REPORT ON BUSINESS ACTIVITIES
of ALLTERCO JSCo

THIRD QUARTER OF 2021

consolidated basis

Pursuant to Art. 100o, Para 7 in conjunction with Para 4of the Public Offering of Securities Act and Art. Art. 33 and Art. 33a of Ordinance No. 2 dated 17.09.2003 on the prospectuses for public offering and admission to trading on a regulated securities market and on the disclosure of information

These Notes to the Interim Report on the Business Activities of Allterco JSCo on an consolidated basis present information about the company, relevant to the end of third quarter of 2021 for the period 01.01.2021 – 30.09.2021 (the "reporting period').

1. INFROMATION ABOUT THE GROUP

Allterco JSCo is a public listed joint stock company, 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: ALLTERCO JSCo.

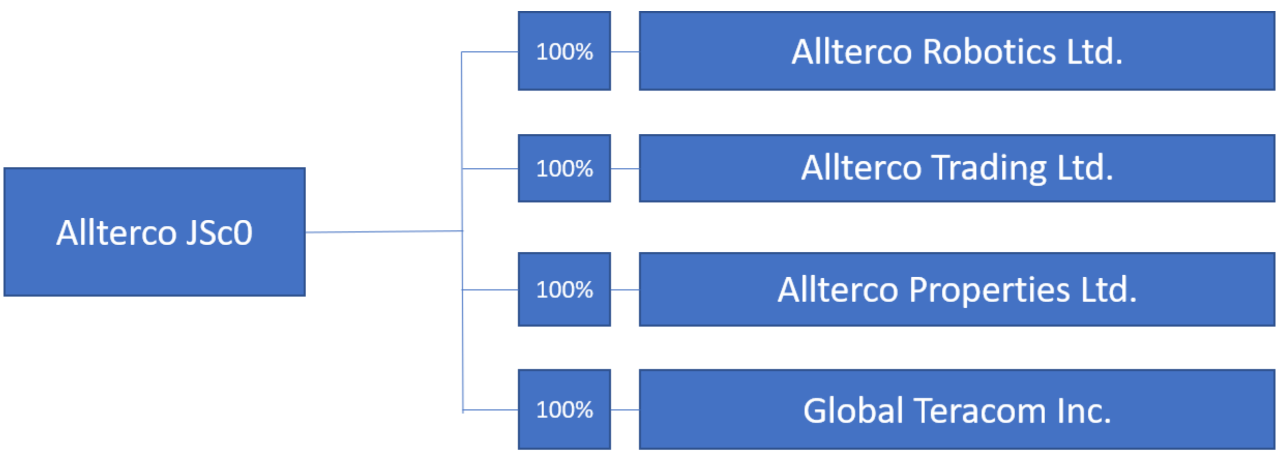
The company has its registered office and address of management: Republic of Bulgaria, Sofia County, Sofia Municipality, Sofia 1407, 103CherniVrah Blvd. The address for correspondence is the same; Tel: +359 2 957 12 47. The website of the Company iswww.allterco.com.

The Company is public 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.

The company operates according to Bulgarian legislation.

Allterco is part of an economic group, which consists of the parent company Allterco JSCo and its subsidiaries:

1.1. Structure of the economic group at the end of the reporting quarter for 2021



During the reporting period Allterco JSCo has participated in the establishment of a company (associated company) in China, Allterco Asia Ltd. with headquarters and registered office in Shenzhen, Guangdong Province. The capital of the new company is CNY 100 000, as the participation of Allterco JSCo is 30% with an option to acquire additional up to 50% and reach a controlling stake of up to 80% in case of good development of the project.

During the reporting period the Board of Directors of Allterco JSCo has decided on the establishment of a subsidiary company in Germany – Allterco Europe GmbH. The German company will have its seat and registered office in Munich, Germany and registered capital EUR 500 000, 100 % owned by Allterco JSCo.

During the reporting period there was a change in the economic group of Allterco JSCo. On September 27,2021 the Board of Directors of Allterco JSCo has approved and the Company, as a seller, has signed with Skylight Venture Capital Pte. Ltd., as a buyer, an agreement for the sale of the participations of Allterco JSCo in the subsidiaries ALLTERCO PTE (Singapore), ALLTERCO SDN (Malaysia) and ALLTERCO Co., Ltd. (Thailand) (Share Purchase

Agreement (SPA). The transfer of the share ownership is a subject to registration procedures in accordance with applicable laws in each country where each company is registered as a legal entity.

The scope of business of the Allterco JSCo, 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 Allterco JSCo 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.

As a result of strategic deals, corporate changes and decisions in 2019 and 2021, the core business of the Issuer's Group remains the development, production and sale of IoT devices.

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

1.2. Management

During the reporting period no changes were made in the Board of Directors of the company.

As of 30.09.2021 members of the Board of Directors are:

- Dimitar Stoyanov Dimitrov;
- Svetlin Iliev Todorov;
- Nikolay Angelov Martinov;

1.3. Capital structure

As of the end of the reporting period the issued, subscribed, paid-in and registered capital of Allterco JSCo amounts to BGN 17 999 999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine), and is divided into 17 999 999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) 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 (fifty thousand);
- Non-monetary contribution representing 69.60% of the shares of Terra Communications JSCo, with an appraised monetary value of BGN 5,438,000 (five million four hundred and thirty-eight thousand);
- A combination of non-monetary and cash contributions amounting to BGN 8,012,000 (eight million and twelve thousand).
- Cash contributions at the amount of BGN 1,500,000 (one million and five hundred thousand) compared to 1,500,000 (one million and five hundred thousand) 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 (two million nine hundred ninety-nine thousand nine

hundred ninety-nine) against 2,999,999 (two million nine hundred and ninety-nine thousand nine hundred and ninety-nine) 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 JSCo 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.

As of September 30, 2021 the capital structure of ALLTERCO JSCo is as follows:

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

1.4. Development and research activities

Allterco JSCo 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 Allterco JSCo has carried out such activity during the reporting period, namely: Allterco Robotics Ltd.

2. IMPORTANT EVENTS FOR ALLTERCO JSCo

Detailed information about the important events that occurred during the reporting period for ALLTERCO JSCo, 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://allterco.com/en/INVESTORS.

The announced important events that occurred during the reporting period did not have a significant impact on the financial results of the company on an 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 reporting period ALLTERCO JSCo reported on consolidated basis a profit at the amount of BGN 10 046 thousand, which is an increase by 64,0 % compared to the same reporting period of the previous year.

EBITDA for the 9 months of 2021 reached BGN 11 961 thousand (31.1% of sales revenue) compared to BGN 7 359 thousand (25.1% of sales revenue) for the same period of previous year.

The revenue from sale of devices (goods and won production) increased by 57,3% during the 9 months of 2021 compared to the same period of previous year. The revenue from services decreased by 99,6% during the period, which is due to the sale of the remaining daughter companies, which provided telco value-added services.

During the 9 months of 2021 the Company reported positive result from operations with financial instruments, which include:

- BGN 49 thousand from sale of shares of Link Mobility Group
- BGN 201 thousand from the sale of its participation in 3 subsidiaries;

REVENUE	9 months of 2020 BGN thousand	Change %	9 months of 2021 BGN thousand
Revenue from sale of devices	24 483	57.3%	38 500
Revenue from services and rents	4 881	-99.6%	21
Other operating revenue	54	927.8%	555
Total operating revenue	**29 418**	**32.8%**	**39 076**
Gain from operations with financial assets	0	-	250
Total financial income	**0**	**-**	**250**

3.2. Operating expenses

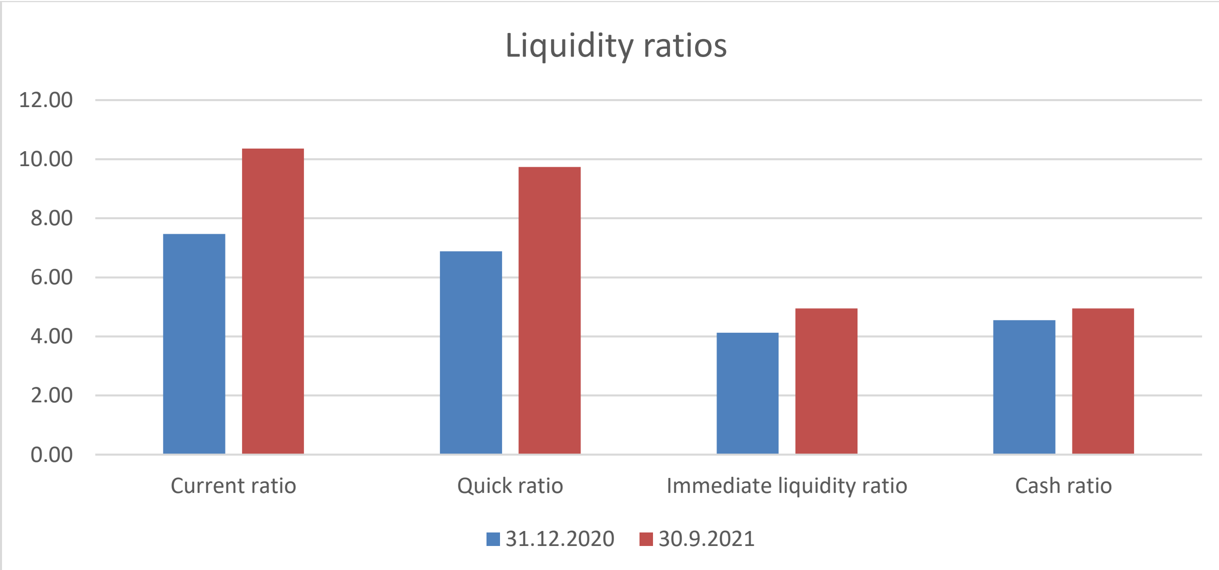
As of the end of the reporting period the total operating expenses of ALLTERCO JSCo increased by 21,3 % compared to the same reporting period of the previous year. This increase is mainly due to the increase of marketing and sales expenses, salary expenses and other administrative expenses.

At the end of the 9 months of 2021, the Company repots written off receivables in the amount of BGN 111 thousand and impairment of receivables in the amount of BGN 153 thousand.

The expenses for salaries and social security holds the biggest share in the total operating expenses for the period with 52,8 %, followed by marketing and sales expenses with 19,4%.

EXPENSES	9 months of 2020 BGN thousand	Change %	9 months of 2021 BGN thousand
Sales and marketing	1 236	48.1%	1 830
External services	569	-10.2%	511
Depreciation and amortization	828	-9.7%	748
Salaries and social security	4 162	19.6%	4 977
Impairments and written of receivables	4	6 500.0%	264
Other administrative expenses	723	20.1%	868
Other operating expenses	243	-9.1%	221
Total operating expenses	**7 765**	**21.3%**	**9 419**

3.3. Financial indicators



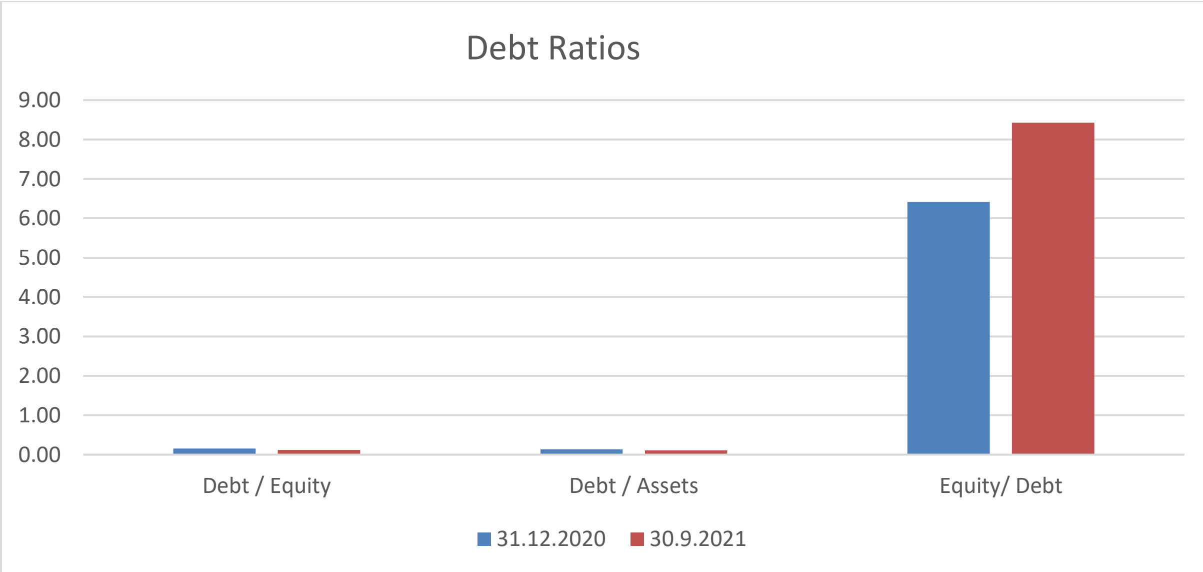
LIQUIDITY RATIOS	31.12.2020	30.9.2021
Current ratio	7.47	10.36
Quick ratio	6.88	9.74
Immediate ratio	4.13	4.95
Cash ratio	4.55	4.95

The current ratio at the end of the reporting period increased due to the following reasons: the current assets increased by 15,6% % compared to the end of 2020, while the current liabilities decreased by 16,7%.

The quick ratio at the end of the reporting period increased due to the following reasons: the current liabilities decreased by 16,7% compared to the end of 2020, while the cash decreased by 0,1%.

The immediate liquidity ratio at the end of the reporting period increased due to the following reasons: the current liabilities decreased by 16,7% compared to the end of 2020, while the short-term financial asset had been sold during the period.

The cash ratio at the end of the reporting period increased due to the following reasons: The current liabilities decreased by 16,7% compared to the end of 2020, while the cash decreased by 0,1%



DEBT RATIOS	31.12.2020	30.9.2021
Debt / Equity	0.16	0.12
Debt / Assets	0.13	0.11
Equity / Debt	6.42	8.43

The change in the debt/equity ratio at the end of the reporting period is due to the following reasons: the Company's total liabilities decreased by 15,3 % compared to the end of 2020, while the equity increased by 11,3%.

The change in the debt/assets ratio at the end of the reporting period is due to the following reasons: the Company's total assets increased by 7,7% compared to the end of 2020, while the Company's total liabilities decreased by 15,3%.

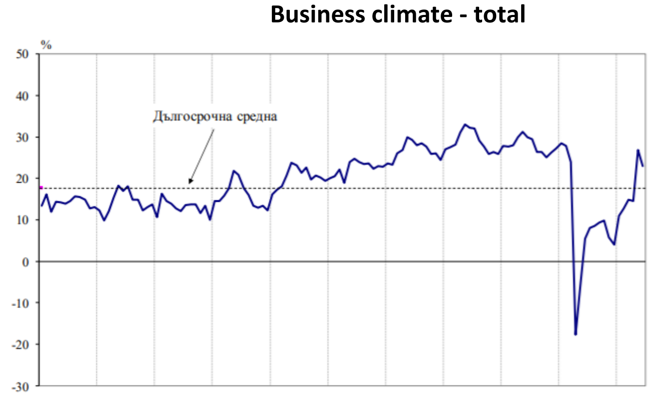
The change in the financial autonomy ratio at the end of the reporting period is due to the following reasons: the total liabilities of the Company decreased by 15,3% compared to the end of 2020, and the equity has increased by 11,3%.

