

Translation from Bulgarian language



ALLTERCO JSCo

REGISTRATION DOCUMENT

Part II of the Prospectus for public offering of 3,000,000 (three million) ordinary dematerialized shares from the capital increase of Allterco JSCo, ISIN BG1100003166

This Registration Document is part of the Prospectus for public offering of shares of Allterco JSCo consisting of this document, the Securities Note and the Summary.

This Registration Document has been drawn up in accordance with the requirements of Annex No 3 to Delegated Regulation (EU) 2019/980 as part of a simplified prospectus in accordance with article 14 of Regulation (EU) 2017/1129. The Registration Document contains the relevant reduced information which is necessary to enable investors to understand Allterco JSCo's development prospects and the significant changes in its business and financial position that have occurred since the end of the last financial year, including the main risks associated with the Company and its business. The reduced information regarding the rights attached to the shares offered and the reasons for the issue and its impact on Allterco JSCo is presented in the Securities Note. It is in potential investors' best interests to become familiar with the Registration Document and the Securities Note in full detail, giving particular attention to the risk factors described in the respective parts of the Prospectus.

The members of the Board of Directors of Allterco JSCo are jointly liable for damages caused as a result of any false, misleading or incomplete data in the Registration Document. The compilers of the financial statements of Allterco JSCo are jointly liable with the persons referred to in the preceding sentence for damages caused as a result of any false, misleading or incomplete data in the financial statements of Allterco JSCo, whereas the statutory auditor is liable for the damages caused by the Issuer's financial statements audited by such auditor. The relevant declarations by the specified persons regarding the accuracy and completeness of the provided information (see item 2 "Responsible Persons") as well as a statement by the Executive Director of the Issuer on the compliance of the Prospectus with the requirements of the law, are presented as part of the Prospectus.

This Registration Document has been approved by the Financial Supervision Commission as competent authority under Regulation (EU) 2017/1129 by Decision No. 148 – E of 18 February 2020 as part of the Prospectus for public offering of shares. The Financial Supervision Commission only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation

(EU) 2017/1129. Such approval shall not be considered as an endorsement of the Issuer (Allterco JSCo) that it the subject of this Registration Document.

The Financial Supervision Commission is not responsible for the accuracy and completeness of the information contained in the Prospectus. Investors should make their own judgement on the suitability of investment in the offered shares and should make an independent review and assessment of the Issuer's financial position and operations, as well as any other assessment they deem appropriate before making a final decision to subscribe for the offered shares.

Investing in shares is a risky endeavour which is associated with taking certain risk and which could result in loss of invested funds. There is no certainty with respect to the future development of such investments and there is no guarantee of profitability.

The information stated in the Prospectus (including the appendices hereto) is the only information with regards to this offering for whose accuracy and completeness the Issuer assumes responsibility. The content of this document should not be considered legal, financial, business or tax advice. To obtain such advice, each potential investor should consult their own legal, financial or tax advisor.

This document contains hyperlinks to websites containing information which, except for the one stated in item 15 of this document, is not part of the Prospectus as such information has not been examined or approved by FSC.

Investors who are interested in the Registration Document and in the other parts of the Prospectus may examine the original documents and receive a free copy at their e-mail address and get additional information from the Issuer and from the authorized investment intermediary:

	Allterco JSCo	The authorized Investment Intermediary: Karoll AD
		
Address:	1407 Sofia city, 103 Cherni Vrah Blvd.	1164 Sofia city, 1 Zlatovrah Street
Contact Person:	Denitsa Stafanova	Angel Rabadzhiyski
Telephone:	+359 2 957 1247	+359 2 400 8 251
Website:	www.allterco.com	https://karollbroker.bg
E-mail:	investors@allterco.com	broker@karoll.bg

23 January 2020

DEFINITIONS AND ABBREVIATIONS

For the purposes of this Registration Document, unless otherwise agreed, the following terms shall have the corresponding meanings stated below:

Allterco, the Issuer, the Company, the Holding, the Parent Company - Allterco JSCo

Allterco Robotics - Allterco Robotics EOOD

BSE - Bulgarian Stock Exchange AD

the Group – Allterco JSCo and Allterco Robotics EOOD, Allterco Trading EOOD, Allterco Properties EOOD, Global Teracomm Inc. (DBA Allterco Robotics), Allterco Pte Ltd., Allterco SDN Bhd., Allterco Co. Ltd.

Delegated Regulation (EU) 2019/980 - Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004

EU – European Union

ECB – European Central Bank

IFAA – Independent Financial Audit Act

POSA - Public Offering of Securities Act

ICPA – Institute of Certified Public Accountants

II – Investment Intermediary

FSC - Financial Supervision Commission

IESBA- International Ethics Standards Board for Accountants

IAS – International Accounting Standards adopted by the EU

IFRS - International Financial Reporting Standards adopted by the EU

NSI – National Statistical Institute

Prospectus - Prospectus for initial public offering of shares, which comprises 3 parts: a Registration Document, a Securities Note and a Summary

Regulation (EU) 2017/1129 - 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

CAGR – compounded annual growth rate

EBIT – earnings before interest and taxes (operating profit)

EBITDA – earnings before interest, taxes, depreciation and amortization (operating profit before depreciation and amortization expenses)

ERM - Exchange Rate Mechanism

IT - Information Technologies

IoT - Internet of Things

LTE – Long-term evolution, 4G mobile communication standard

MVAS – mobile value-added services

NB – narrow-band, narrow-band radio frequency spectrum

BGN – Bulgarian lev

EUR – euro (currency)

