow the adoption of the euro from January 2026. Fitch considers euro adoption as supportive of the rating. Fitch has revised its 2025 growth forecast up to 3.1%, from 2.5% expected in October 2024, due to the stronger carry-over effect and improved domestic political situation. Strong nominal wage growth will continue to support private consumption. The Agency points out that in spite of remaining cautious about the capacity and pace of reform implementation, it expects EU funds flows to increase and to support investment activity. The Rating Agency expects HICP inflation to average 3.9% in 2025, up from 2.6% in 2024. Fitch Ratings does not expect the increase in inflation to derail Bulgaria's euro area entry. The Agency expects inflation to ease to 3% in 2026.

	Fitch estimates that the general government deficit will widen to 2.8% of GDP in 2024, from 2% in 2023, as a result of the higher wage bill and social spending. Fitch Ratings forecasts a budget deficit of 2.7% in 2025, reflecting further increase in public sector wages, deliveries of military equipment (0.5% of GDP) and some revenue-enhancing measures. The Agency expects the deficit to narrow to 2.4% in 2026 due to their assumptions of higher defence spending and lower expected EU fund inflows. Factors that could lead to positive rating action: Confirmation that Bulgaria has met convergence criteria and greater certainty regarding the likely timing of euro adoption, as well as an improvement in growth potential. Factors that could lead to negative rating action: Lack of progress in euro area accession due to renewed political instability or a failure in meeting convergence criteria, as well as weaker economic growth prospects. [9]
	On 25.01.2025 **Moody's Ratings** has affirmed Bulgaria's long-term and short-term Baa1 ratings with a stable outlook. The affirmation of Bulgaria's Baa1 rating is balanced by three main factors. First, the affirmation reflects the rating agency's expectation that Bulgaria's debt and creditworthiness indicators will remain significantly stronger than those of countries with the same rating. Second, the affirmation also reflects their expectation that the Bulgarian economy will continue to grow at a solid pace in 2025 and beyond, leading to further income convergence with countries in the same rating group. Bulgaria's credit profile will also be supported by the expected imminent adoption of the euro. Third, the strengths are balanced by weakened institutional effectiveness, as evidenced mainly by slow and stalled progress on key reforms and access to financing under the Recovery and Resilience Plan (RRP). At the same time, the weakening of the fiscal position is noted as a risk, as institutional challenges could affect the implementation of policies outside the EMP. Moody's Ratings expects Bulgaria's public debt to increase moderately in the coming years, reaching 27% of GDP at the end of 2025 and around 29% at the end of 2026, compared to the expected 24.8% at the end of 2024, and the deficit to remain close to 3% of GDP in 2025 and 2026. Combined with a slowdown in nominal GDP growth, the rating agency expects inflation to normalize to around 2.6% on average in 2025-2026, which will drive the gradual increase in debt in the coming years. However, Bulgaria's debt will remain around half that of the countries in the Baa1 rating group. The rating agency expects Bulgaria's real GDP to grow by 2.5% in 2025 and 2.7% in 2026. Economic growth will continue to be driven mainly by private consumption, as real wage growth remains high in an environment of significant labor shortages and low inflation. Although difficulties in absorbing the EU Recovery and Resilience Facility may have a negative impact on growth rates in 2025 and 2026, GDP growth will be supported by increased absorption of EU Cohesion Funds in the coming years of the 2021-2027 programming period. The rating agency expects that Bulgaria's full membership in the Schengen area from the beginning of 2025 will support the tourism and transport services sectors, while improving business conditions for exporters of goods. The prospect of adopting the euro in 2026 would also support further integration with eurozone economies and strengthen the Bulgarian economy over time.

[9] Ministry of Finance :: News (minfin.bg)