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. On June 11, 2021, the country held early parliamentary elections for the Ordinary National Assembly, as a result of which for the political party ruling in last 12 years lost its position in the state governance and a new government is expected to be formed. Due to the impossibility of forming a government, new early parliamentary elections were held for November 14, 2021. 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, the increasing threat of terrorist attacks in Europe, refugee waves and instability of key countries in the immediate vicinity of Bulgaria. Other factors that also affect this risk are the possible legislative changes and in particular those concerning the economic and investment climate in the country.
GENERAL MACROECONOMIC RISK	According to the National Statistical Institute, in September 2021 the *total business climate indicator* decreased by 2.4 percentage points compared to August. A decrease in the indicator was observed in industry, construction and retail trade, and in the services sector, it remained approximately the level of the previous month. . **Business climate - total**  Source: NSI[1] A serious economic recovery is expected in the medium term. ECB macroeconomic experts' forecasts for the Euro area from September 2021 forecast a real GDP growth of

[1]https://www.nsi.bg/sites/default/files/files/pressreleases/Economy2021-09_JAGXP35.pdf

<table>
<tr><td></td><td>5.0% per year in 2021, 4.6% in 2022 and 2.1% in 2023. Compared to the macroeconomic forecasts from June 2021, the outlook for 2021 has improved mainly due to the reported improvements from the expected results for the first half of the year and generally remain unchanged for 2022 and 2023.[2]</td></tr>
<tr><td>INTEREST RATE RISK</td><td>The interest rate risk is related to possible, eventual, adverse changes in the interest rates established by the financial institutions of the Republic of Bulgaria.

At its meeting in June, 2021, the Board of Directors of the ECB, decided to leave unchanged the ECB's key interest rates. hey are expected to remain at their present or lower levels until the inflation outlook robustly converges to a level sufficiently close to, but below, 2% within the projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.[3] At its meeting in September 2021, ECB confirmed this measure to support the ECB's price stability mandate.[4]
<table>
<tr><th>Date</th><th>%</th></tr>
<tr><td>01.09.2021</td><td>0.00</td></tr>
<tr><td>01.08.2021</td><td>0.00</td></tr>
<tr><td>01.07.2021</td><td>0.00</td></tr>
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<tr><td>01.02.2021</td><td>0.00</td></tr>
<tr><td>01.01.2021</td><td>0.00</td></tr>
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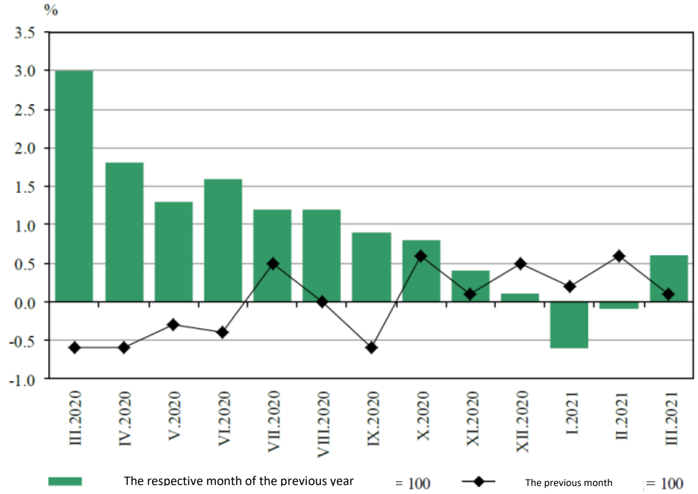
*Source: BNB[5]</td></tr>
<tr><td>INFLATION RISK</td><td>Inflation risk is a general rise in prices in which money depreciates and there exists a probability of loss to households and firms.

The consumer price index (CPI) is an official measure of inflation in the Republic of Bulgaria. It estimates the total relative change in the prices of goods and services used by households for personal (non-production) consumption and the index is calculated by applying the structure of the final cash consumer expenditure of Bulgarian households.

According to the NSI the consumer price index for September 2021 compared to August 2021 is 100.4%, i.e., monthly inflation is 0.4%. The inflation from the beginning of the year (September 2021 compared to December 2020) is 1,5% and the annual inflation for June 2021 compared to June 2020 is 3.5%. The average annual inflation for the period July 2020 – September 2021 compared to the period October 2019 – September 2020 is 1.6%[6]</td></tr>
</table>

[2] https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202104.en.html
[3] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202106_bg.pdf
[4] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202106_bg.pdf
[5] https://www.bnb.bg/Statistics/StBIRAndIndices/StBIBaseInterestRate/index.htm
[6] https://www.nsi.bg/sites/default/files/files/pressreleases/Inflation2021-09_8M1FIED.pdf

	 *Source: NSI The harmonized index of consumer prices (HICP) is a comparable measure of inflation in 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 the harmonized index of consumer price index for September 2021 compared to August 2021 is 100.2%, i.e., monthly inflation is 0.2%. The inflation since the beginning of the year (September 2021 compared to December 2020) is 3.3%, and the annual inflation for September 2021 compared to September 2020 is 4.0% The average annual inflation for the period October 2020 - September 2021 compared to the period October 2019 - September 2020 is 1.4% According to the ECB, inflation in the euro area rose to 3.0% in August. Inflation is expected to continue to rise in the autumn, but to decline next year. According to the September 2021 ECB staff macroeconomic projections, which foresee annual inflation at 2.2% in 2021, 1.7% in 2022 and 1.5% in 2023, being revised up compared with the previous projections in June. Inflation excluding food and energy price inflation is projected to average 1.3% in 2021, 1.4% in 2022 and 1.5% in 2023, also being revised up from the June projections.[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

[7] https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_202106_bg.pdf

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.

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

Allterco JSCo. owns financial assets denominated in NOK, which also brings some currency risk.

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 Allterco. Credit ratings are prepared by specialized credit rating agencies and serve to determine and measure a country's credit risk. Bulgaria's credit rating is presented in the following table:

Table 1: Credit risk of Bulgaria

Credit agency	Date of last change	Long-term rating	Prospects
Standard & Poor's	01.06.2021 [9]	BBB	Stable
Moody's	09.10.2020 [10]	Baa2	Positive
Fitch	27.07.2021 [11]	BBB	Stable

Source: Ministry of Finance

[8] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200710~4aa5e3565a.en.html

[9] https://www.minfin.bg/bg/news/11369

[10] https://www.minfin.bg/bg/news/11147

[11] https://www.minfin.bg/bg/news/11429

	On 21 June, 2021 the international S&P Global Ratings agency affirmed its 'BBB/A-2' long- and short-term foreign and local currency sovereign credit ratings on Bulgaria. The outlook remains stable. According to the agency Bulgaria's economic contraction has been relatively mild so far, mostly due to resilient domestic demand. Over the medium term through 2024, high fund inflows from the previous and current EU Multiannual Financing Frameworks as well as additional funds from the NGEU instrument will provide a solid backdrop for Bulgaria's economic growth. Although the results of the recent elections highlight political fragmentation and confrontational decision-making, the rating agency do not believe that these developments will delay the most important political undertakings, such as progress on eurozone accession, or EU funds absorption. Even against this challenging domestic political environment and in the course of the pandemic, Bulgaria has retained a solid fiscal position. Starting in 2022, S&P Global Ratings expects that consolidation will narrow deficits further, keeping government debt, net of liquid assets, at a low 20% of GDP over the next years. External risks also appear manageable after several years of external net deleveraging, thanks to recurring current and capital account surpluses, which the rating agency expects to continue. On June 27, 2021, Fitch Ratings has affirmed Bulgaria's long-term foreign and local currency Issuer Default Ratings (IDR) at "BBB" with a Positive Outlook. The Positive Outlook reflects the dissipation of macroeconomic risks stemming from the Covid-19 pandemic and a more resilient economy, as well as continued progress towards the euro adoption. According to the credit rating agency, short-term downside risks tied to the pandemic and electoral uncertainty are more than offset by prospects of substantial funding from the EU and a commitment to macro and fiscal stability. Fitch expects Bulgaria's economic growth to accelerate to 4.7% in 2021, compared to the estimate for 3% from February. The upward revision reflects better-than-expected 1Q21 GDP and the expected strengthening of domestic demand and exports in the second half of the year. Investment is expected to be a key driver of growth over the medium-term, as Bulgaria will be one of the main beneficiaries of EU transfers in the coming years. The analysts of Fitch believe that the significant amount of funds under the Recovery and Resilience Facility (RRF) would support the growth of the economy which is estimated at 3.9% in 2022-23. The credit rating agency projects the fiscal deficit (on accrual basis) at 5% of GDP in 2021, versus 5.5% for the BBB median, reflecting mostly the Covid-19 related expenditure. It expects the deficit to narrow to 2% in 2023, keeping public debt/GDP at below 30% (versus 57% for BBB peers). Fitch considers the plan for euro adoption in 2024 realistic. The country's banking sector is estimated as liquid and well capitalized. The main factors that could lead to positive rating action/upgrade are: progress toward euro area accession and improvement in the economy's growth potential that leads to faster convergence with income levels of higher rated peers. The factors that could lead to negative rating action/downgrade are: adverse policy developments that reduce confidence in economic recovery; a prolonged rise in public debt; the materialization of contingent liabilities on the sovereign's balance sheet or weaker growth prospects.[12]

[12] https://www.minfin.bg/bg/news/11429

Unemployment risk	As a major factor influencing consumers' purchasing power, rising unemployment would reduce demand for IoT products. On the other hand, the demand for staff by the business remains extremely active, so that such a risk appears to be negligible within the next year. According to the statistics published by Eurostat 14.469 million men and women in the EU, of whom 12.162 million in the euro area (EA), were unemployed in August 2021. Compared with July 2021, the number of persons unemployed decreased by 224 000 in the EU and by 261 000 in the euro area. Compared with August 2020, unemployment decreased by 1.965 million in the EU and by 1.861 million in the euro area.[13] The level of registered unemployment in the country continued to decline in September, reaching a new record low of 4.7%, according to data from the administrative statistics of the Employment Agency. The decrease compared to August 2021 is by 0.2% and the decrease on an annual basis is by 2.5 percentage points. Compared to the end of September 2019 - a year generally record for employment growth, the unemployment rate also decreased significantly - by 0.6 percentage points as of September 2021.[14]
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

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

[13] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics
[14] https://www.az.government.bg/bg/news/view/rekordno-niska-bezrabotica-prez-septemvri-3722//

After the sale of most of the telecommunication business of the group, 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.

Risk related to cybersecurity

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 related to the supply with critical electronic components

The Group companies that produce devices are exposed to the problems, applicable to the whole world, with the supply chain, which include a deficit of certain electronic components (like chips and capacitors) and increasing delivery periods.

As of today, those problems did not affect the financial performance of the Group. The Group companies that are engaged in the sale and distributions of devices maintain sufficient stock quantities of critical electronic elements in order to meet eventual delays in the supply that could lead to delays in production.

In order to mitigate the risk for the future supplies, the Group companies implemented a planning system that covers longer than usual period (1-2 years) for the supply of component and all critical components are ordered in advance.

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.

Eventual changes in the regulations in the telecommunications sector, could have some impact on the operation of the Group as mobile operators are one of the main sales channels for existing MyKi series products. Big part of the devices developed and sold by the companies in the IoT Group use Internet-based technology and can work with the services of any Internet provider. To that effect, the Group is now less dependent on regulations in the field of telecommunications, insofar as the companies in its structure are not providers of telecommunication services and mobile operators are only one of the channels for trade and distribution of IoT devices.

Risk of technology change

The Issuer 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 Issuer. 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 Group;
- 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 Issuer's revenues and deterioration of its business performance.

Risk associated with business partners and the supply chain

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 Allterco JSCo 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 Allterco JSCo 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.

The Company has not entered into any transactions with other Group companies that fall beyond their scope of regular business or that significantly deviate from the market conditions. The transactions with subsidiaries in the regular course of business are eliminated for the purposes of the consolidation.

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

The Company has new significant receivables during the reporting quarter. In connection with the sale of five subsidiaries to Link Mobility Group AS, the buyer did not fulfil its obligation to pay the remaining 20% of the price (BGN 3 053 thousand), which was due in August 2021 and as of the date of this report has not been paid. The management of the group have undertaken the necessary steps to collect the due amount.

The Company has new significant receivable that arose during the reporting quarter in relation to the sale of 3 daughter companies. On September 29, 2021 the Board of Directors of Allterco JSCo has approved the two-point Company has signed an agreement with Skylight Venture Capital Pte. Ltd., as a buyer, for the sale of the two-point participations of Allterco JSCo in the subsidiaries ALLTERCO PTE (Singapore), ALLTERCO SDN (Malaysia) and ALLTERCO Co., Ltd. (Thailand) (Share Purchase Agreement (SPA) at the following terms:

- Purchase price: EUR 2 100 000
- Payment terms:

i. 50% - at completion date after fulfilment of the seller's obligations;

ii. 25% - within 18 months after the completion date;

iii. 25% - within 36 months after the completion date.

- Collateral: first priority pledge of the shares of the capital of ALLTERCO PTE (Singapore) and ALLTERCO SND (Malaysia) in favor of ALLTERCO JSCo to secure the obligation of Skylight Venture Capital Pte. Ltd. for the differed payment of 50 % of the purchase price;

The transfer of the shares is subject to registration according to the applicable legislation in the country of registration of the respective company.

7. INFORMATION ON THE TRADING IN THE SHARES OF ALLTERCO JSCo DURING THE REPORTING PERIOD

Historical data on trade

Date	Volume	Turnover	Highest value	Lowest value	Opening value	Closing value
30.09.2021	96202	1 786 979.700	20.800	17.100	17.400	20.600
31.08.2021	51497	900 197,700	17,900	16,900	17,700	17,400
30.07.2021	32713	578 825,400	18,400	16,600	17,100	17,700
30.06.2021	87283	1 476 797,500	17,900	15,800	15,900	17,100
31.05.2021	68960	1 026 272,200	16,000	13,700	14,400	15,900
29.04.2021	177039	2 312 406,600	14,900	11,000	11,100	14,400
31.03.2021	150097	1 477 504,850	11,100	9,000	9,200	10,900
26.02.2021	131599	1 190 116,700	9,450	8,750	8,850	9,200
29.01.2021	1040688	7 017 515,900	9,250	6,500	6,850	8,700

Source: Investor.bg

EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the reporting period, Allterco JSCo submitted to the FSC, the BSE and the public additional information.

Date	NOTIFICATION
07.10.2021	The Company has announced to the FSC and to the Public the following information: Hereby a reference is made to the Exemption Document for the purpose of admission to trading on a regulated market –the Frankfurt Stock Exchange – of 17 999 999 ordinary dematerialized shares of Allterco JSCo, ISIN BG1100003166, dated 7 June, 2021 (the Exemption Document"), prepared on the basis of the exemption from the obligation to publish a prospectus under Article 1, paragraph 5, point(j) 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, and repealing Directive 2003/71/EC (the "Prospectus Regulation"). Herewith we inform you that in compliance with requirements of the administrative procedure for listing on the Frankfurt Stock Exchange, Allterco JSCo has published an updated version of the Exemption Document. On the basis of the said legal exemption is seeking for admission to trading on the Frankfurt Stock Exchange without a Prospectus, for which purpose a document with the content of in compliance with Article 7 ("Prospectus summary") of the Prospectus Regulation has been prepared, which document is intended to provide the key information that investors need in order to understand the nature and the risks of the Issuer and the securities which admission to trading on the regulated market in Germany is sought, and that is to be read to aid investors when considering whether to invest in these securities. The document is prepared in Bulgarian, English and German language and is available on the website of Allterco JSCo on the following address: - In Bulgarian at https://allterco.com/за-инвеститорите/публично-предлагане/2021-година/ - In English and German at https://allterco.com/en/for-investors/public-offering/year-2021/ The admission to trading on the Frankfurt Stock Exchange is subject to an administrative procedure.