USD – United States dollar

Table of Contents

Definitions and abbreviations	3
Table of Contents	5
1. Risk factors	8
1.1. Systematic risks.....	8
1.1.1. Currency risk.....	8
1.1.2. Political risks.....	10
1.1.3. Country's credit risk.....	10
1.1.4. Macroeconomic risk.....	11
1.1.5. Legal system-related risk.....	12
1.1.6. Inflation risk.....	13
1.1.7. Tax risk.....	13
1.1.8. Interest rate risk.....	13
1.1.9. Unemployment risk.....	14
1.2. Risk related to the sector in which the Group operates	15
1.2.1. Risk of shortage of key personnel	15
1.2.2. Risk of strong competition	15
1.2.3. Risk related to security of personal data and hacker attacks	15
1.2.4. Risk of regulatory and specific technical requirements.....	16
1.2.5. Risk of change in technology	17
1.3. Risk related to Group's operations.....	17
1.3.1. Operational risk	17
1.3.2. Risk related to business partners.....	17
1.3.3. Risks related to new projects	18
1.3.4. Risk related to the decision of the board of directors to sell the Group's telecommunication business in Asia	18
1.3.5. Liquidity risk.....	18
2. Responsible persons, third party information, experts' reports and competent authority approval.....	19
2.1. Persons responsible for the information in the document	19
2.2. Declarations by persons responsible for the registration document	20
2.3. Experts' statements	20
2.4. Third party information.....	20
2.5. Other statements.....	20
3. Statutory auditors	21

4. Information about the Issuer	21
5. Business overview	23
5.1. Business activity.....	23
5.2. Key principal activities of the issuer.....	24
5.2.1. IoT product lines.....	24
5.2.2. Business model.....	25
5.2.3. Dynamics of sales revenues. Main markets, sales channels, product lines.	27
5.2.4. Information about the industry.....	29
5.3. Significant changes related to the business of the Issuer	36
5.3.1. Significant changes	36
5.3.2. Business plan for development	38
5.4. Investments.....	39
5.5. Financial indicators.....	40
6. Trend information	43
7. Profit forecast or estimate	46
7.1. Published profit forecast or estimate	46
7.2. Inclusion of new forecasts.....	46
8. Administrative, management and supervisory bodies and senior management.....	49
8.1. Management	49
8.2. Conflicts of interest.....	53
9. Major shareholders	53
10. Related party transactions.....	54
11. Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses	55
11.1. Financial statements.....	55
11.2. Audited annual financial information.....	56
11.2.1. Audit report	56
11.2.2. Other audited information. non-audited information.....	57
11.3. Legal and arbitration proceedings.....	57
11.4. Significant change in the Issuer's financial position.....	57
11.5. Pro forma financial information	58
11.5.1. Independent auditor's report on compiling the pro forma financial information included in the Prospectus	67
11.6. Dividend policy	70
11.7. Dividend per share	70
12. Additional information.....	71

12.1. Share capital	71
13. Regulatory disclosures	71
14. Material contracts	73
15. Documents available	74

1. RISK FACTORS

EVERY INVESTMENT IN EQUITY SECURITIES IS ACCOMPANIED BY VARIOUS RISKS. POTENTIAL INVESTORS IN ISSUER'S SECURITIES SHOULD BECOME FAMILIAR WITH THE CONTENT OF THE PROSPECTUS FOR PUBLIC OFFERING OF ISSUER'S SECURITIES BEFORE MAKING A DECISION TO INVEST. THE PROSPECTUS COMPRISES OF THIS REGISTRATION DOCUMENT, THE ISSUER'S SECURITIES NOTE AND A SUMMARY. THIS ITEM OF THE REGISTRATION DOCUMENT PRESENTS ONLY THE RISK FACTORS STEMMING FROM ISSUER'S BUSINESS AS WELL AS THE RISKS RELATED TO THE INDUSTRY THE ISSUER OPERATES IN. FOR A DESCRIPTION OF THE RISKS RELATED TO INVESTING IN ISSUER'S SECURITIES THE POTENTIAL INVESTORS SHOULD BECOME FAMILIAR WITH THE CONTENT OF ITEM 1 OF THE SECURITIES NOTE.

ALL POTENTIAL INVESTORS IN ISSUER'S SECURITIES MUST BE AWARE THAT THE RISKS DESCRIBED BELOW ARE NOT THE ONLY ONES FACED BY THE ISSUER. TO THAT EXTENT THE RISKS PRESENTED BELOW SHOULD BE USED ONLY AS GUIDELINES WHEN MAKING A DECISION TO PURCHASE SHARES OF THE ISSUER. SOME ADDITIONAL RISKS RELATED TO THE GROUP WHICH THE ISSUER IS NOT CURRENTLY AWARE OF OR WHICH ARE DEEMED IMMATERIAL MIGHT HAVE AN ADVERSE EFFECT ON THE RESULTS OF ISSUER'S OPERATIONS. IN SUCH SITUATIONS THE PRICE OF ISSUER'S SHARES MIGHT DROP AND INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENT. POTENTIAL INVESTORS SHOULD MAKE A CAREFUL ASSESSMENT AS TO WHETHER THE INVESTMENT IN THE ISSUER'S SECURITIES IS APPROPRIATE FOR THEM BY TAKING INTO CONSIDERATION THE INFORMATION PRESENTED IN THE PROSPECTUS.

THE STATEMENTS IN THE PROSPECTUS RELATED TO ANTICIPATED FUTURE RESULTS ARE FORECASTS BY THEIR NATURE AND REFER TO UNCERTAIN FUTURE EVENTS AND CONDITIONS. POTENTIAL INVESTORS SHOULD PAY ATTENTION THAT SUCH STATEMENTS ARE NOT A GUARANTEE FOR THE FUTURE RESULTS OF THE COMPANY'S OPERATIONS AND ARE IN THEMSELVES SUBJECT TO RISKS AND UNCERTAINTY. THE ACTUAL FUTURE RESULTS OF THE COMPANY'S OPERATIONS MIGHT DIFFER SUBSTANTIALLY FROM THE FORECAST RESULTS AND EXPECTATIONS DUE TO NUMEROUS FACTORS, INCLUDING THE RISK FACTORS STATED BELOW.