	Factors that could lead to an upgrade: • improving institutional effectiveness in implementing structural reforms, which would raise the rating agency's expectations for Bulgaria's long-term potential growth rate; • conducting a conservative fiscal policy. Factors that could lead to a downgrade: • a weakening of the government's key fiscal indicators or if the economy significantly deteriorates relative to expected medium- to long-term potential economic growth. Such developments could result, at least in part, from continued institutional weakening, which could have a negative impact on the rating.
Unemployment risk	As a major factor affecting consumer purchasing power, an increase in unemployment would reduce demand for IoT products. On the other hand, demand for staff from businesses remains very active, so such a risk seems negligible in the year ahead. Eurostat estimates the seasonally adjusted unemployment rate in the euro area at 6.1% in February 2025, down from 6.2% in January 2025 and down from 6.5% in February 2024. In February 2025, the EU unemployment rate is 5.7%, down from 5.8% in January 2025 and down from 6.1% in February 2024.[10] At the end of February, the registered unemployed were 158,706, and the registered unemployment rate was 5.60%. Compared to the same month in 2024, a decrease of 0.24 percentage points was reported..[11]
Risk associated with the legal system	Although Bulgaria has introduced a number of significant legislative changes since joining the EU and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in the process of reform. Judicial and administrative practices remain problematic and it is difficult to effectively resolve property disputes, breaches of laws and contracts and other. Deficiencies in the legal infrastructure can result in uncertainties arising from the implementation of corporate actions, the implementation of supervision and other issues.
TAX RISK	It is essential for the financial performance of the companies to maintain the current tax regime. There is no guarantee that the tax legislation, which is directly relevant to the core business of the Company, will not be changed in a direction that would lead to significant unforeseen expenses and, accordingly, would adversely affect its profit. The taxation system in Bulgaria is still developing, as a result of which a contradictory tax practice may arise.

4.2. NON-SYSTEMIC RISKS

Risks related to the industry in which the Group operates

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

Risk of shortage of key personnel

[10] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area
[11] Над 5 900 активирани на пазара на труда през февруари... | Агенция по заетостта (government.bg)

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

Risk of strong competition

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

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

Risk related to personal data security and hacker attacks

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

Risk of regulatory and specific technical requirements

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

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

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

Risk of technology change

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

Risks related to the Group's business

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

Operational risk

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

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

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

Risk associated with business partners

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

Risks arising from new projects

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

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

Liquidity risk

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

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

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

5. TRANSACTIONS WITH RELATED OR INTERESTED PARTIES

For the reporting period the Company has not entered into transactions with interested parties in the meaning according to POSA.
The Company has not entered into any transactions with other Group companies that fall beyond its scope of regular business or that significantly deviate from the market conditions. Transactions in the ordinary course of business with subsidiaries are presented in the individual report for business activities as in the individual financial statements for the reporting quarter published on 29.04.2025.

SHELLY GROUP SE did not grant any other loans, guarantees or commitments in total to any person or its subsidiary, including related parties, other than those mentioned above.

Board of Directors

During the reporting period, to the members of the Board of Directors have been paid gross remunerations in total amount of BGN 394 thousand. The amounts paid are in compliance with the approved remuneration policy for Board of directors of the parent company. At the General Meeting of Shareholders of Shelly Group SE held on 18.12.2023, decisions were adopted to amend the remuneration policy, as well as schemes were approved for providing the members of the Board of Directors of Shelly Group SE with variable remuneration in shares of the Parent Company for the period 2022 - 2025.

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

No material new receivables and/or payables arose during the period, except the ones described in paragraph 5 of the individual report as of 31.03.2025.
After the end of the reporting period, the Board of Directors of Shelly Group SE took a decision to establish a subsidiary in Poland ("Shelly Poland sp. z o.o. with a capital of PLN 1,600,000 (BGN 728,925.54).

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

Historical data on trade

Date	Volume	Turnover	Highest Price	Lowest Price	Opening Price	Closing Price
25.4.2025	38445	2503456.92	72,952	58,088	71,975	66,303
31.3.2025	50861	3642423.43	74,126	68,258	72,366	72,953
28.2.2025	42417	3039160.19	75,299	68,063	68,454	73,344
31.1.2025	59345	4017690.87	69,823	66,498	66,498	69,432

Source: Investor.bg

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

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of reporting period the Board of Directors of Shelly Group SE took a decision to establish a subsidiary in Poland with a registered capital of BGN 729 thousand (PLN 1 600 000). The subsidiary was registered on April 24, 2025.
On 29.04.2025, Shelly Group SE announced the convening of a regular General Meeting of Shareholders on 02.06.2025 in Sofia.

9. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

All information considered relevant by the Company is set out in this Report, the Financial Statements and the notes thereto.

Date: 14 May, 2025

For SHELLY GROUP SE: Dimitar Stoyanov Dimitrov

Digitally signed by Dimitar Stoyanov Dimitrov
Date: 2025.05.14 19:50:03 +03'00'

Dimitar Dimitrov
CEO