11.10.2021	The Company has announced to the FSC and to the Public the following information: Based on preliminary consolidated data at the end of the third quarter of 2021, we hereby inform you of the following: Preliminary data as of September 30, 2021 show significant increase in revenue from sales of devices (including thereto related services) during the first nine months of 2021 (cumulative until 30 September 2021), reaching 37 822 thousand BGN which is an increase of 54.5% compared to the same period in 2020, as the revenue from sales of devices branded Shelly has increased by 61.7% and the revenue from sales of devices MyKi has decreased by 18.9 %. The decrease in sales revenue for MyKi branded devices is mainly due to the impact of the pandemic measures taken by the governments of a number of countries where the devices are being sold. The revue from sales of devices for the third quarter of 2021 has increased by 21.1 % (reaching to 11 652 thousand BGN) compared to the same period in 2020. The reported preliminary data include only data on revenue from sales of devices and related services. Following the transaction of the telecommunication business of Allterco in Asia in September 2021 the future financial reports of the company will not include revenue from VAS (value added services) services. The company will disclose final data on its financial results on a consolidated basis for the third quarter of 2021 within the statutory deadlines until November 29, 2021.
15.10.2021	The Company has announced to the FSC and to the Public the following information: We hereby inform you that at its extraordinary session held on 15.10.2021, the General Meeting of Shareholders of Allterco JSCo adopted a resolution for amendments to the Statute of the company, according to the submitted draft as part of the written materials to the invitation. The amendments adopted include opportunities for capital increase through the issuance of warrants and convertible bonds, including by decision of the Board of Directors (limited for a certain period and to a certain amount) as well as the possibility for the Board of Directors to appoint an advisory board. The company will publish the minutes of the General Meeting within the legally established period. The adopted amendments and supplements to the Statute are subject to entry in the Commercial Register and the Register of Non-Profit Legal Entities.
25.10.2021	The Company has announced to the FSC and to the Public the following information: We hereby inform you that the Board of Directors of Allterco JSC has decided to found a subsidiary company based in Germany - Allterco Europe GmbH. The German subsidiary will have its registered office in the city of Munich, Germany and capital of EUR 500 000, 100% owned by Allterco JSCo. As managers of the new company there were elected Mr. Wolfgang Kirsch, who has significant managerial experience in the European retail of consumer electronics, gained in some of the largest European retail chains for electronics and Mr. Mirche Atanasovski - longtime commercial director in the holding. The registration of a subsidiary company in Germany, which is one of the main European markets for Shelly branded IoT devices, is aimed to optimize the distribution, logistics and customer service, as well as to further develop the retail network in the country and to strengthen the brand's position. The new company is subject to registration procedures according to German law.
29.10.2021	The Company has announced to the FSC and to the Public the Financial Report of the Company on an individual basis for the third quarter of 2021.
02.11.2021	The Company has announced to the FSC and to the Public the following information: Hereby a reference is made to the Exemption Document for the purpose of admission to trading on a regulated market –the Frankfurt Stock Exchange – of 17 999 999 ordinary dematerialized shares of Allterco JSCo, ISIN BG1100003166, dated 7 June, 2021 (“the Exemption Document”), prepared on the basis of the exemption from the obligation to publish a prospectus under Article 1, paragraph 5, point(j) 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, and repealing Directive 2003/71/EC (the "Prospectus Regulation"). Herewith we inform you that in compliance with requirements of the administrative procedure for listing on the Frankfurt Stock Exchange, Allterco JSCo has published a second updated version of the Exemption Document. On the basis of the said legal exemption Allterco JSCo is seeking for admission to trading on the Frankfurt Stock Exchange without a Prospectus, for which purpose a document with the content of in compliance with Article 7 ("Prospectus summary") of the Prospectus Regulation has been prepared. The Exemption Document is intended to provide the key information that investors need in order to understand the nature and the risks of the Issuer and the securities which admission to trading on the regulated market in Germany is sought, and that is to be read to aid investors when considering whether to invest in these securities. The document is prepared in Bulgarian, English and German language and is available on the website of Allterco JSCo on the following addresses: - In Bulgarian at https://allterco.com/за-инвеститорите/публично-предлагане/2021-година/ - In English and German at https://allterco.com/en/for-investors/public-offering/year-2021/ The admission to trading on the Frankfurt Stock Exchange is subject to an administrative procedure
03.11.2021	The Company has announced to the FSC and to the Public the following information: In reference to the registration process of listing of the shares of Allterco JSCo for trading on the Frankfurt Stock Exchange, that was started at the beginning of 2021, we hereby inform you that the company has received a confirmation of its compliance with the listing requirements. According to preliminary information, the indicative listing schedule envisages admission to trading of the shares of Allterco JSCo on the Frankfurt Stock Exchange on November 19, 2021 (Friday) and the first trading day on November 22, 2021 (Monday). Consultant of Allterco JSCo during the process of listing in Frankfurt is Expat Capital SA
12.11.2021	The Company has announced to the FSC and to the Public the following information: Hereby a reference is made to the Exemption Document for the purpose of admission to trading on a regulated market –the Frankfurt Stock Exchange – of 17 999 999 ordinary dematerialized shares of Allterco JSCo, ISIN BG1100003166, dated 2 November, 2021 ("the Exemption Document"), prepared on the basis of the exemption from the obligation to publish a prospectus under Article 1, paragraph 5, point(j) 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, and repealing Directive 2003/71/EC. Herewith we inform you that in the Exemption Document there has been edited a technical mistake, that concerns the corporate structure of the company. In respect of the information provided with the document the mistake is not material in its nature. The document with the reflected editing is prepared in Bulgarian, English and German language and is available on the website of Allterco JSCo on the following addresses: - In Bulgarian at https://allterco.com/за-инвеститорите/публично-предлагане/2021-година/ - In English and German at https://allterco.com/en/for-investors/public-offering/year-2021/
19.11.2021	The Company has announced to the FSC and to the Public the following information: Herewith we inform you that in compliance with Art. 34a of the Statute of the Company, adopted by the General Meeting of the Shareholders on 15.10.2021, the Board of Directors of Allterco JSCo has decided to establish an Advisory Board chaired by Mr. Gregor Bieler. The objective of the formation of the Advisory Board is to attract professionals with international experience to support the business growth in terms of sales, management capacity, and operational processes. These are of importance for the development of the

	company, its recognition on the international market, and the increasing of its credibility with the investors. The choice of Gregor Bieler as the chairman of the company's advisory body was provoked by his expertise in business transformations in international companies specialized in digital technologies. Gregor Bieler has been CEO of Aparavi Software AG since April 2021 and is one of the most respected leaders and pioneers of digital business and culture transformation. With more than 15 years of experience in digital business, his journey began in 1991 by co-founding Waycom Informationssysteme, an ERP systems service provider. Among other roles, Bieler was VP in Sales & Marketing at Logitech Europe, bringing significant growth to the company through a tactical repositioning of its Consumer Electronics & E-Commerce division. He also transformed payment processor PayPal into a customer-centric e-commerce and market-leading online payment service provider as Vice President and Managing Director. Until 2021, Bieler was a member of the Executive Board and General Manager at Microsoft Germany GmbH, where he was responsible for the partner business. Through his strategic as well as analytical solutions, Bieler helped the group achieve an extraordinary track record in Microsoft Sales & Marketing history - from licensing to solution sales and 100% cloud business growth several years in a row. Through special achievements, Bieler received the "IT Channel Manager of the Year" award twice in a row. As an entrepreneur and founder, Bieler also advises numerous companies as a board member. These include leading companies such as GlobalLogic, Dustin, ATOSS Software AG, ROBUR Industry Service Group GmbH and numerous others

8. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

Sale of the Asian telecommunications business of Allterco JSCo

In relation with the contract signed between Allterco JSCo and Skylight Venture Capital Pte. Ltd., Singapore for the sale of 3 subsidiaries of Allterco, The Company has received the first payment amounting to 50% of the agreed purchase price.

Establishment of German Subsidiary

he Board of Directors of Allterco ha staken a decision to establish a subsidiary in Germany - Allterco Europe GmbH. The German company will have its registered office and registered address in. Munich, Germany and a capital of EUR 500 000, 100% owned by Alterco S.A. The company is subject to registration under the German law.

Listing of Allterco's shares on the Frankfurt Stock Exchange

On the basis of the exemption from the obligation to publish a prospectus under Article 1, paragraph 5, point(j) 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, and repealing Directive 2003/71/EC (the "Prospectus Regulation") Allterco JSCo has published an Exemption document together with all its amendments. As of 22.11.2021

The document is prepared in Bulgarian, English and German language and is available on the website of Allterco JSCo on the following address:

- In Bulgarian at https://allterco.com/за-инвеститорите/публично-предлагане/2021-година/
- In English and German at https://allterco.com/en/for-investors/public-offering/year-2021/

Based on the said legal exemption on 19.11.2021 the shares of Allterco JSCo were admitted to trading on the Frankfurt Stock Exchange with first date of trading 22.11.2021 and WKN A2DGX9, ISIN BG1100003166, ticker A4L.

As of November 22, 2021 the shares of Allterco a traded on two regulated markets – Bulgarian Stock Exchange and Frankfurt Stock Exchange.

Advisory Board

In compliance with Art. 34a of the Statute of the Company, adopted by the General Meeting of the Shareholders on 15.10.2021, the Board of Directors of Allterco JSCo has decided to establish an Advisory Board chaired by Mr. Gregor Bieler.

The objective of the formation of the Advisory Board is to attract professionals with international experience to support the business growth in terms of sales, management capacity, and operational processes.

Measures related to COVID 19

The management of Allterco continues successfully to apply a number of stabilization measures by which to limit the possible negative impact of the situation on the personnel and the financial state of the Company. As a result of those measures (introduction of hybrid ways of work for the employees within the Group, timely resource provision with key components for production) during the reported period there are no signs for worsening of Group's financial position and the Company anticipates this trend to be kept for the next quarters.

The successful increase in the capital of the Company in Bulgaria during the last quarter of 2020 further increased the financial stability of the group. In addition, the shareholders of the company increased significantly and this led to the inclusion of the company's shares in the SOFIX index of the BSE, as of March 2021.

During the reporting period Allterco JSCo has increased its share capital through a public offering of new shares, which in addition will improve the financial stability of the Group.

Date: November 25, 2021

For ALLTERCO JSCo:

Dimitar Dimitrov

CEO

REPORTING PERIOD

30 SEPTEMBER 2021

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021

Unless otherwise stated, all amounts are in BGN thousand.

ASSETS	Notes	September 30, 2021	December 31, 2020
Non-current assets			
Property, plant and equipment	3.01	4 930	5 062
Intangible assets	3.02	4 016	3 643
Assets with right of use	3.03	120	46
Goodwill	3.04	160	2 801
Other long-term capital investments	3.05	4 543	6 566
Investments in associated companies		8	-
Trade receivables	3.08	2 054	-
Deferred tax assets	3.06	481	485
Total non-current assets		**16 312**	**18 603**
Current assets			
Inventory	3.07	3 266	3 660
Trade receivables	3.08	23 578	13 948
Other receivables	3.09	1 500	709
Cash and cash equivalents	3.10	26 024	26 050
Prepaid expenses	3.11	70	42
Total current assets		**54 438**	**44 409**
Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale		-	**2 681**
TOTAL ASSETS		**70 750**	**65 693**

Date: 25 November, 2021

Compiler of the financial statements:
/Albena Benkova Beneva/

АЛТЕРКО АД София Sofia ALLTERCO JSC

Executive Director:
/ Dimitar Stoyanov Dimitrov/

These consolidated financial statements have been approved by the Board of Directors of Allterco JSCo.
The consolidated statement of financial position should be read in conjunction with the explanatory notes set out on pages from 7 to 54, which form an integral part of the financial statements attached.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS OF SEPTEMBER 30, 2021

Unless otherwise stated, all amounts are in BGN thousand.

LIABILITIES	**Notes**	**September 30, 2021**	**December 31, 2020**
Non-current liabilities			
Bank loans	3.12	2 136	2 518
Lease liabilities	3.13	111	31
Total non-current liabilities		**2 247**	**2 549**
Current liabilities			
Current share of bank loans	3.12	544	511
Current share of lease liabilities	3.13	50	75
Trade payables	3.14	1 851	1 548
Payables to employees	3.15	151	194
Social-security liabilities		100	96
Tax liabilities	3.16	1 757	395
Other liabilities	3.17	684	765
Prepaid revenue		119	89
Total current liabilities		**5 256**	**3 673**
Liabilities related to non-current assets classified as held for sale and assets included in disposal groups classified as held for sale		**-**	**2 635**
TOTAL LIABILITIES		**7 503**	**8 857**
EQUITY			
Registered capital	3.18	18 000	18 000
Retained earnings	3.19	33 615	26 938
Reserves	3.20	1 800	1 500
Reserve from issue of shares	3.21	5 403	5 703
Other comprehensive income	3.22	4 698	4 849
Treasury shares		(289)	(138)
Foreign exchange rate differences from translation of financial statements of foreign operations		20	280
Equity attributable to the holders of the parent-company's equity		**63 247**	**57 132**
Minority interest		**-**	**(296)**
TOTAL EQUITY		**63 247**	**56 836**
TOTAL LIABILITIES AND EQUITY		**70 750**	**65 693**

Date: 25 November 2021

АЛТЕРКО АД София Sofia ALLTERCO JSC

Compiler of the financial statements: Executive Director:

/Albena Benkova Beneva/ / Dimitar Stoyanov Dimitrov/

These consolidated financial statements have been approved by the Board of Directors of Allterco JSCo
The consolidated statement of financial position should be read in conjunction with the explanatory notes set out on pages from 7 to 54, which form an integral part of the financial statements attached.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1, 2021 – SEPTEMBER 30, 2021

Unless otherwise stated, all amounts are in BGN thousand.

	Notes	30 September 2021	30 September 2020
Revenue from sale	4.01	38 521	29 364
Cost price of sales	4.01	(18 444)	(15 122)
Gross profit		**20 077**	**14 242**
Other operating income	4.02	555	54
Sales and marketing expenses	4.03	(1 830)	(1 236)
Administrative expenses	4.04	(7 368)	(6 286)
Other operating expenses	4.05	(221)	(243)
Profit from operating activities		**11 213**	**6 531**
Financial income	4.06	250	-
Financial expenses	4.07	(104)	(480)
Profit from the ordinary activities		**11 359**	**6 051**
Profit before tax on profit		**11 359**	**6 051**
Corporate profit tax income (expense)		(1 313)	(851)
Profit for the period from continuing operations		**10 046**	**6 126**
Profit/(loss) for the period from discontinued operations		-	**(926)**
Net profit		**10 046**	**5 200**
Other comprehensive income:			
Items that can be reclassified to the profit or loss			
From other long-term capital instruments		(1 894)	-
Foreign exchange rate differences from translation of statements of foreign operations		20	25
Other comprehensive income for the period, after taxation		**(1 874)**	**25**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**8 172**	**5 225**
Net profit attributable to:			
Owners of the Parent-company		10 046	5 334
Minority interests		-	(134)
Other comprehensive income attributable to:			
Owners of the Parent-company		(1 874)	53
Minority interests		-	(28)
Total comprehensive income attributable to:			
Owners of the Parent-company		8 172	5 387
Minority interests		-	(162)
Net income per share		**0.569**	**0.347**

Date: 25 November 2021

АЛТЕРКО АД София Sofia ALLTERCO JSC

Compiler of the financial statements: Executive Director:

/Albena Benkova Beneva/ / Dimitar Stoyanov Dimitrov/

These consolidated financial statements have been approved by the Board of Directors of Allterco JSCo
The consolidated statement of comprehensive income should be read in conjunction with the explanatory notes set out on pages from 7 to 54, which form an integral part of the financial statements attached.

CONSOLIDATED FINANCIAL STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING ON SEPTEMBER 30, 2021

Unless otherwise stated, all amounts are in BGN thousand.