The risk factors are grouped into categories, whereas the most material ones presented first in each category based on probability of occurrence and magnitude of negative impact in Issuer's opinion.

1.1. SYSTEMATIC RISKS

Systematic risks are associated with the market and the macroeconomic environment in which the Issuer operates, and therefore they can not be managed or controlled by the Company's management team. Such risks are currency risk, political risk, country's credit risk, macroeconomic risk, legal system-related risk, inflation risk, tax risk, interest rate risk and unemployment risk.

1.1.1. CURRENCY RISK

Exposure to the currency risk is the dependence on and the effects of changes in the currency exchange rates. The systematic currency risk is the probability of a possible change to the country's currency regime (currency board), which would result in devaluation of the Bulgarian lev or in Bulgarian lev becoming more expensive compared to the foreign currencies.

The currency risk will affect the companies operating in markets in which payments are made in currencies other than the Bulgarian lev and the euro. Since under the legislation in force in the country the Bulgarian lev is pegged to the euro at a fixed exchange rate of BGN 1.95583/EUR 1, and the Bulgarian National Bank is obliged to maintain a certain level of Bulgarian levs in circulation which is equal to the currency reserves of the bank, the risk of devaluation of the Bulgarian lev compared to the European currency is minimal and mainly consists of a possible early abolition of the currency board in the country. At this stage, this seems unlikely, as the expectations are that the currency board will be abolished upon Bulgaria's acceptance of the euro as legal tender.

In theory, the currency risk might 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 its exchange rate against the euro within the limits of +/-15% compared to a central parity. In practice, all countries that are currently part of that mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta), witness considerably smaller fluctuations than the allowed $\pm 15\%$. In August 2018, the Government approved a reform program for the purpose of accession to the European Exchange Rate Mechanism 2 (ERM II) and the European Banking Union until the end of the summer of 2019 (subsequently postponed for the first half-year of 2020) to prepare the country for the entry into the eurozone. In particular, the reforms are related to the procedures to be followed in case of insolvency of companies, the management of companies with state-owned interest and the independence of BNB.¹

The fixed BGN/EUR exchange rate does not eliminate for the Bulgarian currency the risk of adverse movements in the euro against the other currencies on the international financial markets. The Company might be affected by the currency risk depending on the type of currency of the cash proceeds, expenses for supplies and the type of currency of potential loans of the Group companies.

The companies of the Issuer's Group operate in Bulgaria, as well as in EU and third countries, mainly in the USA and in the Asia-Pacific region. At present, the majority of the revenues from the Group's IoT business are denominated in BGN or EUR, while cost of goods in this segment are mainly in US dollars and are largely tied to the Chinese Yuan. Therefore an appreciation of the US dollar or the Chinese yuan would have an adverse impact on the operating results of the Group. In terms of the exposure to the US dollar the Issuer expects to have significant revenues from sales denominated in US dollars in the future from the US market and on other markets outside the EU, which would balance to some extent the Group's net exposure to that primary currency.

In addition, the Group companies are exposed to currency risk with respect to the Asian telecommunication business (the revenues and expenses in this business are in Singapore dollars, Thai Bahts and Malaysian ringgits). Also, the planned sale of this business may be expected to settle in euro or in US dollars.

¹ <http://www.coface.bg/Ikonomicheski-analizi/Bulgaria>

To limit the effects of the currency risk the Issuer has introduced a system for delivery planning of inside and outside the EU as well as procedures for daily monitoring of the fluctuations in foreign currency exchange rates and control of forthcoming payments. Currently, the Issuer does not use derivatives to hedge the currency risk but if necessary the management is ready to enter into such transactions.

1.1.2. POLITICAL RISKS

Political risk is the likelihood of government change, or of abrupt change in government's policy, occurrence of domestic political perturbations and adverse changes to the European and/or national legislation resulting in a negative change to the environment in which the local economic subjects operate and in losses sustained by the investors.

Political risks for Bulgaria in international aspect are related to the commitments made to carry out some serious structural reforms in the country as a full member of the EU, to increase social stability, limit the inefficient expenditure, as well as to the strong destabilization of the Middle Eastern countries, the increasing threats of terrorist assaults in Europe, the waves of refugees and the instability in some key countries in Bulgaria's immediate vicinity.

Similarly to other EU member states in the region, Bulgaria is still seriously affected by the pan-European issue of the significant flow of refugees from the Middle East. Other factors that also affect that risk are the possible legislative changes and, in particular, the ones concerning the economic and investment climate in the country.

In economic aspect, the country's economy is directly dependent on the economy in the euro zone. In political aspect, factors such as Brexit, the US protectionist policy and a potential crisis in the Middle East might also affect the pace of development of the national economy. The next scheduled parliamentary and presidential elections in Bulgaria should be held in 2021.

1.1.3. COUNTRY'S CREDIT RISK

Credit risk is the likelihood of deterioration of Bulgaria's international credit ratings caused by the country's inability to repay its obligations on time. The country's low credit ratings could result in higher interest rates, more difficult terms for financing both for the state and the economic entities, including the Issuer. The credit ratings are prepared by specialized credit rating agencies and are used to determine and measure a country's credit risk. Bulgaria's credit rating is presented in the following table:

Table 1: Bulgaria's Credit Risk

Credit-rating Agency	Date of last change	Long-term rating	Outlook
Standard & Poor's	29 November 2019 ²	BBB	Positive
Moody's	30 August 2019 ³	Baa2	Positive
Fitch	23 August 2019 ⁴	BBB	Positive

Source: Ministry of Finance

On 29 November 2019, Standard&Poor's credit-rating agency increased Bulgaria's long-term and short-term credit rating in local and foreign currencies to BBB/A-2 from BBB-/A-3 as the outlook of the rating is positive. The increase of the rating is the result of the sustainable development of country's economy and the absence of accumulation of macroeconomic misbalances as well as the stable fiscal and external balances and the progress towards the accession to ERM II.