	Registered capital	Retained earnings	Share premium reserves	Reserves	Treasury shares	Other comprehensive income	Foreign exchange rate differences from translation of fin. Stat. of foreign operations	Total	Minority interest	Total equity
Balance as of January 1, 2020	**15 000**	**13 531**	**-**	**1 500**	**-**	**-**	**182**	**30 213**	**123**	**30 336**
Capital increase	3 000	-	6 000	-	-	-	-	9 000	-	9 000
Expenses related to the increase of the capital	-	-	(297)	-	-	-	-	(297)	-	(297)
Total comprehensive income for the period	-	15 141	-	-	-	-	-	15 141	(419)	14 722
Profit/(loss) for the period from discontinued operations	-	(1 284)	-	-	-	-	-	(1 284)	-	(1 284)
Other comprehensive income	-		-	-	-	4 849	98	4 947	(11)	4 936
Distribution of dividends	-	(450)	-	-	-	-	-	(450)	-	(450)
Change in minority interest	-	-	-	-	-	-	-	-	11	11
Treasury shares	-	-	-	-	(138)	-	-	(138)	-	(138)
Balance as of December 31, 2020	**18 000**	**26 938**	**5 703**	**1 500**	**(138)**	**4 849**	**280**	**57 132**	**(296)**	**56 836**
Balance as of January 1, 2021	**18 000**	**26 938**	**5 703**	**1 500**	**(138)**	**4 849**	**280**	**57 132**	**(296)**	**56 836**
Change in value of treasury shares	-	-	-	-	(151)	-	-	(151)	-	(151)
Transfer to reserves	-	-	(300)	300	-	-	-	-	-	-
Distribution of dividends	-	(3 600)	-	-	-	-	-	(3 600)	-	(3 600)
Net profit for the period	-	10 046	-	-	-	-	-	10 046	-	10 046
Effect from the sale of subsidiaries	-	231	-	-	-	1 743	(280)	1 694	296	1 990
FX effect from translation of financial report of foreign subsidiaries	-	-	-	-	-	-	20	20	-	20
Other comprehensive income	-	-	-	-	-	(1 894)		(1 894)	-	(1 894)
Balance as of June 30, 2021	**18 000**	**33 615**	**5 403**	**1 800**	**(289)**	**4 698**	**20**	**63 247**	**-**	**63 247**

Date: 25 November 2021

АЛТЕРКО АД * София Sofia * ALLTERCO JSC

Compiler of the financial statements:

/Albena Benkova Beneva/

Executive Director:

/ Dimitar Stoyanov Dimitrov/

These consolidated financial statements have been approved by the Board of Directors of Allterco JSCo
The consolidated statement of changes in equity should be read in conjunction with the explanatory notes set out on pages from 7 to 54, which form an integral part of the financial statements attached.

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOW
FOR THE PERIOD JANUARY 1, 2021 – SEPTEMBER 30, 2021
Unless otherwise stated, all amounts are in BGN thousand.

	Notes	9 months of 2021	9 months of 2020
Cash flows from operating activity			
Proceeds from clients		35 750	30 371
Payments to suppliers		(24 261)	(20 350)
Payments for taxes		(1 735)	(2 154)
Paid corporate tax		(418)	(1 094)
Payments to employees and social security		(4 576)	(4 136)
Cash flow from positive (negative) exchange rate differences		70	(124)
Other proceeds/payments, net		(88)	(185)
Net cash flows from operating activities		**4 742**	**2 328**
Cash flow from investment activities			
Cash flows related to non-current tangible and intangible assets		(841)	(2 198)
Cash from sale of fixed assets		42	10
Purchase of investments		(8)	-
Other income / payments, net		-	4
Net cash flows from investment activities		**(807)**	**(2 192)**
Cash flow from financing activities			
Financial leasing payments		(54)	(82)
Loans received		-	880
Loans paid		(375)	(333)
Cash flows related to interest and commissions		(54)	(58)
Dividend paid		(3 436)	-
Other income / payments, net		(42)	(19)
Net cash flow from financing activities		**(3 961)**	**388**
Net increase in available cash and cash equivalents for the period		**(26)**	**524**
Available cash and cash equivalents in the beginning of the period		26 050	10 931
Available cash and cash equivalents at the end of the period	3.10	**26 024**	***11 455***
Available cash, assets held for sale		-	***(105)***
Available cash and equivalents at the end of the period		**26 024**	***11 350***

Date: 26 November 2021

АЛТЕРКО АД София Sofia ALLTERCO JSCo

Compiler of the financial statements: Executive Director:

/Albena Benkova Beneva/ / Dimitar Stoyanov Dimitrov/

These consolidated financial statements have been approved by the Board of Directors of Allterco JSCo
The consolidated statement of cash flow should be read in conjunction with the explanatory notes set out on pages from 7 to 54, which form an integral part of the financial statements attached.

REPORTING PERIOD

30 SEPTEMBER 2021

CONSOLIDATED FINANCIAL STATEMENTS

ALLTERCO

Unless otherwise stated, all amounts are in BGN thousand.

TABLE OF CONTENT

Unless otherwise stated, all amounts are in BGN thousand.

1. Information about the Group

1.1. Legal status

Allterco JSCo (the mother company), Sofia, is entered in the Commercial Register of the Registry Agency with UIC as per Bulstat (Unified Identification Code as per the Bulgarian Statistical Register): 201047670 and LEI code 8945007IDGKD0KZ4HD95. The company is with registered office and address of management in Sofia 1407, 103, Cherni Vrah Blvd. The initial registered capital was BGN 5,488,000 (five million four hundred and eighty-eight thousand), distributed in 5,488,000 ordinary registered voting shares with nominal value of BGN 1.00 each. At the end of 2015, the capital was increased to BGN 13,500 thousand through cash and non-cash contributions. At the end of 2016, the capital was increased to BGN 15,000 thousand after the successful Initial Public Offering on the Bulgarian Stock Exchange. In 2020, the capital was increased to BGN 18,000 thousand as a result of a procedure for Secondary Public Offering of a new issue of shares. The public offering of shares was carried out in the period September 28, 2020 – October 30, 2020 on the basis of a Prospectus, together with the supplements to it, confirmed by the Financial Supervision Commission with Decision № 148-F of February 18, 2020, Decision № 405-E of June 11, 2020, Decision № 601-E of August 13, 2020 and Decision № 791-E of October 29, 2020.

The company is managed and represented by Svetlin Todorov and Dimitar Dimitrov jointly and separately.

1.2. Ownership and Management

The Allterco Group includes Allterco JSCo. (the parent-company) and its subsidiaries, in which the parent-company has a direct or indirect controlling interest. Allterco JSCo. is a public company under the Public Offering of Securities Act.

The distribution of the share capital of the company Allterco JSCo. as of 30 September 2021, is as follows:

Name	Number of shares:	% in the capital
Svetlin Todorov	5 847 120	32.48%
Dimitar Dimitrov	5 847 120	32.48%
Persons holding less than 5% of the capital		

Unless otherwise stated, all amounts are in BGN thousand.

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

Allterco JSCo. is managed and represented by Svetlin Todorov and Dimitar Dimitrov.

Members of the Board of Directors are:

- Dimitar Stoyanov Dimitrov
- Nikolay Angelov Martinov
- Svetlin Iliev Todorov

1.3. Scope of Activities

The scope of activities of Allterco JSCo 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 use of patents to companies in which the Company participates; financing of companies in which the Company participates.

The scope of activities of group companies includes development, production and trade with IoT (Internet of Things) devices and management of real estate owned by the Group.

1.4. Group structure

As of September 30, 2021 and December 31, 2020 the Group included Allterco JSCo. and the following subsidiaries:

Name of the company	September 30 2021	December 31 2020
	Percentage of participation	Percentage of participation
In the country		
ALLTERCO TRADING OOD (Ltd.)	*100%*	*100%*
ALLTERCO ROBOTICS EOOD (Solely-owned LLC)	*100%*	*100%*
ALLTERCO PROPERTIES EOOD (Solely-owned LLC)	*100%*	*100%*

Name of the company	September 30 2021	December 31 2020
	Percentage of participation	Percentage of participation
Abroad		
ALLTERCO PTE LTD., Singapore	*100%*	*100%*
ALLTERCO SDN LTD., Malaysia	*100%*	*100%*
ALLTERCO CO. LTD, Thailand	*49%*	*49%*
GLOBAL TERACOMM INC, USA	*100%*	*100%*

In the beginning of 2021 Allterco JSCo. acquired a stake in newly established (associated) company in China – Allterco Asia Ltd., with a seat and office in Shenzhen. The registered share capital of the newly registered company is CNY 100 000. Allterco acquired 30% stake and holds an option to acquire additional up to 50% extending its total shareholding up to 80%.

In September 2021 Allterco sold its participation in the capital of 3 Asian subsidiaries. See p. 2.9 for more details about the deal.

2. Basics of accounting policies of the Group

The accounting policy defines the initial assumptions, principles, rules, bases and procedures adopted by Allterco JSCo. and its subsidiaries, hereinafter referred to as the Companies (the Group), for accounting the activities of the companies and for presenting the information in the consolidated financial statements.

The accounting policy is applied by the Group for the preparation of the interim and annual financial statements.

The accounting policy has been developed in accordance with the requirements of the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB), and the interpretations on their application developed by the IFRS Interpretation Committee (IFRIC) adopted by the European Union.

2.1. Basis for Preparation of the Annual Consolidated Financial Statements

The Group meets the criterion of a public interest entity and the current consolidated financial statements have been prepared in accordance with the International Accounting Standards, an issue of the International Accounting Standards Board, and adopted for application by the European Union.

As of September 30, 2021 IASs include the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRSs), Interpretations of the Standing Interpretation Committee and Interpretations of the IFRS Interpretation Committee. The IAS Board reissues annually the standards and explanations thereof, which, after being formally approved by the European Union, are valid for the year for which they were issued. However, many of them are not applicable to the group companies' business because of the specific issues that are addressed in them.

2.2 Initial application of new and amended IFRSs in force for the current reporting period

The management of the Company has complied with all standards and explanations that are applicable to its activities and that have been officially accepted for application by the EU as of the date of preparation of these consolidated financial statements.

Amendments in the IFRS references to the Conceptual Framework

The IASB issued the revised Conceptual Framework for Financial Reporting on March 29, 2018, which is effective for annual periods beginning on or after January 1, 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standards setting, and a guide for compilers of financial statements in developing consistent accounting policies and assisting others in their efforts to understand and interpret standards. The main changes introduced in the revised conceptual framework for financial reporting relate to valuation, including the factors to be considered in selecting an assessment basis, and presentation and disclosure, including income and expenses to be classified in another comprehensive revenue. The conceptual framework also provides updated definitions of assets and liabilities and criteria for their recognition in the financial statements.

IFRS 3 Business Combinations (Amendments): Definition of Business

The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments clarify the minimum business requirements and narrow the definition of business. The amendments also remove the assessment of whether market participants can replace missing elements, add guidelines to assist companies in assessing whether an acquired process is significant and introduce an optional test that allows for a simplified assessment of whether a set of activities and assets is a business or not.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "material"

The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments clarify the definition of "material" and how it should be applied, aligning the definition used in the conceptual framework and standards. The amendments also specify that materiality will depend on the nature or importance of the information.

"Base interest rate reform" (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments are effective for annual periods beginning on or after January 1, 2020 and should be applied retrospectively. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, thus completing the first phase of its work to address the effects of interbank offered rate (IBOR) reform on financial reporting. The second phase will focus on issues that may affect financial reporting when an existing base interest rate is replaced by a risk-free interest rate (RFR).

The published amendments refer to issues affecting financial reporting in the period before the replacement of an existing base interest rate with an alternative interest rate and address the implications for specific hedge reporting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement that require perspective analysis. The amendments provided temporary relief applicable to all hedging relationships that are directly affected by the base interest rate reform, allowing hedge accounting to continue during the period of uncertainty before replacing an existing base rate with an alternative, almost risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures, about Additional Disclosures concerning the uncertainty arising from the base interest rare reform.

Rental discounts in the context of Covid-19 (Amendments to IFRS 16)

Issued: May 28, 2020

Effective for annual reporting periods beginning on or after June 1, 2020

The amendment provides lessees with an exemption depending on whether rental discounts in the context of Covid-19 constitute a change in the lease.

2.3 Basis of preparation of the Consolidated Financial Statements

These consolidated financial statements have been prepared on a historical cost basis and in accordance with the requirements of the accrual basis, going concern, prudence, comparability of income and expenses, consistency of presentation.

- ✓ Accrual basis

The financial statements, except for the cash flow statement, are prepared on an accrual basis. On this basis, the effects of transactions and other events are recognized at the time of their occurrence and not when the cash or cash equivalents will be paid. They are recorded in the accounting records and accounted in the financial statements for the periods to which they relate.

- ✓ Going concern

The consolidated financial report of the Group is prepared in accordance with going-concern principle, which assumes that the Group will continue its operations in foreseeable future.

The management of the Group has made and analysis on ne effects from the ongoing crisis and assessed the related risks. The crisis triggered by the Covid-19 pandemic did not affect neither the scope of activities of the Group nor the volume of the business. On the contrary, the volume of the business increased. The revenues of the Group increased significantly compared to previous year.

The main scope of activities of the Group – production and trade with IoT devices in two product lines (Myki and Shelly), as well as the continuing R&D activities are not affected by the Covid-19 crisis. The management believes that the continuing spread of Covid-19 does not have a significant effect on the activities of the Group and on the application of going-concern principle, which is used for the preparation of the current financial statements, will continue to be applicable. As of the date of approval of the current consolidated financial report the management of the Group continue to apply measures in order to continue its operations without any breaks while strictly following the instructions of the state authorities.

2.4 Comparative data

In this consolidated financial report, the Group presents comparative data for the previous year (period).

When necessary, the comparative data is reclassified (or recalculated) in order to obtain comparability between the data in the current and previous periods.

2.5 Functional currency and recognition of currency exchange rate differences

Functional and Reporting Currency

The accounting currency for the presentation of the elements of the consolidated financial statements is the Bulgarian Lev (BGN), which is the functional currency of Allterco JSCo.

The data in the elements of the consolidated financial statements and the notes thereto are presented in thousands of BGN, unless explicitly stated otherwise. When presented in the financial statements and the explanatory notes, amounts over BGN 500 are rounded to BGN 1 thousand.

The Group's companies keep their accounting records in the functional currency of the country in which they operate. The effects of exchange rate differences related to the settlement of foreign currency transactions or the accounting of foreign exchange transactions at rates other than those at which they were initially recognized are included in the statement of comprehensive income at the time they occur, are treated as “other operating income and loss” and are presented net, except for those related to investments and loans denominated in foreign currency, which are presented as “investment income” and “financial expenses”. Non-monetary assets and liabilities initially denominated in foreign currencies should be translated to the functional currency using the historical exchange rate at the date of the transaction and subsequently not revaluated at the closing exchange rate.

2.6 Transactions and balances

A transaction with 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 month of the report;

(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 statement of financial position and statement of comprehensive income of foreign companies of the Group, using a functional currency other than Bulgarian lev, are translated 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;
- 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 year;
- 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 released.

2.7 Assumptions

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported values of assets and liabilities, of income and expenses, and of the disclosure of contingent receivables and liabilities as of the date of financial statements. These estimates, accruals and assumptions are based on information available at the date of preparation of the financial statements, and therefore future actual results may differ. Some estimates may involve a higher degree of subjective judgment or complexity or where the assumptions and the accounting estimates are material to the consolidated financial statements.

2.8 Subsidiaries and associated companies

Subsidiaries are the entities over which Allterco JSCo. 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 the control have been lost.

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

2.9 Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale

During 2019 the Group's management decided to sell certain subsidiaries. In accordance with the requirements of IFRS 5 *Non-current assets held for sale* in the accompanying consolidated financial statements for 2020 the assets, related liabilities and financial results are presented as subject to immediate sale.

The Group did not recognize impairment in respect of assets held for sale and related liabilities.

As of 30 September 2021, Allterco JSCo. has finalized a deal with Skylight Venture Capital Pte. Ltd., Singapore for the sale of 3 subsidiaries with the following terms:

- Sales price: 2 100 000 EUR;
- Payment terms: i. 50 % - after signing the SPA and the Buyer issues a letter to the Seller that all conditions for completion of the deal are met; ii. 25 % - within 18 after completion; iii. 25 % - within 36 months after completion.