1.1.4. MACROECONOMIC RISK

Macroeconomic risk stems from the occurrence of factors of different nature which can have a negative impact on the economy of the country, the region and the world, including economic growth, income of population, supply and demand, business profits, investments, consumption, etc. Macroeconomic trends influence the market performance and end results of the economic activity of all participants in all sectors of economy, including the Issuer.

The operations of the Group in different segments are exposed to a general macroeconomic risk which is beyond the Group's control. As far as IoT products are not basic necessities the demand for them is influenced by different macroeconomic factors and trends, including but not limited to, recession, trade barriers, currency changes, inflation, deflation, and other factors influencing the purchasing power of consumers. A possible deterioration of the economic situation in Bulgaria, where the research and development and major part of the distribution operations are carried out, as well as in the EU and other markets where the Group operates, including the markets where the manufacturing operations are outsourced and from which the supplies are sourced, may affect the Group companies' ability to develop IoT products, as well as the consumers' ability to purchase them, which might have a negative effect on the Issuer's financial position and profitability.

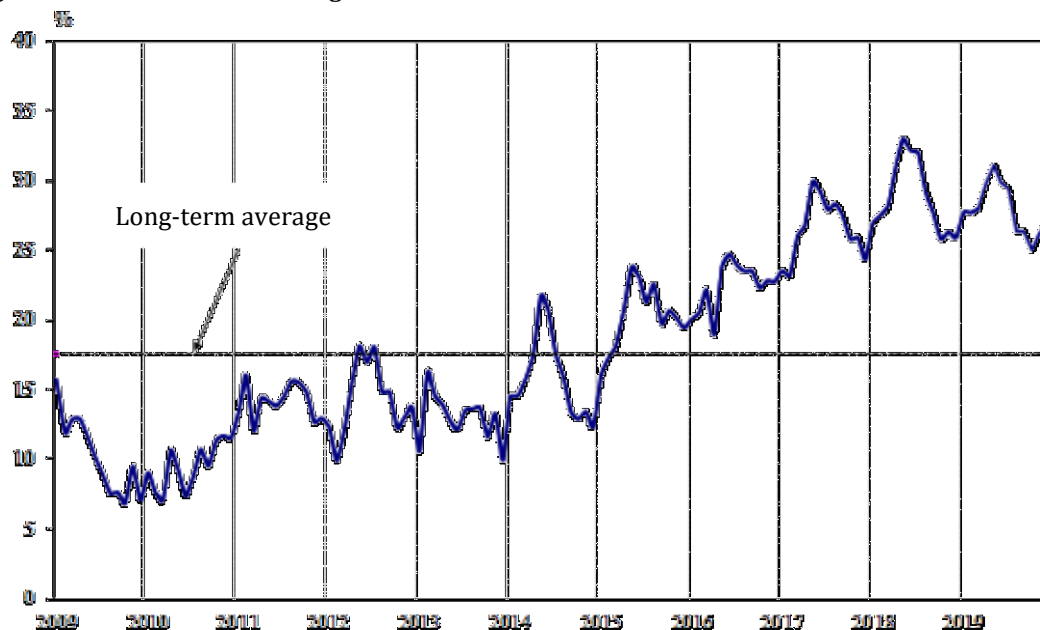
According to data of the National Statistical Institute (NSI) in December 2019 the overall indicator of the business climate⁵ increased by 0.9 points compared to the preceding month as a result of improved indicators in the sectors of industry, construction and services.

² Ministry of Finance (<https://www.minfin.bg/bg/news/10875>)

³ Ministry of Finance (<https://www.minfin.bg/bg/news/10780>)

⁴ Ministry of Finance (<https://www.minfin.bg/bg/news/10759>)

Figure 1: Business climate in Bulgaria



Source: NSI

According to NSI data the composite indicator of “business climate in industry” increased by 0.7 points which is due to the managers’ favourable assessments of the current business position of the enterprises. The survey conducted by NSI also shows a certain increase in the availability of orders for manufacturing which, however, is not accompanied by increased expectations for the manufacturing activity in the next three months. The main factors impeding the operations of the business entities remain the ones related to the shortage of workforce and the uncertain economic environment. In terms of the selling prices in industry the managers expect that their level will be kept in the following three months.

According to NSI data in December 2019 the composite indicator of “business climate in the services sector” increased by 0.9 points as a result of the managers’ favourable assessments of and expectation for the business position of the enterprises. Their opinions on the demand for services in the following three months are more optimistic as well. Competition in the sector, uncertain economic environment and shortage of workforce are still the main impediment to the business development. In terms of the selling prices in the sector the managers expect that they will remain unchanged in the following three months.⁶

1.1.5. LEGAL SYSTEM-RELATED RISK

Although after its accession to the EU Bulgaria has introduced a number of significant legislative changes and a major part of Bulgarian legislation has been harmonized with the EU legislation,

⁵ The general indicator of business climate is the weighted average of four industry indicators of business climate: industry, construction, retail trade and the sector of services, whereas the latter indicator has been included in the overall dynamic order since May 2002.

⁶ Economic Situation. NSI Business Survey, December 2019 | https://www.nsi.bg/sites/default/files/files/pressreleases/Economy2019-12_UIPWXGV.pdf

the legal system in the country is still undergoing a process of reform. Court and administrative practices remain problematic, hampering the effective settlement of disputes related to property, violations of laws, breach of contracts and the like. The shortcomings of the legal infrastructure may result in uncertainty in relation to the implementation of corporate plans, supervision and other matters.

1.1.6. INFLATION RISK

Inflation risk is the probability of a decrease in the purchasing power of local currency and, accordingly, of an increase of the overall price levels in the country and of incurring losses due to depreciation of assets denominated in BGN. In addition, the inflationary processes lead to a decrease in the real-term yield received by investors.

Since some of the Issuer's Group companies operate in other countries the Issuer is exposed to the inflation in the respective countries.

According to data by the European Central Bank as at the fourth quarter of 2019, the inflation in the eurozone countries for the year 2020 is expected to remain at the 2019 level of 1.2%. The inflation in the years 2021 to 2023 is expected to fluctuate in the range between 1.4% and 1.2% and in 2024 it is expected to reach 1.7%.⁷

According to the Federal Reserve Bank of New York as at December 2019 the medium-term inflation for the next three years is expected to increase; in November 2019 there was an increase from 2.4% to 2.5% compared to the October 2019 measurements.⁸

1.1.7. TAX RISK

Preserving the current tax regime is essential for Issuer's financial result. There is no guarantee that the tax legislation, which is of direct importance for the Company's business, will not be changed in a direction that results in unforeseen expenses and, accordingly, adversely affects its profit. The taxation system in Bulgaria is still in a process of development and therefore some contradictory tax practices may occur.

1.1.8. INTEREST RATE RISK

Interest rate risk is associated with the possibility of changing the prevailing interest rate levels in the country. This would affect the business of a company as far as, all other conditions being equal, the change in the interest rate levels results in changed cost of the financial resource used to invest in various projects.

⁷ HICP Inflation forecasts | https://www.ecb.europa.eu/stats/ecb_surveys/survey_of_professional_forecasters/html/table_hist_hicp.en.html

⁸ Medium-term inflation expectations tick up in November, while consumer spending growth expectations decline sharply | <https://www.newyorkfed.org/newsevents/news/research/2019/20191209>

Currently, the interest rate levels in the EU, including Bulgaria, are at historically low levels as a result of central banks' expansive monetary policies of stimulating investments and consumption. The increase of interest rate levels would result in an increase in the expenses related to debt financing, which, in turn, increases the financial and business risk for the companies and their shareholders and investors, respectively.

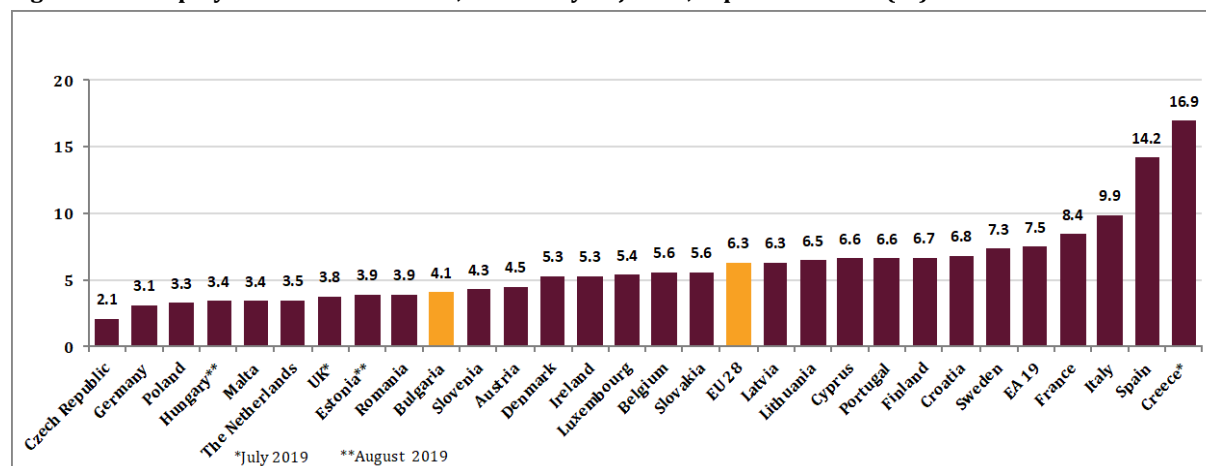
Based on the assessment of the economic and inflation outlook for the euro area and the latest Eurosystem staff macroeconomic projections, at its monetary policy meeting held on 12 December 2019 the Governing Council of ECB decided to keep the key ECB interest rates unchanged and to reiterate its forward guidance on policy rates, net asset purchases and reinvestments⁹.

1.1.9. UNEMPLOYMENT RISK

Being the main factor that affects consumers' purchasing power, an increase in unemployment would decrease the demand for IoT products. Unemployment in the major part of the markets on which the Group operates, including Bulgaria and the European Union, is at historically low levels after the 2008 global financial crisis. On the other hand, the demand for staff on part of the business continues to be exceptionally strong, so such a risk seems negligible for the next year.

According to Eurostat as at September 2019 the unemployment level of 4.1% in Bulgaria is lower than the average of 6.3% for the EU and the Euro area level of 7.5%. In September 2019, the unemployment level in the USA was 3.5%.¹⁰

Figure 2: Unemployment levels in the EU, seasonally-adjusted, September 2019 (%)



Source: Eurostat

⁹ ECB Economic Bulletin, issue 8 / 2019 – Overview |

https://www.bnb.bg/bnbweb/groups/public/documents/ecb_publication/publications_ecb_mb_201908_bg.pdf

¹⁰ Eurostat news release | Euro area unemployment at 7,5% |

<https://ec.europa.eu/eurostat/documents/2995521/10064439/3-31102019-CP-EN.pdf/20825ac8-e75f-6ca4-59ea-6b9e8d04f07c>

1.2. RISK RELATED TO THE SECTOR IN WHICH THE GROUP OPERATES

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

1.2.1. RISK OF SHORTAGE OF KEY PERSONNEL

One of the major challenges facing the technological companies such as the Group companies, and considering their specific business activities in the field of telecommunications and engineering and software developments, is the shortage of qualified personnel. According to the Council of European Professional Informatics Societies there is a shortage of such staff in Europe, including Bulgaria, which is expected to reach 756 thousand people on a European level by 2020 on¹¹. The insufficient availability of appropriately qualified personnel in the subsidiaries could adversely affect the Group's future development due to delays in development of new products/services or in maintaining established products/services. On the other hand, the low competition of personnel in this sector increases the cost of labor. Thus, the Issuer's financial position and market share would suffer.