Following the sale of the 3 subsidiaries the Group reports a profit at the amount of BGN 201 thousand, shown in the statements of comprehensive income as financial income.

2.10 Minority interest

Minority interest is valued at the proportionate share of identifiable net assets at the acquisition date.

2.11 Consolidation

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

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

2.12 Revenues

Revenue from sales and operating expenses has been accrued at the time of their occurrence, regardless of cash receipts and payments. The accounting and recognition of revenue and expenses should be carried out in compliance with the requirement for a cause-consequence connection between them.

Revenue is measured at the fair value of the remuneration received or to be received or paid, less any discounts provided.

The Group recognizes revenue when the amount of revenue can be measured reliably, when it is possible for the Group to obtain future economic benefits, and when it meets specific criteria for each of the Group's activities, as specified below.

Amounts collected on behalf of third parties, such as sales taxes and value added tax, are excluded from revenue.

- ***Revenue recognition under contracts with customers***

Revenues in the Group are recognized when the control over the goods and/or services promised in the contract with the customer are transferred to the customer. The control is transferred to the customer upon fulfilment of the contractual obligations by transferring the promised goods and/or rendering the promised services as in general the Group generally controls the goods or services before transferring them to the customer.

The Group recognizes revenue when it meets its obligations under the terms of the contract, by transferring the promised service to the customer. An asset (good or service) is recognized as transferred after the customer obtains control over that asset.

- ***Evaluation of a contract with a customer***

There is a contract with a customer only when upon its entry into force it:

- ✓ it has a commercial nature and motive;
- ✓ the parties have approved it (orally, in writing or on the basis of "established and generally accepted business practice") and have undertaken to fulfil it;
- ✓ the rights of each party can be identified in relation to the goods or services to be transferred;
- ✓ payment terms can be identified; and
- ✓ there is a probability that the remuneration to which the company is entitled in the performance of its obligations will be received.

A contract for which one of the above criteria has not yet been met is subject to a new evaluation in each reporting period. Remuneration received under such a contract is recognized as a liability (liability under the contract) in the Statement of financial position until:

- ✓ all criteria for recognition of a contract with a customer are met;
- ✓ the company has fulfilled its obligations and has received all or almost all of the

remuneration (which is not refundable); and / or

- ✓ when the contract is terminated and the remuneration received is not refundable.

In the initial evaluation of its contracts with customers, the Company makes an additional analysis and assessment of whether two or more contracts should be considered in their combination and should be reported as one and respectively whether the promised goods and / or services in each individual and / or combined contract must be accounted for as one and / or more performance obligations.

Any promise to transfer goods and / or services that are distinguishable (themselves and in the context of the contract) is accounted for as a single performance obligation.

The Company recognizes revenue for each *individual obligation to perform within an individual contract with a customer* by analyzing the type, term and conditions for each specific contract.

- ***Measurement of revenues under contracts with customers***

The revenue is measured on the basis of the *transaction price* determined for each contract.

The *transaction price* is the amount of the remuneration to which the Company expects to be entitled, except for the amounts collected on behalf of third parties. In determining the transaction price, the Company takes into account the terms of the contract and its usual commercial practices.

- ***Transaction price and payment terms***

The transaction price usually includes a fixed sale price, according to a general or customer price list.

- ***Variable remuneration***

The Variable remuneration is included in the transaction price only to the extent that it is highly probable that no significant adjustment will be made to the amount of revenue recognized cumulatively.

Revenues from services

The company reports revenues from services, complying with the commitments under the contract. Revenues from services are reported upon final completion of the services (by sites) recognized as performed.

Other income / revenues

Other income and revenues 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, performing an in-depth analysis of the contracts entered into, except for the simplest ones. As a result, the management has determined that the new revenue recognition framework do not lead to change in the accounting policy applied so far. No change in the obligations for performance and the distribution of the price of the contracts and recognition of revenues is needed.

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

2.13 Expenses

The expenses of the Group are recognized at the time of their occurrence and on the basis of the accrual and comparability principles. Expenses are recognized when there is a decrease in future economic benefits associated with a decrease in an asset or an increase in a liability that can be measured reliably. Recognition of expenses for the current period is made when revenue is accrued. An expense is recognized immediately in the income statement when the expense does not create future economic benefits or when and to the extent that future economic benefits do not meet the requirements or cease to meet the requirements for recognition of an asset in the statement of financial position. Expenses are accounted for on an accrual basis and are comparable to recognized revenue. They are measured at the fair value of the remuneration paid or pending for payment.

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

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

2.14 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 evaluation

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 company with a similar maturity and purpose. The difference between the cash price equivalent and the general payment is recognized as interest over the course of the loan unless it is capitalized in accordance with IAS 23.

Evaluation after recognition

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

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

Depreciation Methods

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

The useful life by classes of assets is as follows:

Vehicles	4 years
Computer equipment	2-5 years
Office equipment	3- 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.

Write off of non-current tangible assets

The book value 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 identified as missing.

Profits or losses arising on the write off of an item of property, plant and equipment are included in the statement of comprehensive income when the asset is written off (unless IAS 17 requires otherwise in a sale and leaseback). Profits and losses on disposals of non-current assets are determined by deducting the book value of the asset and the selling expenses from the proceeds from the sale (disposal). They are stated net, to "Other operating income" in the statement of comprehensive income. The portion of the revaluation reserve relating to the written off asset is transferred directly to retained earnings.

The receivable on disposal of an asset of property, plant and equipment is initially recognized at fair value.

Intangible assets

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

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

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

Initial assessment

Externally generated intangible assets on their acquisition are evaluated 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: expenses for preparation of the site (the place where the asset will be used), expenses for initial delivery, installation expenses, 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:

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

Subsequent expenses

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 of their implementation. The book value of the intangible asset is adjusted to the extent of the expenses leading to the increase of the expected future economic benefits associated with the use of an intangible asset over the initially determined standard efficiency.

2.15 Other long-term capital investments

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

Initial valuation

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

Subsequent evaluation

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

2.16 Investments in Associated companies

Investments in associated companies are reported following the capital method. The share of the Group in the comprehensive income of an associated company is shown on one line in the consolidated statements in a way that the amount of investment reflects the share of the Group in the net assets of the associated company as of the date of the financial statements. The Group recognizes its share in the losses of an associated company up to the amount of its investment, including all internal loans extended, unless it has undertaken an obligation to pay such liabilities on behalf of the associated company.

2.17 Lease

Operating lease

At the inception of the contract, the company assesses whether the contract represents or contains a lease. A contract represents or contains elements of a lease if, under that contract, the right to control the use of an asset for a specified period of time is transferred in exchange for consideration. The assessment includes an assessment of the following factors:

- Whether the contract involves the use of an identified asset, this may be stated explicitly or by default, and must be physically identifiable or must represent essentially the entire capacity of a physically separate asset. If the supplier has a substantial right of replacement, then the asset is not identified;
- Whether the company is entitled to receive substantially all the economic benefits from the use of the asset throughout the useful life; and
- Whether the company has the right to manage the use of the asset. The company has this right when it has decision-making rights concerning the change in the manner and purpose of using the asset. In the rare cases where it is predetermined how and for what purpose the asset will be used, the company has the right to manage the use of the asset if:
  - ✓ The company has the right to operate the asset; or
  - ✓ The company has designed the asset in a way that determines in advance how and for what purpose it will be used

Financial leasing

The lease contract under which all risks and economic benefit of ownership of the asset are transferred to the company of the Group is classified as a financial leasing and the leased asset is capitalized in the consolidated statement of financial position of the lessee and presented as property, plant and equipment. Upon initial recognition, leased assets are accounted at the lower value of the following two: their current fair value or the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance expenses (interest) and the reduction of the lease liability (principal). Financial expenses are allocated to each period over the lease term so that a constant interest rate is reached on the remaining outstanding portion of the principal under the lease liability. Interest expenses are included in the consolidated statement of comprehensive income as "Financial expenses".

Assets acquired under a financial leasing are depreciated based on the useful life of the asset and within the lease term.

2.18 Provisions

Provisions are recognized when the Company has a present (constructive or legal) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are estimated on the basis of the best estimate of the management at the date of preparation of the financial statements for the expenses necessary for the settlement of the respective obligation. The estimate is discounted when the maturity of the liability is long-term. When it is expected that part of the resources that will be used to settle the obligation will be recovered from a third party, the company recognizes a receivable, if there is a high degree of certainty of its receipt, its value can be reliably determined as income (credit) on the same position in the Statement of Comprehensive Income, where the provision itself is presented.

2.19 Inventory

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

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

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

In the use (sale) of inventory, the first-in-first-out method is used.

2.20 Pension and other payables to employees

The employment and social security relations with the employees of the Group are based on the provisions of the Labor Code and the provisions of the existing social security legislation in the Republic of Bulgaria and the law of the country in which a subsidiary is registered. The Group accrues and realizes employee's income by type, as follows:

Short-term income

Short-term are those employees benefits in the form of remuneration, bonuses and social allowances and benefits that are due within 12 months as of the end of the accounting period in which the employees have worked for them or fulfilled the necessary conditions for their receipt. They are recognized as current expenses in the Statement of Comprehensive Income in the reporting period in which the work is performed and as a current liability in the Statement of Financial Position (after deducting any amounts and deductions already paid) at the undiscounted amount.

As of the date of preparation of each financial statement the Company makes an estimate of the amount of the expected expenses on the accumulating compensable leave, which is expected to be paid as a result of the unused right to accumulated paid annual leave. The estimate includes the approximate amount in undiscounted amount of the costs for the remunerations themselves, as well as the costs for the obligatory state social security contributions, which the employer owes on these amounts. The estimated expenses of accumulating compensable leave are recognized as an expense in the Statement of comprehensive income. The Company recognizes as a current liability in the Statement of financial position the undiscounted amount of the estimated expenses for paid annual leave that is expected to be paid to employees in exchange of their work for previous reporting periods.

Program with fixed social security contributions

The insurance and pension plans applied by the Company in its capacity as an employer are based on the Bulgarian social security legislation and are plans with fixed social security contributions. According to them, the employer pays monthly fixed social security contributions on the basis of fixed percentages by law, and there is no legal or constructive obligation to pay future social security contributions to the social security funds in cases when they do not have enough money to pay to the respective persons the amounts earned by them for the period of their length of service. The obligations regarding the health insurance are similar.

The amounts of the social security contributions are approved specifically by the Social Security Budget Act and the NHIF Budget Act for the respective year. The social security and health insurance contributions due by the employer are recognized as a current expense in the Statement of comprehensive income in the reporting period of accrual of the respective income to which they are related, and as a current liability in the Statement of financial position in undiscounted amount.

The companies included in the consolidated statements, which operate in the countries outside Bulgaria, apply the insurance and pension plans following the legislation of the respective country.

The Company has not established a private voluntary social security fund.

Long-term employees' revenues

According to the Labor Code, Companies operating in Bulgaria are obliged to pay compensation to employees at retirement age, depending on their work experience. By their characteristics, these schemes are "defined benefit plans". Provision of long-term employee liabilities for retirement benefits are not recognized in the consolidated statement of comprehensive income, as there are no employees who will retire in the next 5 years.

2.21 Share capital

The Group has adopted the financial concept of maintaining the capital. The financial capital maintaining is assessed in nominal monetary units. Profit for the reporting period is considered to be acquired only if the total equity amount at the end of the period exceeds the amount in the beginning of the period, after deducting the distributions to owners or their investments in capital during the period.

Allterco JSCo is a joint-stock company and is obliged to register in the Commercial Register its statutory share capital, which shall serve as a security for the creditors of the Company. The shareholders are responsible for the liabilities of the Company up to the amount of their shareholding in the capital and may claim the return of that holding only in case of bankruptcy or liquidation proceedings.

Equity is the residual value of an entity's assets after deducting all its liabilities. This includes:

Registered capital – it is presented in the Statement of financial position according to the number of issued shares with nominal value of each share.

Financial result – it is formed as the difference between the income and expenses accrued for it. This includes:

a) retained earnings;

b) uncovered loss;

c) the net profit or loss for the current year, which is presented in the statement of financial position after deduction of tax expense due.

The Equity is decreased by the dividends paid to the shareholders during the period in which they are distributed (voted by the General Meeting).

In accordance with the requirements of the Commercial Law and the Statute of Allterco JSCo., the company is obliged to form reserves at the expense of:

- at least one-tenth of the annual profit, until the funds accumulated reach 25 per cent of the share capital;

- the funds received above the nominal value of the shares issued (premium reserve);

Treasury shares are reported in the statements of financial position at acquisition cost, which is used to decrease the equity of the Group. The profit and losses from the sale of treasury shares are reported in the equity of the Group, as part of the retained earnings.

Reserve from translation of financial statement of foreign operations - arises from the net effects of foreign currency conversion of the subsidiaries' financial statements from their functional currencies into Bulgarian levs for the purpose of consolidation.

Other comprehensive income is formed by the difference between previous book value of financial assets reported at fair value and the fair value of such assets as of the date of the report.

Treasury shares are represented in the financial report at fair values as of the date of the report and are reported as a decrease in the shareholder's equity. Profits and losses from the sale of treasury shares are recognized directly in the shareholder's equity.

Corporate Profit tax

The Corporate Profit tax for the year represents the sum of current and deferred taxes.

Current tax rates are determined in accordance with the requirements of the relevant legislation. The nominal tax rate in Bulgaria for 2020 and the nine months of 2021 is 10%, and for the United States of America: 15 - 35%.

Deferred corporate profit taxes are determined using the balance sheet method with respect to any temporary differences that exist between the book values and the tax bases of the individual assets and liabilities as of the date of preparation of the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences:

Deferred tax assets shall be recognized for all deductible temporary differences and for unused tax losses, to the extent that it is probable they will reverse when sufficient taxable profit or taxable temporary differences are expected to be generated in the future, which can offset these deductible differences.

The book value of all deferred tax assets is reviewed at each financial statement date and is reduced to the extent that it is probable that they will reverse and generate sufficient taxable profit from which they can be deducted.

Deferred taxes relating to items that are accounted directly in equity or other balance sheet item are also accounted directly in the respective equity component or the balance item.

Deferred tax assets and liabilities are estimated at the tax rates that are expected to apply to the period during which the assets will be realized and the liabilities will be settled (repaid), based on the tax legislation that is in force or is expected with a high degree of certainty and are shown offset in a separate line in the statement of financial position.

As of December 31, 2020 and September 30, 2021 there are deferred corporate profit taxes only for Bulgarian companies and they are estimated at a tax rate of 10%. The tax rate is expected to remain the same for the next year

Earnings per share

The basic earnings per share are calculated by dividing the net profit or loss for the period that is subject to distribution among shareholders of ordinary shares, by the average weighted number of ordinary shares held during the period.

The weighted average number of shares represents the number of ordinary shares hold in the beginning of the period, adjusted by the number of repurchased ordinary shares and the new issued shares during the period multiplied by a time-weighting factor. This factor represents the number of days in which specific shares have been held relative to the total number of days in the period.

Earning of shares with reduced value should not be calculated because there are no shares with reduced value issued.

2.22 Cash and cash equivalent

Cash includes cash on hand and amounts in current accounts, and cash equivalents are short-term deposits with banks whose original maturity is less than 3 months.

The cash flow statement is presented using the direct method.

For the purpose of preparing the cash flow statement:

- ✓ Cash inflows from customers and cash payments to suppliers are presented gross, including VAT;
- ✓ VAT on purchases and sales of non-current assets is stated in the cash flows from operating activities, to the extend it participates and is recovered in the operating cash flows of the Company for the relevant accounting period.
- ✓ Interest on loans and deposits granted/received is included as inflows / payments to financial activities.

Cash and cash equivalents are subsequently presented at depreciated value, without any accumulated adjustments for expected credit losses.

2.23 Financial instruments

Financial assets

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another enterprise.