1.2.2. RISK OF STRONG COMPETITION

The Group companies operate mainly in the Internet of Things (IoT) segment. This segment is one of the most advanced and promising sectors of the industry which attracts the interest of many tech giants and start-ups. Some of the major players have a wide presence on multiple markets, quick access to innovative technological solutions as well as access to cheaper sources of financing. This gives them considerable advantage over smaller players in the sector, such as the Group, in terms of pricing, more rapid and efficient access to the end customer, and investing in development of new services/products. At the same time, new companies from countries with low technological and labor costs, such as China and India, could also enter the sector and take market share away of the already established players. The loss or inability to gain market share and a drop in the prices of the end products might have a negative effect on revenues, profit and profit margins. Maintaining a competitive position requires investments in creation of devices of new utilities, improvement of existing solutions and expansion of the market share, still it cannot be taken for granted that the new developments will be successful among the competitors' products on the market.

1.2.3. RISK RELATED TO SECURITY OF PERSONAL DATA AND HACKER ATTACKS

The technology sector is characterized by digital transfer of information which might be strictly confidential, contain personal data of users of the products, financial information of companies, information about new products, etc. Protection of such information is a critically important factor for the normal functioning of the companies in the sector, including the Group. The sales of devices and consumers' use of the accompanying mobile applications and cloud services provided by the Group, are associated with exchange and storage of personal data. A potential information security breach could result in: i) Loss of customers and/or partners and their

¹¹ Europe's widening ICT skills gap | <https://www.cepis.org/media/CEPISe-CFBackgrounder1.pdf>

migration to competitor companies; ii) Imposition of sanctions and legal proceedings in relation to violation of applicable legislation on data protection and privacy; iii) Lost or delayed orders and sales; iv) Adverse effect on reputation, business, financial position, profits and cash flows.

1.2.4. RISK OF REGULATORY AND SPECIFIC TECHNICAL REQUIREMENTS

Selling IoT devices is subject to regulations *in terms of product certification* in the respective country. In the European Union the products are required to have a “CE” marking, which shows that the product has been assessed and meets the safety, health and environment protection requirements. In the USA the equivalent is a “UL” certification. For certification purposes the compliance tests are assigned to accredited laboratories which entails considerable expenses. Besides, some specifics in the requirements of local regulators and contractual partners (especially the mobile operators) may require additional testing and certification, which increases the costs for entering into a specific market or specific distribution channel.

The sales of the products offered by the Group companies cover an increasing number of markets which often have their local regulation in terms of certification of such products. In addition to the technical safety requirements, personal data protection provisions that are specific for the different markets must be observed. The completion of the certification process in accordance to the local regulation is time and resource intensive and might delay the Company’s entry into new markets or impose additional costs to meet different standards.

The change in the regulatory requirements for the devices could be associated with additional expenses for bringing them into compliance with the new requirements, including costs for recalling products from the market in order to bring them into compliance with such requirements. The Issuer and its partners on local level regularly monitor for scheduled changes to legislation and take timely measures to ensure products’ compliance with such changes.

Telecommunication sector, in which part of Group companies operate, is directly linked to and depends on the *telecommunication services sector, which is characterized by strong regulation* at the level of the respective country where the service is being provided, as well as by frequent change to such regulations. Very often these regulations lead to a ban on provision of certain services which negatively affects the development of the sector and the results achieved by the companies operating in it. The specific regulation in different jurisdictions in which the Issuer’s companies operate is exercised by a local regulator equivalent to the Bulgarian Communications Regulation Commission.

Given the sale of the telecommunication business of Allterco JSCo in Europe and the relatively small share of that business in Asia, the possible impact from changes of the regulations in the telecommunication sector decreases. After the sale of the Asian telecommunication business planned by the Issuer it is expected that the impact of this risk factor will be minimal.

As regards the IoT business of the Issuer’s companies the impact of changes to regulations of telecommunication services is also limited. The IoT devices developed and sold by the Group companies use an internet-based technology and can work by using the services of every internet provider. In this sense, the Group is now much less dependent on the regulations in the sector of telecommunications as far as the Group companies are not providers of

telecommunication services and the mobile operators are only one of the channels of commerce and distribution of IoT devices.

1.2.5. RISK OF CHANGE IN TECHNOLOGY

The Issuer and its subsidiaries operate in an exceptionally dynamic segment where technologies have considerable impact and are a source of competitive edge. For this reason, there is a risk of delayed adaptation to the new technologies due to lack of knowledge, experience or sufficient financing, which might have a negative effect on the Issuer. The slow adaptation to the new realities might result in loss of competitive positions and market shares, which might, in turn, lead to deterioration of the Group's results.

1.3. RISK RELATED TO GROUP'S OPERATIONS

Such risks are: operational risk, risk related to business partners, risks arising out of new projects, risk related to the decision of the board of directors to sell the Group's telecommunication business in Asia, liquidity risk.

1.3.1. OPERATIONAL RISK

Operational risk can be defined as a risk of loss resulting from inadequate or failed internal procedures related to the management. Such risks might occur due to the following circumstances:

- Adoption of erroneous operational decisions by the management team, related to the management of current projects;
- Insufficient number of qualified staff necessary for the development and implementation of new projects;
- Key employees leaving and inability to replace them;
- Risk of excessive increase of management and administrative expenses leading to a decrease in the overall profitability of the Issuer;
- Technical breakdowns leading to a prolonged interruption of the services provided might result in termination of contracts with customers.

The effects of such circumstances would be a decrease of Issuer's revenues and deterioration of its operating results.

1.3.2. RISK RELATED TO BUSINESS PARTNERS

The manufacturing operations in the IoT segment are outsourced to external contractors, mainly in China, and they are concentrated in several manufacturers. Potential risks related to key subcontractors are associated with the precise and timely performance of supplies or termination of business relationships. Although in the opinion of the management there is a wide range of alternative suppliers the would-be transfer of manufacturing to new partners and diversification of subcontractors might cause delays in supplies and additional expenses, which

might affect the Group companies' ability to fulfill agreed orders from customers and might have a negative impact on the Group's reputation and financial results.

The Group's operations are also linked to the activities of mobile operators. The services in the telecommunication segment and part of the products of the Group companies in the IoT segment are offered via mobile operators, albeit the share of this channel of sales gradually decreases. A possible loss of a partnership with a given mobile operator and the consolidation processes in the sector of mobile operators might lead to some negative consequences for the Group's revenues and financial position. After the sale of the telecommunication business and in view of the diversification of the sales channels in the IoT segment, this risk is of less significance.

1.3.3. RISKS RELATED TO NEW PROJECTS

Allterco JSCo's core business is related to investments in subsidiaries. There is a risk that some of the subsidiaries would not be able to meet the goals set for them, which would lead to a lower or negative return on investment.

Development of new products and services by Allterco JSCo's subsidiaries is related to investing in human resources, software, hardware, materials, goods and services. If the new products and services are not successful on the market, such investments would be unjustified. Consequently, this would have a negative impact on the expenses and assets of the Company as well as on its operating results. In order to manage the risk arising out of new projects the Group companies make an analysis of the market, prepare a financial analysis containing different scenarios, and in some cases discuss with potential customers the concept of the new service / product.

1.3.4. RISK RELATED TO THE DECISION OF THE BOARD OF DIRECTORS TO SELL THE GROUP'S TELECOMMUNICATION BUSINESS IN ASIA

In December 2019, the Board of Directors made the strategic decision to sell the Issuer's interest in the capital of the following companies: 100% of the capital of Allterco Pte Ltd. (Singapore), 100% of the capital of Allterco SDN Bhd. (Malaysia) and 49% of the capital of Allterco Co. Ltd. (Thailand). Given that the decision of the Board of Directors to sell those investments was made recently, so far no talks have been held with interested parties, no specific parameters of the transaction have been set and no commitments have been made by potential buyers. The realization of such a transaction is uncertain since there are no guarantees that a buyer will be found and that the transaction will be completed. On the other hand, there is no certainty as to the achievement of specific conditions pertaining to the transaction, and their potential effect on the Group's results.

1.3.5. LIQUIDITY RISK

The liquidity risk for the Group is associated with the possible lack of timely and/or sufficiently available funds to meet all current liabilities. This risk might occur both in the event of significant delay of payments on part of the debtors of the Company and in the event of insufficiently effective management of the cash flows from the Company's operations.

Part of the Group companies use bank financing in the form of investment loan, overdraft or revolving credit facility which may be used in case of issues with liquidity. One of the companies has a signed factoring contract which it uses to finance large receivables of considerable period of deferred settlement.

Bank financing is also used for the implementation of some projects for which grants under European financing programs have been approved for Allterco Robotics EOOD. The conditions of grant financing stipulate that the projects need to be financed with own funds and that the expenses made be fully or partially recovered subsequently. In this respect, after the completion of the projects the financing used for them will be repaid by the amount of the grant received. In this sense, the use of such financing is not expected to have a considerable impact on the overall financial position of the Company.

The Company conducts a conservative policy on liquidity management under which it constantly maintains an optimal liquid reserve of cash and proper ability to finance its economic operations. In order to control the risk, the Company sees to the immediate payment of the liabilities that have arisen. The Company monitors and controls the actual and forecasted cash flows by forward periods and maintains a balance between maturity of its assets and liabilities.

2. RESPONSIBLE PERSONS, THIRD PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL

2.1. PERSONS RESPONSIBLE FOR THE INFORMATION IN THE DOCUMENT

The members of the Board of Directors of Allterco JSCo (see Table 2 below), who are jointly liable for damages caused as a result of any false, misleading or incomplete data in this Registration Document, are responsible for the preparation of this document.

Table 2: Members of the Board of Directors (BoD) of Allterco JSCo

Name	Position
Dimitar Stoyanov Dimitrov	Deputy Chairman of the BoD and Executive Director
Svetlin Iliev Todorov	Chairman of the BoD
Nikolay Angelov Marinov	Independent member of the BoD

The compiler of the annual consolidated financial statements of the Company as at 31 December 2018 is Mrs. Albena Beneva, currently tax advisor of the Issuer. The compiler the interim consolidated statements of the Issuer as at 30 June 2019 is AVA Partners OOD, Unified Identification Code (UIC) 131477470, having its seat and registered office at 1799 Sofia city, 54 Andrey Lyapchev Blvd., via its manager Varbina Nacheva. The compiler of the annual and interim financial statements are jointly liable with the above-mentioned persons for damages caused by any false, misleading or incomplete data in the Issuer's financial statements compiled by them. The auditor of the annual consolidated financial statements of the Issuer as at 31 December 2018, i.e. Primorska Audit Company OOD, Unified Identification Code (UIC) 103599983, having its seat and registered office at Varna city, 104 General Kolev Street, floor 5, apt. 32, with lead auditor Iliya Nedelchev Iliev, registered with the register kept by ICPA under

registration No. 0483, is jointly liable with the above persons for damages caused by the Issuer's financial statements audited by them.

2.2. DECLARATIONS BY PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

By signing the declarations attached to the prospectus, the members of the Board of Directors of Allterco JSCo declare that, to the best of their knowledge, the information contained in the Prospectus is true and complete and corresponds to the facts and the Prospectus, including this Registration Document, makes no omission that are likely to affect its import.

In addition, pursuant to article 81(2) of POSA the executive director of the Issuer declares by his signature, placed at the end of this Registration Document that the same complies with the requirements of the law.