Initial recognition, classification and evaluation

Upon initial recognition, financial assets are classified into three groups, according to which they are subsequently assessed at depreciated value, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and the business model of the Company for its management.

The business model of the Company for management of financial assets reflects how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows are the result of contractual cash flows, the sale of financial assets, or both.

Evaluation

The Group initially presents financial assets at fair value, and in the case of financial assets that are not carried at fair value through profit or loss, the direct transaction costs are added. An exception is trade receivables that do not contain a material financing component - they are estimated based on the transaction price determined in accordance with IFRS 15 and the invoices issued.

Subsequent evaluation

For the purposes of Subsequent evaluation, financial assets are classified into four categories:

- Debt instruments presented at depreciated value
- Debt instruments presented at fair value through other comprehensive income (reclassified to profit or loss);
- Capital instruments presented at fair value through other comprehensive income (without reclassification in profit or loss);
- Financial assets (debt instruments, capital instruments and derivatives) presented at fair value through profit or loss.

During the current period, the Group reports financial assets in one of these categories - financial assets at depreciated value.

Financial assets at depreciated value (debt instruments)

This category is the most significant for the Group.

The Group measures financial assets at depreciated value when both of the following conditions are satisfied:

- the financial asset is held and used within a business model that aims to hold the asset in order to obtain contractual cash flows from it, and
- the terms of the contract of the financial asset generate cash flows at specific dates, which represent only principal payments and interest on the outstanding principal.

The management of the Group has assessed that financial assets representing cash in banks, interest-bearing receivables from related companies, trade receivables and other receivables (i.e., trade loans receivables and others) are held by the Group in order to obtain the agreed cash flows and they are expected to result in cash flows that represent solely principal and interest payments under the business model applied.

Financial assets at depreciated value are subsequently measured using the effective interest rate method (EIR). They are subject to impairment. Profits and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the asset is written off, modified or impaired.

Write off

A financial asset is written off in the statement of financial position of the Group when:

- the rights to obtain 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 an obligation to pay in full the received cash flows, without significant delay, to a third party through an agreement for transfer. In this case, the Group recognizes also the liability associated with it. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement, which is in the form of a guarantee on the transferred asset, is measured at the lower of the two values: the initial book value of the asset and the maximum amount of consideration that the Group may be required to pay.

Impairment of financial assets

The Group recognizes an adjustment (provision for impairment) for expected credit losses on all debt instruments that are not accounted at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows payable under the terms of the contract and all the cash flows that the Group expects to receive discounted at the initial effective interest rate.

At each accounting date, the Group determines whether the debt instrument is assessed as such with low credit risk using all reasonable and well-grounded information that is available without incurring unnecessary expense or effort. In making this assessment, the Group reviews the internal credit rating of the debt instrument. In addition, the Group assesses whether there is a significant increase in credit risk when contractual payments are overdue for more than 30 days.

The Group considers a financial instrument as default when contractual payments are overdue for more than 60 days. However, in certain cases, it may treat a financial asset as default when internal or external information provides an indication that it is unlikely that the Group will receive the full amount of the outstanding contractual amounts before taking into account any credit improvements held by it. Financial assets are written off when there is no reasonable expectation for collection of contractual cash flows.

To calculate the expected credit losses of *trade receivables and assets under contracts with customers*, the Group has chosen and applies a simplified matrix-based approach for calculating expected credit losses and does not track subsequent changes in their credit risk. In this approach, it recognizes an adjustment (provision for impairment) based on the expected credit loss for the entire receivable period at each reporting date. The Group has developed and applies a provisioning matrix based on historical experience with respect to credit losses, adjusted for prognostic factors, specific for the debtors and the economic environment, and correlated with the percentage of credit losses. The collectability of receivables from related companies are assessed on individual basis considering factors as financial needs of each related company and the business development plan for the next periods.

Financial assets are written-off when there is no reasonable expectation of collection of contractual cash flows.

Financial liabilities

Initial recognition, classification and evaluation

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and trade and other payables, the net of directly related transaction costs.

Subsequent evaluation

Subsequent evaluation of financial liabilities depends on their classification as described below.

Financial liabilities evaluated at depreciation value

This category is essential for the Group. Subsequent to their initial recognition, the Group evaluates interest-bearing loans and borrowings at depreciation value using the effective interest method. Profits and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the corresponding financial liability is derecognized, as well as through depreciation at the effective interest rate method.

Depreciation value is calculated by taking into account any discounts or acquisition premiums, as well as fees or expenses, which are an integral part of the effective interest rate. Depreciation is included as a “financial expense” in the statement of comprehensive income (in profit or loss for the year).

Write off

Financial liabilities are written off when the liability is repaid, terminated or expires. When an existing financial liability is replaced by another of the same creditor under substantially different conditions, or the terms of an existing liability are substantially altered, such exchange or modification shall be treated as derecognition of the original liability and recognition of a new one. The difference with the book value of a financial liability settled or transferred to another party in cash and/or non-monetary assets is recognized in profit or loss for the period.

2.24 Judgments that are crucial in applying accounting policies of the Group. Key high

uncertainty estimates and assumptions.

In the process of applying accounting policies, the management of the Group makes judgments that have a material effect on these financial statements. Such judgments by definition are rarely equal to actual results.

As a result of their nature, they are subject to constant review and updating and include historical experience and other factors as expectations for future events that management believes are reasonable in the current circumstances.

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

Useful life of property, plant and equipment and intangible assets

The financial statements of property, plant and equipment and intangible assets include the use of estimates of their useful lives and carrying values, which are based on judgments made by the management of the Group.

Impairment of receivables

The Management estimates the amount and timing of expected future cash flows related to receivables based on experience in current circumstances in the following groups: individual accounts, households and other small consumers and legal receivables. Due to the inherent uncertainty of this assessment, the actual results may differ from those expected. The management of the Group reviews the estimates from previous years against the actual results from the previous year.

In connection with the implementation of IFRS 9 Financial Instruments, the Group have used their accumulated experience in the area of credit losses, and have taken into account current conditions and their forecasts to estimate the expected credit losses on their trade receivables.

2.25 Fair value

Fair value is the price that could be obtained from the sale of an asset or could be paid for the transfer of a liability in the ordinary course of trade between market participants at the date of assessment (starting price). Fair value assessment is based on the assumption that the transaction to sell an asset or transfer a liability has been carried out:

- on the principal market of the respective asset or liability, or
- in the absence of a principal market, on the most advantageous market for the asset or liability.

The principal or the most advantageous market should be accessible for the Company.

The fair value of an asset or liability is estimated by making the assumptions that market participants would make when establishing the price of the asset or liability, assuming that they act in their best economic interest.

All assets and liabilities that are measured at fair value or for which fair value disclosure is required in the financial statements, are grouped into categories according to the fair value hierarchy, as described below, based on the lowest level of input data used, which has a significant impact on fair value measurement in general:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities are used
- Level 2 - appraisal methods are applied in which the lowest level of used input data essential for fair value assessment have been observed either directly or indirectly
- Level 3 - appraisal techniques are used where the lowest level of used input data essential for fair value assessment are unobserved

For the assets and liabilities that are regularly evaluated at fair value the Company shall review their categorization at the appropriate level of the fair value hierarchy (based on the lowest level of used input data, that have a significant impact on the fair value evaluation as a whole) to the end of the reporting period and determine whether there is a need to make a transfer(s) from one level to another.

Unless otherwise stated, all amounts are in BGN thousand.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Notes to the consolidated statement of financial position

3.01. Property, plant and equipment

	Lands	Buildings	Facilities	Machinery and equipment	Vehicles	Computer equipment	Office equipment	Noncurrent assets related to financing received	Others	Expenses for acquisition of fixed tangible assets	Total
January 01, 2020											
Acquisition cost	**465**	**3 123**	**131**	**719**	**503**	**226**	**126**	**7**	**151**	**86**	**5 537**
Accumulated depreciation	**-**	**(209)**	**(16)**	**(236)**	**(201)**	**(117)**	**(89)**	**(7)**	**(110)**	**-**	**(985)**
Book value	**465**	**2 914**	**115**	**483**	**302**	**109**	**37**	**-**	**41**	**86**	**4 552**
Acquisitions	**1 011**	**148**	**-**	**9**	**-**	**14**	**2**	**-**	**9**	**62**	**1 255**
Purchase	1 011	-	-	9	-	14	2	-	9	62	**1 107**
Put into operation	-	148	-	-	-	-	-	-	-	-	**148**
Disposals	**-**	**-**	**-**	**-**	**(19)**	**-**	**-**	**-**	**-**	**(148)**	**(167)**
Sale	-	-	-	-	(12)	-	-	-	-	-	**(12)**
Put into operation	-	-	-	-	-	-	-	-	-	(148)	**(148)**
Other way	-	-	-	-	(7)	-	-	-	-	-	**(7)**
Depreciation for the period	**-**	**(122)**	**(39)**	**(216)**	**(116)**	**(66)**	**(8)**	**-**	**(6)**	**-**	**(573)**
Changes in depreciation	**-**	**239**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**252**
Depreciation of written off assets	-	239	-	-	13	-	-	-	-	-	**252**
Book value as of December 31, 2020	**1 476**	**2 940**	**76**	**276**	**167**	**57**	**31**	**-**	**44**	**-**	**5 067**
Acquisition cost	**1 476**	**3 032**	**131**	**728**	**471**	**240**	**128**	**7**	**160**	**-**	**6 373**
Accumulated depreciation	**-**	**(92)**	**(55)**	**(452)**	**(304)**	**(183)**	**(97)**	**(7)**	**(116)**	**-**	**(1 306)**
Book value	**1 476**	**2 940**	**76**	**276**	**167**	**57**	**31**	**-**	**44**	**-**	**5 067**
Assets held for sale						**3**	**2**				**5**
Book value at the end	**1 476**	**2 940**	**76**	**276**	**167**	**54**	**29**	**-**	**44**	**-**	**5 062**
January 01, 2021											
Acquisition cost	**1 476**	**3 032**	**131**	**728**	**471**	**240**	**128**	**7**	**160**	**-**	**6 373**
Accumulated depreciation	**-**	**(92)**	**(55)**	**(452)**	**(304)**	**(183)**	**(97)**	**(7)**	**(116)**	**-**	**(1 306)**
Book value	**1 476**	**2 940**	**76**	**276**	**167**	**57**	**31**	**-**	**44**	**-**	**5 067**
Acquisitions				**103**		**16**	**105**			**-**	**224**
Disposals		**(2)**			**(10)**		**(45)**		**(4)**	**-**	**(61)**
Depreciation for the period		**(89)**	**(30)**	**(130)**	**(109)**	**(36)**	**(5)**		**(5)**	**-**	**(404)**
Changes in depreciation	-	-	-	16	47	41	-	-	-	-	104
Book value as of September 30, 2021	**1 476**	**2 849**	**46**	**265**	**95**	**78**	**86**	**-**	**35**	**-**	**4 930**
Acquisition cost	**1 476**	**3 030**	**131**	**831**	**461**	**256**	**188**	**7**	**156**	**-**	**6 536**
Accumulated depreciation	**-**	**(181)**	**(85)**	**(566)**	**(366)**	**(178)**	**(102)**	**(7)**	**(121)**	**-**	**(1 606)**
Book value at the end	**1 476**	**2 849**	**46**	**265**	**95**	**78**	**86**	**-**	**35**	**-**	**4 930**

Unless otherwise stated, all amounts are in BGN thousand.

3.02. Intangible assets

	ISO certificates and intellectual property rights	Trademarks and prototypes	Others	Capitalized R&D expenses	**Total**
January 01, 2020					
Acquisition cost	**871**	**1 661**	**402**	**1 929**	**4 863**
Accumulated depreciation	**(164)**	**(481)**	**(130)**	**-**	**(775)**
Book value	**707**	**1 180**	**272**	**1 929**	**4 088**
Acquisitions	**3**	**1 427**	**-**	**3 027**	**4 457**
Purchase	3	-	-	638	**641**
By economic way	-	-	-	2 389	**2 389**
Put into operation	-	1 427	-	-	**1 427**
Disposals	**-**	**(271)**	**-**	**(3 421)**	**(3 692)**
Put into operation	-	-	-	(3 161)	**(3 161)**
Other way	-	(271)	-	(260)	**(531)**
Depreciation for the period	**(80)**	**(270)**	**(94)**	**-**	**(444)**
Changes in depreciation	**-**	**126**	**-**	**-**	**126**
Depreciation of written off assets	-	126	-	-	**126**
Book value as of	**630**	**2 066**	**178**	**1 535**	**4 409**
December 31, 2020					
Acquisition cost	**874**	**2 691**	**402**	**1 535**	**5 502**
Accumulated depreciation	**(244)**	**(625)**	**(224)**	**-**	**(1 093)**
Book value	**630**	**2 066**	**178**	**1 535**	**4 409**
Assets held for sale	**625**		**141**		**766**
Book value	**5**	**2 066**	**37**	**1 535**	**3 643**
January 01, 2021					
Acquisition cost	**874**	**2 691**	**402**	**1 535**	**5 502**
Accumulated depreciation	**(244)**	**(625)**	**(224)**	**-**	**(1 093)**
Book value	**630**	**2 066**	**178**	**1 535**	**4 409**
Acquisitions	**5**	**10**	-	**669**	**684**
Disposals	**(552)**	**(37)**	-	-	**(589)**
Depreciation for the period	**(8)**	**(302)**	**(178)**	**-**	**(488)**
Changes in depreciation	-	-	-	-	**-**
Book value as of the end	**75**	**1 737**	**-**	**2 204**	**4 016**
September 20, 2021					
Acquisition cost	**327**	**2 664**	**402**	**2 204**	**5 597**
Accumulated depreciation	**(252)**	**(927)**	**(402)**	**-**	**(1 581)**
Book value	**75**	**1 737**	**-**	**2 204**	**4 016**

3.03. Assets with right of use

	Vehicles	Buildings	**Total**
1 January 2020			
Acquisition value	**127**	**9**	**136**
Accumulated depreciation	**(42)**	**(3)**	**(45)**
Book value	**85**	**6**	**91**
Acquisitions	-	-	-
Depreciation for the period	**(42)**	**(3)**	**(45)**
31 December 20201			
Acquisition value	**127**	**9**	**136**
Accumulated depreciation	**(84)**	**(6)**	**(90)**
Book value	**43**	**3**	**46**

Unless otherwise stated, all amounts are in BGN thousand.

01 January 2021			
Acquisition value	**127**	**9**	**136**
Accumulated depreciation	**(84)**	**(6)**	**(90)**
Book value	**43**	**3**	**46**
Acquisitions	108	-	-
Depreciation for the period	**(32)**	**(2)**	**(34)**
September 30, 2021			
Acquisition value	**235**	**9**	**244**
Accumulated depreciation	**(116)**	**(8)**	**(124)**
Book value	**119**	**1**	**120**

IN relation with IFRS 16 Lease, the Group has applied a simplified retrospective approach, making no adjustments for previous periods.

The Group has concluded lease agreements for renting office spaces and vehicles used in its activity. The terms are between 1 and 4 years with extension options.

3.04. Goodwill

Name	September 30, 2021	December 31, 2020
Global Teracomm Inc., USA	34	34
Allterco Sdn, Malaysia	-	30
Allterco PTE Ltd, Singapore	-	2 611
Allterco Properties EOOD (Solely-owned LLC)	126	126
Total:	**160**	**2 801**

Impairment of goodwill

The management of the Croup has undertaken the necessary procedures to perform the mandatory impairment test of the goodwill recognized in the consolidated statement of financial position for the acquisition of the subsidiaries. For this purpose, it is assumed that each individual company appears as a "cash-generating unit". The calculations are made by the management, based on a detailed review of whether events and facts have occurred, which are indicators of changes in the assumptions and estimates made as of December 31, 2020 and September 30, 2021.

The financial budgets developed by the management of the respective companies and of the Group as a whole have been used as a basis for the cash flow (before taxes) forecasts, covering a period of three to five years, as well as other medium- and long-term plans and intentions for the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on the basis of its "value in use".

The key assumptions used in the calculations are determined specifically for each company to which goodwill is allocated, treated as a separate cash-generating unit and according to its specifics of activity, business environment and risks. The tests and judgments of the management of the Group for impairment of recognized goodwill are made in the context of its forecasts and intentions regarding the future economic benefits that the Group expects to receive from its subsidiaries, including expectations for future sales and restructuring of the activity, etc.

Unless otherwise stated, all amounts are in BGN thousand.

As a result of the analyses performed by the Group's management as of December 31, 2020, an impairment of the reported goodwill in the amount of BGN 480 thousand was recognized. No impairment of goodwill is recognized as of June 30, 2021.

3.05. Other long-term capital investments

	September 30, 2021	December 31, 2020
Ordinary registered shares – Link Mobility, in the beginning of the period	**6 566**	**3 053**
Increase	-	*4 849*
Reserves from subsequent evaluation of financial instruments	-	4 849
Decrease	*(2 023)*	*(1 336)*
Transfer to retained earning	(240)	
Expenses for operations with financial assets and instruments	(129)	(1 336)
Revaluation of other financial assets	(1 654)	-
Ordinary registered shares – Link Mobility, at the end of the period	**4 543**	**6 566**

3.06. Deferred tax assets

	September 30, 2021	December 31, 2020
Deferred tax assets		
Accruals for unused leave	17	18
Provisions for liabilities	25	25
Impairment of receivables	438	438
Depreciation	1	1
Unpaid remuneration	-	3
Total deferred tax assets	**481**	**485**

3.07. Inventory

	September 30, 2021	December 31, 2020
Materials	1	68
Goods	3 265	3 592
Total:	**3 266**	**3 660**

The Group policy is to try to maintain optimal quantity of goods equal to a several months forecast of sales. The management of the Group expects that in the near future the level of inventories will continue to increase as a consequence of increasing sales as well as a result of increasing deficit of certain electronic components needed of the production of devices.

Unless otherwise stated, all amounts are in BGN thousand.

3.08. Trade receivables

	September 30, 2021	December 31, 2020
Receivables from customers	15 538	9 504
- *Up to 1 year*	*13 484*	*9 504*
- *Above 1 year*	*2 054*	-
Advances to suppliers	10 094	5 759
Trade receivables associated to assets held for sale	-	(954)
Advances to suppliers associated to assets held for sale	-	(361)
Total up to 1 year	**23 578**	**13 948**
Total above 1 year	**2 054**	**-**

3.09. Other receivables

	September 30, 2021	December 31, 2020
TAX RECEIVABLES	**1 472**	**629**
Corporate tax	*414*	*280*
VAT refund receivable	*1 051*	*295*
Customs fees	*7*	*54*
Withholding tax	-	*473*
Assets held for sale	-	*(473)*
OTHER RECEIVABLES	**28**	**218**
Receivables on litigations	-	*55*
Advances to employees	*4*	*3*
Deposits with companies and guarantees	-	*14*
Other receivables	*24*	*60*
Assets held for sale	-	*(52)*
Total:	**1 500**	**709**

3.10. Cash and cash equivalents

	September 30, 2021	December 31, 2020
Cash on hand	95	43
Cash in current accounts	25 804	25 950
Other cash - debit cards	-	2
Restricted cash (guarantees)	125	125
Assets held for sale	-	(70)
Total:	**26 024**	**26 050**

The Group's cash funds are in bank accounts with banks with stable long-term ratings. The Management has assessed the expected credit losses on cash funds and cash equivalents. The estimated value is determined as insignificant and is not accrued in the consolidated financial statements of the Group as of September 30, 2021.

Unless otherwise stated, all amounts are in BGN thousand.

3.11. Prepaid expenses

	September 30, 2021			December 31, 2020		
	Up to one year	Over one year	**Total**	Up to one year	Over one year	**Total**
Operating activity						
Insurances	9	-	**9**	3	-	**3**
Information Services	-	-	**-**	1	-	**1**
Other	61	-	**61**	38	-	**38**
Total operating activity	**70**	**-**	**70**	**42**	**-**	**42**

3.12. Bank loans

Then depreciable portion of bank loans is as follows:

	September 30, 2021	December 31, 2020
Raiffeisenbank AD, including:	**1 970**	**2 176**
up to one year	*283*	*276*
over one year	*1 687*	*1 900*
DSK bank EAD	**674**	**843**
up to one year	225	*225*
over one year	449	*618*
Other short-term financing Global Teracomm INC USA	36	*10*
Total bank loans - non-current portion:	**2 136**	**2 518**
Total bank loans - current portion:	**544**	**511**

Bank	**Raiffeisenbank AD**
Date of the contract:	August 25, 2017
Agreed loan amount:	1 620 000
Original currency	EUR
Purpose	Financing up to 90% (excluding VAT) of the final price of all company shares representing 100% of the capital of the joint debtor Allterco Properties EOOD (Solely-owned LLC), designated in the concluded between the Borrower and JFC Developments OOD (Ltd.) Share Transfer Contract into Final Contract
Term	May 10, 2029
Collaterals:	Mortgage on real estate, owned by Allterco Properties EOOD (Solely-owned LLC), joint debtor - Allterco Properties EOOD (Solely-owned LLC), pledge of all bank accounts of Allterco JSCo. with the bank

Unless otherwise stated, all amounts are in BGN thousand.

Creditor	**DSK Bank AD**
Date of the contract:	September 28, 2020
Total amount	EUR 450 thousand
Purpose	Financing of 90% of the expenses for purchase of real estate
Currency	EUR
Fixed term	September 28, 2024
Collaterals:	Mortgage of real estate owned by Allterco Properties Ltd.

3.13. Lease

	June 30, 2021			**December 31, 2020**		
	Up to one year	Over one year	**Total**	Up to one year	Over one year	**Total**
Finance lease liabilities	29	-	29	29	31	60
Operating lease liabilities	21	111	132	46	-	46
Lease liabilities	**50**	**111**	**161**	**75**	**31**	**106**

Liabilities under lease agreements presented in the consolidated statement of financial position include the liabilities of the Group under rental agreements for offices and vehicles, which are recognized in accordance with the requirements of IFRS 16 Leasing.

3.14. Trade payables

	September 30, 2021	**December 31, 2020**
Suppliers	1 385	3 193
Advances from clients	466	792
Liabilities related to assets held for sale	-	(2 437)
Total:	**1 851**	**1 548**

3.15. Payables to employees

	September 30, 2021	**December 31, 2020**
Payables to employees	-	130
Payables for unused paid leave	151	151
Liabilities related to assets intended for sale	-	(87)
Total:	**151**	**194**

Unless otherwise stated, all amounts are in BGN thousand.

3.16. Tax liabilities

	September 30, 2021	December 31, 2020
Corporate tax	1 308	283
Value Added Tax	408	156
Income tax	41	38
Personal use tax	-	6
Entertainment expenses tax	-	6
Customs	-	7
Other taxes	-	7
Liabilities related to assets held for sale	-	(108)
Total:	**1 757**	**395**

3.17. Other liabilities

	September 30, 2021	December 31, 2020
Liabilities for purchase of shares	675	675
Guarantees/deposits for rent	-	90
Other liabilities	9	3
Liabilities related to assets held for sale	-	(3)
Total other liabilities	**684**	**765**

3.18. Registered capital

Allterco JSCo was registered in 2010. The registered capital of the Company as of September 31, 2020 amounts to BGN 17,999,999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) and is distributed in 17,999,999 (seventeen million nine hundred ninety-nine thousand nine hundred ninety-nine) ordinary registered shares with a nominal value of BGN 1 each. The registered capital is fully paid in four installments:

The first issue was made upon the establishment of the Company in the form of a non-monetary contribution in the amount of BGN 50 000, which had as its subject ordinary registered voting shares of the capital of Teravoice AD.

In 2010 a second non-monetary contribution was made in the amount of BGN 5 438 000, which had as its subject shares from the capital of Tera Communications AD.

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

At the end of 2016 the capital of ALLTERCO JSCo was increased with a new issue in the amount of 1,500,000 (one million and five hundred thousand) shares on the basis of a successful initial public offering, according to the Prospectus for public offering of shares, confirmed by the Financial Supervision Commission with Decision № 487 – E of July 08, 2016 entered in the Commercial Register under

Unless otherwise stated, all amounts are in BGN thousand.

No.20161108100414 of November 08, 2016.

In 2020 the capital of the Company was increased by cash contributions in the total amount of 2,999,999 (two million nine hundred ninety-nine thousand nine hundred and ninety-nine) against 2,999,999 (two million nine hundred ninety-nine thousand nine hundred and ninety-nine) subscribed and paid dematerialized ordinary registered voting shares with a nominal value of BGN 1 as a result of a procedure for Public Offering of a new issue of shares. The public offering of shares from the capital increase of Allterco JSCo was carried out in the period September 28, 2020 – October 30, 2020 on the basis of a Prospectus, together with the supplements to it, confirmed by the Financial Supervision Commission with Decision № 148- F of February 18, 2020, Decision № 405-E of June 11, 2020, Decision № 601-E of August 13, 2020 and Decision № 791-E of October 29, 2020.

As of September 30, 2021 of the presented reporting periods the shareholders in the company are:

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

3.19. Retained earnings

	September 30, 2021	**December 31, 2020**
Opening balance	**26 938**	**13 531**
Change due to sale of subsidiaries	231	-
Net profit (of owners of the parent-company)	10 046	15 141
Profit (Loss) for the period from discontinued operations	-	(1 284)
Distribution of dividends	(3 600)	(450)
Retained earnings	**33 615**	**26 938**

3.20. Reserves

	September 30, 2021	**December 31, 2020**
Opening balance	1 500	1 500
Reserve from issue of shares	300	-
Total:	**1 800**	**1 500**

Unless otherwise stated, all amounts are in BGN thousand.

3.21. Reserve from issue of shares

The reserves from issue of shares of the company, the amount of which as of December 31, 2020 amounts to 5 703 thousand, is formed as a difference between the issue price and the nominal value of shares issued in previous reporting periods, reduced by the issue costs. The General meeting of shareholders held at the end of June 2021 voted for transferring BGN 300 thousand from share issue reserve to Reserves.

3.22. Other comprehensive income

For the nine months of 2021 Allterco reports decrease in comprehensive income at the amount of 1 894 thousand BGN representing revaluation of financial assets reported at fair value, and increase at the amount of 1 743 thousand BGN representing effect from the sale of the 3 Asian subsidiaries.

4. Notes to the consolidated statement of comprehensive income

4.01. Sales revenue and cost price of sales

	9 months of 2021				9 months of 2020			
	Production	**Goods**	**Services and rents**	**Total:**	**Produc tion**	**Goods**	**Services and rents**	**Total:**
Sales revenues	**109**	**38 391**	**21**	**38 521**	**639**	**23 844**	**4 881**	**29 364**
Cost of goods sold	(35)	(17 896)	-	(17 931)	(265)	(9 623)	(4 635)	(14 523)
Sales cost	(1)	(512)	-	(513)	(15)	(584)	-	(599)
Cost of sales	**(36)**	**(18 408)**	**-**	**(18 444)**	**(280)**	**(10 207)**	**(4 635)**	**(15 122)**
Gross profit	**73**	**19 983**	**21**	**20 077**	**359**	**13 637**	**246**	**14 242**

4.02. Other operating income

	9 months of 2021	**9 months of 2020**
Gain from sale of fixed assets	20	8
Rents	-	2
Written off liabilities	10	5
Penalties	1	34
Exchange rate differences gains	515	-
Other operating income	9	5
Total:	**555**	**54**

4.03. Sales and marketing expenses

	9 months of 2021	**9 months of 2020**
Marketing and advertising	205	21
Participation in trade events	63	7
Products certification	129	0

Unless otherwise stated, all amounts are in BGN thousand.

Logistics expenses	1433	1208
Total sales and marketing expenses	**1830**	**1236**

4.04. Administrative expenses

	9 months of 2021	**9 months of 2020**
Vehicle maintenance	88	78
Office maintenance	177	144
Municipal taxes	24	22
Rent	138	104
Telephones and internet	39	66
Maintenance of IT infrastructure	159	130
Low value fixed assets	45	15
External services	511	569
Representative expenses	48	6
Business trips	83	55
Staff training	1	1
Depreciation and amortization	748	828
Salaries and social security expenses	4 977	4 162
Written off receivables	111	4
Impairment of receivables	153	-
Other administrative expenses	66	102
Total:	**7 368**	**6 286**

As of 30 September 2021, the Company reported written off receivables at the amount of 111 thousand BGN, including 87 thousand BGN receivables from the sold Asian daughter companies. Also, the Company recognized impairment of a receivable related to the sale of European telecom business of the Group. The maturity of this receivable was in August 2021 and as of the date of the financial report no payment was received. The recognized impairment is at the amount of 153 thousand BGN (5% of due amount). The management of the company has undertaken steps, as stipulated by the share purchase agreement, for collection of the due amount.

4.05. Other operating expenses

	9 months of 2021	**9 months of 2020**
Bank fees	84	71
Interest and penalties	3	51
Expenses related to development of prototypes	63	21
Donations	9	37
Other	62	63
Total:	**221**	**243**

Unless otherwise stated, all amounts are in BGN thousand.

4.06. Financial income

	9 months of 2021	9 months of 2020
Gains from operations with financial assets, including		-
- *Sale of shares (Link Mobility Group)*	*49*	-
- *Sale of investments (daughter companies)*	*201*	-
Total:	**250**	**-**

3.01. Financial expenses

	6 months of 2021	6 months of 2020
Currency exchange rates losses	-	399
Interest on financial lease	2	4
Interest on loans	54	58
Bank financial services	48	19
Total:	**104**	**480**

5. Contingent liabilities and commitments

Contract	Annex	Creditor	Debtor	Joint debtor /Guarantor	Amount/Limit	Financial conditions	Term	COLLATERAL provided by the borrower
Investment loan August 25, 2017 contract under art. 114 para 10 of the Public Offering of Securities Act	Annex No.1 October 31, 2018	Raiffeisen bank Bulgaria EAD	Allterco JSCo	Tera Communications AD solidary (dropped out) Allterco Properties EOOD - solidary	1 620 000 EUR	Fixed interest rate for the whole period 3% per year; Management fee	May 10, 2029	Mortgage on real estate owned by Allterco Properties EOOD; Pledge of receivables on bank accounts with the bank. Pledge under the law for financial security contracts;
Revolving bank loan contract 12+12+12 dated November 09, 2018 contract under art. 114 para 10 of the Public Offering of Securities Act	Annex No.1 September 30, 2020	Raiffeisen bank Bulgaria EAD	Allterco Robotics EOOD	None	1 600 000 BGN	short-term interest rate of BNB, + 2.5%, but not less than 2.5%; (Annex №1 amended) management commission; commitment fee	October 25, 2021	Pledge of receivables on bank accounts of the company with the bank
Overdraft September 30, 2019 – contract under art. 114 para 10 of the Public Offering of Securities Act	Annex No.1 of August 28, 2020	Raiffeisen bank Bulgaria EAD	Allterco Robotics EOOD	Allterco JSCo - guarantor	1 000 000 EUR	One-month EURIBOR, +2.5 %, but not less than 2.5%; management commission; commitment commission; commission	September 29, 2022	Pledge of receivables on accounts;

Unless otherwise stated, all amounts are in BGN thousand.

						for issuing guarantees;		
Contract for standard investment loan No.2757 dated September 28, 2020	none	DSK Bank AD	Allterco Properties EOOD	Allterco Trading EOOD – solidary debtor	450 000 EUR	Annual interest rate formed by a variable interest rate of 1m EURIBOR + 2.1% but not less than 2.1%; annual management fee;	September 28, 2024	Mortgage on real estate owned by Allterco Properties EOOD; Pledge of receivables on bank accounts of Allterco Properties EOOD and Allterco Trading EOOD in DSK Bank.

In connection with the signed in 2019 contract for sale of five subsidiaries, the Buyer did not pay the last installment of the purchase price at the amount of 3 053 thousand BGN in accordance with the agreed payment schedule. The management of Allterco decided to take the necessary actions, as per the terms of the signed Share Purchase Agreement, in order to collect the due amount.

6. Transactions with related entities

The companies included in the Group are disclosed in item 1.4. During the reporting period the Group did not engage in transactions with related parties outside the Group, which should be disclosed in the consolidated financial statements.

7. Financial instruments by category

The accounting policies for financial instruments are applied to the items listed below

Structure of financial assets and liabilities by categories is as follows:

	September 30, 2021				
Financial assets according to the Statement of financial position	**Cash**	**Financial assets reported at depreciated value**	**Financial assets reported at fair value through other comprehensive income**	**Financial assets reported at fair value through profit or loss**	**Total**
Non-current trade receivables	-	2 054	-	-	2 054
Other long term financial assets	-	-	4 543	-	4 543
Cash and cash equivalents	26 024	-	-	-	26 024
Current trade receivables	-	13 484	-	-	13 484
TOTAL FINANCIAL ASSETS	26 024	15 538	4 543	-	46 105

	September 30, 2021			
Financial liabilities according to the	**Financial**	**Financial liabilities**	**Financial**	**Total**

Statement of financial position	**liabilities reported at depreciated value**	**reported at a specifically determined value**	**liabilities reported at fair value through profit or loss**	
Lease	161	-	-	161
Bank loans	2 680	-	-	2 680
Trade liabilities	1 385	-	-	1 385
Liabilities for purchase of shares	675	-	-	675
TOTAL FINANCIAL LIABILITIES	4 901	-	-	4 901

	December 31, 2020				
	Cash	**Financial assets reported at depreciated value**	**Financial assets reported at fair value through other comprehensive income**	**Financial assets reported at fair value through profit or loss**	**Total**
Financial assets according to the Statement of financial position					
Other long term financial assets	-	-	6 566	-	**6 566**
Cash and cash equivalents	26 050	-	-	-	**26 050**
Loans extended	-	-	-	-	**-**
Trade receivables		8 550	-	-	**8 550**
Deposits with companies and guarantees		14	-	-	**14**
TOTAL FINANCIAL ASSETS	**26 050**	**8 564**	**6 566**	**-**	**41 180**

	December 31, 2020			
	Financial liabilities reported at depreciated value	**Financial liabilities reported at a specifically determined value**	**Financial liabilities reported at fair value through profit or loss**	**Total**
Financial liabilities according to the Statement of financial position				
Lease	106	-	-	**106**
Bank loans	3 029	-	-	**3 029**
Trade liabilities	756	-	-	**756**
Liabilities for purchase of shares	675	-	-	**675**
Guarantees	90	-	-	**90**
Other liabilities	-	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**4 656**	**-**	**-**	**4 656**

8. Financial risk management

In the course of their normal business, the Group companies may be exposed to various financial risks, the most significant of which are: market risk (currency risk, risk of changes in fair value and price risk), credit risk, liquidity risk and interest rate risk. The general financial risk management is focused on forecasting the changes in the financial markets to minimize potential adverse effects on financial performance. Financial risks are currently identified, measured and monitored through various control mechanisms to determine the adequate prices of the materials, goods and services of the Group companies and the capital borrowed by them, as well as to adequately assess the market circumstances, the investments made and the forms of maintaining liquidity reserves without exposure to unjustified concentration of a financial risk.

Unless otherwise stated, all amounts are in BGN thousand.

Financial risk management is currently carried out under the direct management of the management of the Group and financial experts in accordance with a policy established by the Board of Directors of the Parent-company, which has developed the basic principles of general financial risk management. On the basis of those principals specific procedures for managing the individual specific financial risks are defined.

The various types of financial risks to which Group companies are exposed in the course of their business operations are described below, as well as the approach taken to manage them.

Market Risk

a. Currency risk

a. Currency risk

The Group companies carry out their transactions in Bulgaria, some in the European Union and others in third countries (Asia and USA). The biggest portion of supplies made by the Group companies are in Bulgarian lev (BGN), Euro and US dollars. In order to control the currency risk, a system for planning the supplies from countries inside and outside the European Union was introduced, as well as procedures for periodic monitoring of movements in exchange rates of foreign currencies and control of forthcoming payments.

The tables below summarize the exposure to currency exchange rates:

September 30, 2021	in EUR	in USD	in another foreign currency	in BGN	total
Non-current trade receivables	2 054	-	-	-	2 054
Other long term financial investments	-	-	4 543	-	4 543
Cash and cash equivalents	12 026	197	-	13801	26 024
Current trade receivables	12 061	391	419	613	13 484
TOTAL ASSETS	**26 141**	**588**	**4 962**	**14 414**	**46 105**
Lease				161	161
Bank loans	674	36		1 970	2 680
Trade payables	475	715		195	1 385
Liabilities for purchase of shares				675	675
TOTAL LIABILITIES	**1 149**	**751**	**0**	**3 001**	**4 901**

31 December 2020

	in EUR	**in USD**	**In other foreign currency**	**In BGN**	**Total**
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Other long-term financial investments			6 566		6 566
Trade receivables	7 698	97	-	755	8 550
Cash and cash equivalents	10 542	387	-	15 121	26 050
Deposits with companies	-	-	-	14	14
TOTAL ASSETS	**18 240**	**484**	**6 566**	**15 890**	**41 180**
Bank loans	843	10	-	2 176	3 029
Leasing	-	-	-	106	106
Trade liabilities	291	111	-	354	756
Liabilities related to purchase of shares	-	-	-	675	675
Guarantees	-	-	-	90	90
TOTAL LIABILITIES	**1 134**	**121**	**-**	**3 401**	**4 656**

Currency sensitivity analysis

The Group companies are not exposed to foreign currency risk with respect to their euro transactions. Currency risk is associated mainly to payments in US dollars and Norwegian krone (NOK). As of September 30, 2021, 1.1% of the Group's financial assets are in USD and 15.9% in NOK.

b. Price risk

The Group companies are exposed to a specific price risk with respect to the prices of the services provided and goods sold. Minimizing the price risk of negative changes in prices is achieved by periodically analyzing and discussing contractual relations in order to review and update prices in the light of market changes.

Allterco JSCo. owns shares of Link Mobility Group that are traded on a regulated market. During the reporting period the Company sold part of its shares and reported profit from the transaction. The remaining shares are exposed to price risk.

Two of the Group companies hold shares from the mother company (Allterco JSCo), which are traded on a regulated market and accordingly, they are exposed to the risks of negative changes in the stock markets.

Risk of interest-bearing cash flows

There is no significant concentration of interest-bearing assets in the Group companies, except for loans granted and free cash on current accounts with banks. For this reason, the operating cash flows are largely independent of changes in market interest rates.

At the same time, the cash outflows of the Group companies for reporting period are exposed to interest rate risk due to the use of bank loans in EUR agreed at a variable interest rate.

Cash in current accounts with banks is subject to interest at interest rates according to the tariffs of the respective banks.

The exposure of the Group companies to changes in market interest rates is constantly monitored and analyzed. Different scenarios of refinancing, renewal of existing interest rates and alternative financing are simulated. The calculations cover significant interest-bearing positions.

September 30, 2021	**interest-free**	**with floating interest rate %**	**with fixed interest rate %**	**Total**
	BGN'000	BGN'000	BGN'000	BGN'000
Non-current trade receivables	2 054	-	-	2 054
Cash and cash equivalents	26 024	-	-	26 024
Current trade receivables	13 484	-	-	13 484
TOTAL ASSETS	**41 562**	-	**-**	**41 562**
Lease	-	-	161	161
Bank loans	-	674	2006	2 680
Trade payables	1 385	-	-	1 385
Liabilities for purchase of shares	675	-	-	675
TOTAL LIABILITIES	**2 060**	**674**	**2 167**	**4 901**

31 December 2020	**interest-free**	**with floating interest rate %**	**with fixed interest rate %**	**Total**
	BGN'000	BGN'000	BGN'000	BGN'000
Trade receivables	8 550	-	-	8 550
Cash and cash equivalents	26 050	-	-	26 050
Deposits with companies	14	-	-	14
TOTAL ASSETS	**34 614**	**-**	**-**	**34 614**
Bank loans	-	853	2 176	3 029
Leasing	-	-	106	106
Trade liabilities	756	-	-	756
Liabilities related to purchase of shares	675	-	-	675
Guarantees	90	-	-	90
TOTAL LIABILITIES	**1 521**	**853**	**2 282**	**4 656**

Credit Risk

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

Credit risk is basically the risk that the customers of the Group companies will not be able to pay the amounts due in full and in the usual terms. Receivables from customers are presented in the Consolidated statement of financial position at fair value. An impairment charge for doubtful and difficult-to-collect receivables has been accrued since, according to previous experience with events leading to losses from uncollectibility.

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

Significant part of Group's revenue is generated by mobile operators or other client, which in most cases are large companies with very good credit ratings.

The collectability and concentration of trade receivables is monitored on an ongoing basis, in accordance with the established policy of the Group companies. For this purpose, regularly the Finance and Accounting Departments review the open positions by customers and receipts, and make an analysis of outstanding amounts.

As of September 30, 2021 cash and banks transfers are allocated to several banks, which limits the risk with respect to cash and cash equivalents.

Liquidity Risk

Liquidity risk is the risk that the companies face difficulties in meeting their obligations in respect of financial liabilities settled with cash or another financial asset. Part of the Group customers are mobile operators or other big companies that have a very good credit rating and meet their payment deadlines.

The Group companies maintain a conservative liquidity management policy aimed at constantly maintaining an optimum cash reserve and ability to finance their business. They also use borrowed credit resources.

To control liquidity risk, the Group companies control the timely payment of liabilities in accordance with the agreed payment terms with each client.

The Group companies monitor and control the actual and forecasts cash flows and try to match the maturities of assets and liabilities. On an ongoing basis the maturity and timely payment are monitored by accounting department and daily information on available cash and the obligations for future payments is maintained.

September 30, 2021	**up to 1 month BGN'000**	**1-3 months BGN'000**	**3-6 months BGN'000**	**6-12 months BGN'000**	**1-2 years BGN'000**	**2-5 years BGN'000**	**over 5 years BGN'000**	**with no maturity BGN'000**	**total BGN'000**
Non-current trade receivables	-	-	-	-	1 027	1 027	-	-	2 054
Cash and cash equivalents	-	-	-	-	-	-	-	26 024	26 024
Current trade receivables	9 308	735	540	2 901	-	-	-	-	13 484
TOTAL ASSETS	**9 308**	**735**	**540**	**2 901**	**1 027**	**1 027**	**0**	**26 024**	**41 562**
Lease liabilities	6	17	24	36	30	48	-	-	161
Bank loans	44	87	151	248	546	1 538	66		2 680
Trade payables	927	458			-	-	-	-	1 385

Liabilities for purchase of shares	-	-	-	-	675	-	-	-	675
TOTAL LIABILITIES	**977**	**562**	**175**	**284**	**1 251**	**1 586**	**66**	**0**	**4 901**

31 December 2020	**up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**over 5 years**	**with no maturity**	**total**
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Trade receivables	3 434	1 962	99	3 055	-	-	-	-	8 550
Cash and cash equivalents	-	-	125	-	-	-	-	25 925	26 050
Deposits with companies	-	-	-	-	-	-	-	14	14
TOTAL ASSETS	**3 434**	**1 962**	**224**	**3 055**	**-**	**-**	**-**	**25 925**	**34 614**
Bank loans	42	83	148	228	511	1 497	520	-	3 029
Leasing	5	16	16	7	26	36	-	-	106
Trade liabilities	680	76	-	-	-	-	-	-	756
Liabilities related to purchase of shares	-	-	-	-	675	-	-	-	675
Guarantees	-	-	-	90	-	-	-	-	90
TOTAL LIABILITIES	**727**	**175**	**164**	**325**	**1 212**	**1 533**	**520**	**-**	**4 656**

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 to shareholders, as well as to maintain optimal capital structure in order to reduce capital costs.

Allterco JSCo monitors its capital structure using the debt ratio. It is calculated as the ratio between the net debt capital and the total amount of capital. Net debt is defined as the difference between all borrowings (current and non-current) as stated in the Consolidated Statement of Financial Position and cash and cash equivalents. The total amount of capital is equal to the equity and the net debt capital.

The strategy of the management of the Company is to maintain a debt ratio within no more than 50%.

The table below presents the debt ratios based on the capital structure as of:

	September 30, 2021	**December 31, 2020**
Total debt capital, incl.:	7 503	8 857
- Bank loans	*2 680*	*3 029*
- Lease liabilities	*161*	106
Reduced by cash and cash equivalents	26 024	26 050
Net debt capital	**(18 521)**	**(17 193)**
Total equity	63 247	56 836
Total capital	**44 726**	**39 643**

Unless otherwise stated, all amounts are in BGN thousand.

Ratios of indebtedness	**0.00%**	**0.00%**

The group has no indebtedness for the reporting periods, as cash fund is more than the total debt capital.

9. Fair value

Usually, external independent appraisers are used for the assessment of fair value of significant assets. The need of external appraisers is assessed annually by the management of the Company. External appraisers are chosen based on their professional experience, qualities and reputation. After discussions with the appraisers, the Management have to decide which appraisal techniques and input data are most appropriate to be used in each particular case.

The Group's policy is to disclose in its financial statements the fair value of financial assets and liabilities for which market prices are quoted.

For the purpose of fair value disclosure, the Company determines different classes of assets and liabilities, depending on their nature, characteristics and risk, and on the relevant level in the fair value hierarchy set out in Significant Accounting Policies.

The Company's management has estimated that the fair values of cash and cash equivalents, trade receivables, trade payables, finance lease and bank loans are close to their book values due to the short-term nature of these instruments and their timely repayment over time.

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

September 30, 2021	**Book value**	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Non-current trade receivables	2 054	-	-	-
Other long term financial investments	4 543	4 543	-	-
Cash and cash equivalents	26 024	-	-	-
Current trade receivables	13 484	-	-	-
TOTAL ASSETS	**46 105**	**4 543**	**-**	**-**
Financial liabilities				
Lease	161	-	-	-
Bank loans	2 680	-	2 295	-
Trade payables	1385	-	-	-
Liabilities for purchase of shares	675	-	-	-
TOTAL LIABILITIES	**4 901**	**-**	**2 295**	**-**

	Book value	***Level 1***	***Level 2***	***Level 3***
December 31, 2020				
Financial assets				

Unless otherwise stated, all amounts are in BGN thousand.

Other long term financial investments	6 566	6 566	-	-
Cash and cash equivalents	26 050	-	-	-
Trade receivables	8 550	-	-	-
Deposits in companies and guarantees	14	-	-	-
TOTAL ASSETS	**41 180**	**6 566**	-	-
Financial liabilities				
Lease	106	-	-	-
Bank loans	3 029	-	2 578	-
Trade payables	756	-	-	-
Liabilities for purchase of shares	675	-	-	-
Guarantees	90	-	-	-
Other liabilities	0	-	-	-
TOTAL LIABILITIES	**4 656**	-	**2 578**	-

During 2020 a transfer has been made of long-term investments in shares from Level 3 to Level 1 on the ground that the shares have been registered for trade in a regulated stock exchange. No transfers have been made during the reporting period.

10. Other disclosures

In relation with the signed SPA between Allterco JSCo and Skylight Venture Capital Pte. Ltd., Singapore, the Company has received the first installment representing 50% of the purchase price in due course.

For more details on other disclosures see p. 9 from the Report on Business Activities of Allterco JSCo as of September 30, 2021.

11. Events after the date of the financial statements

See p. 8 from the Report on Business Activities of Allterco JSCo as of September 30, 2021