By the declarations attached to the Prospectus the compilers of the financial statements as specified in item 2.1 above, declare that, to the best of their knowledge, the information contained in Prospectus, which is extracted from the financial statements compiled by them, is true and complete. By the declaration attached to the Prospectus the Issuer's auditor, as specified in item 2.1 above, declares that, to the best of his knowledge, the information contained in the Prospectus, presented on the basis of the audited financial statements and the auditor's report prepared on these statements, is true and complete.

The declarations of the members of the Board of Directors of Allterco JSCo, of the registered auditor and of the compilers of the financial statements, respectively, are attached to the Prospectus as an integral part thereof.

2.3. EXPERTS' STATEMENTS

Statements or reports written by a person in their capacity as an expert, have not been included in this Registration Document.

2.4. THIRD PARTY INFORMATION

Third party information has been used in certain parts of the Registration Document and such third parties have been explicitly identified.

The information presented from such sources has been accurately reproduced and, as far as the persons responsible are aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

2.5. OTHER STATEMENTS

This Registration Document for the offered securities of Allterco JSCo has been approved by the Financial Supervision Commission as competent authority under Regulation (EU) 2017/1129. The Financial Supervision Commission only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU)

2017/1129. Such approval shall not be considered as an endorsement of the Issuer that is the subject of this Registration Document. The Registration Document has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

3. STATUTORY AUDITORS

The annual financial statements of the Company for the year 2018, information from which has been included in this Registration Document, were audited by Primorska Audit Company OOD, Unified Identification Code (UIC) 103599983, address: at Varna city, 104 General Kolev Street, floor 5, apt. 32, - a specialized audit company, member of ICPA under No. 086, with lead auditor Iliya Nedelchev Iliev, registered with the register kept by Institute of Certified Public Accountants in Bulgaria, business address at Varna city, 104 General Kolev Street, floor 5, apt. 32

4. INFORMATION ABOUT THE ISSUER

Allterco JSCo is a joint-stock company incorporated in 2010 in the city of Sofia and registered with the Commercial Register kept by the Registry Agency on 11 February 2010 under Unified Identification Code (UIC): 201047670 and LEI code (Legal Entity Identifier) 8945007IDGKD0KZ4HD95, for a perpetual term of existence. Its name may be written in Latin as: "ALLTERCO JSCo".

The Company has its seat and registered office at: Republic of Bulgaria, 1407 Sofia city, Sofia Municipality, Region of Sofia, 103 Cherni Vrah Blvd. The correspondence address is the same; telephone: +359 2 957 12 47. The website of the Company is www.allterco.com. Save for the documents which the Prospectus refers to, the content of Issuer's website is not part of the Prospectus.

The Company is a public company within the meaning of POSA and is registered as a public company with the register kept by FSC by Decision No. 774 - ПД of 14 November 2016 as a result of successfully completed initial public offering of an issue of shares from the capital increase of the Company.

The company operates under the Bulgarian legislation.

The Issuer is part of an economic group comprising the Parent Company Allterco JSCo and its subsidiaries:

- Allterco Robotics EOOD, city of Sofia, Unified Identification Code (UIC) 202320104;
- Allterco Trading EOOD, city of Sofia, Unified Identification Code (UIC) 203348672;
- Allterco Properties EOOD, city of Sofia 204639442;
- Global Teracomm Inc. (DBA Allterco Robotics), USA, number NV20051456902;
- Allterco Pte Ltd., Singapore, number 200821332D;
- Allterco SDN Bhd., Malaysia, number 1037625-M;
- Allterco Co Ltd., Thailand, number 0105557129854.

Allterco JSCo's Group is a tech holding of almost 20 years of experience and has undergone a development from publishing business in the field of computer technology and telecommunications, via provision of mobile value-added services and notifications to development of and trade in smart devices and services.

Allterco JSCo's story started as early as 2001, before the Holding was founded, as the business of the initially established company was publishing of magazines for computer technologies and telecommunications, and subsequently expanded by including services of distribution of content for mobile phones. This was also the beginning of a transition from publishing to telecommunication business. This activity covers provision of mobile value-added services (MVAS) in the field of mobile payments, mobile gateways and mobile solutions for big corporate customers, mobile marketing and notifications. Several companies were established in Bulgaria and the first connectivity contracts were signed with the mobile operators. Since 2005 an expansion abroad started and in the following years, offices were opened in Romania, Macedonia, Singapore and USA, companies were registered in Germany, Australia, Malaysia, Thailand, Great Britain and Hungary, operations were also carried out in Serbia. In 2010, the holding company, Allterco JSCo, was established for the purpose of restructuring and unifying the MVAS business.

In 2014, the development of *She* – home and office automation system – started as part of the strategy for diversification of the business. Subsequently, this development became the foundation that gave rise to many of the Group's present-day products of the Shelly line.

In 2015, the corporate structure was entirely reorganized in view of the then-forthcoming initial public offering. The subsidiary Allterco Robotics EOOD (formerly named Teracomunications EOOD) specialized in development and sales of new products and entry into the market of "Internet of Things", whereas in December 2015 it successfully released its first smart device on the market – a GPS-GSM children watch from the *MyKi* series.

The first home and office automation devices from the *Shelly* series were released on the market in 2016. Thanks to the established lasting partnerships with the mobile operators in the country and abroad Allterco Robotics entered into its first contracts for delivery of *MyKi* devices. Two business lines were formed: telecommunications and innovation in the field of IoT ("Internet of Things"). The same year Allterco JSCo successfully carried out an initial public offering and the shares of its capital were listed for trading on the regulated market organized by Bulgarian Stock Exchange AD (named Bulgarian Stock Exchange - Sofia AD as at the date of admission). The funds raised amounted to BGN 2.2 million, and a major portion of them were directed to the IoT line for equipment of a development center, expenditures for new developments and working capital funds for manufacturing and sales of IoT products.

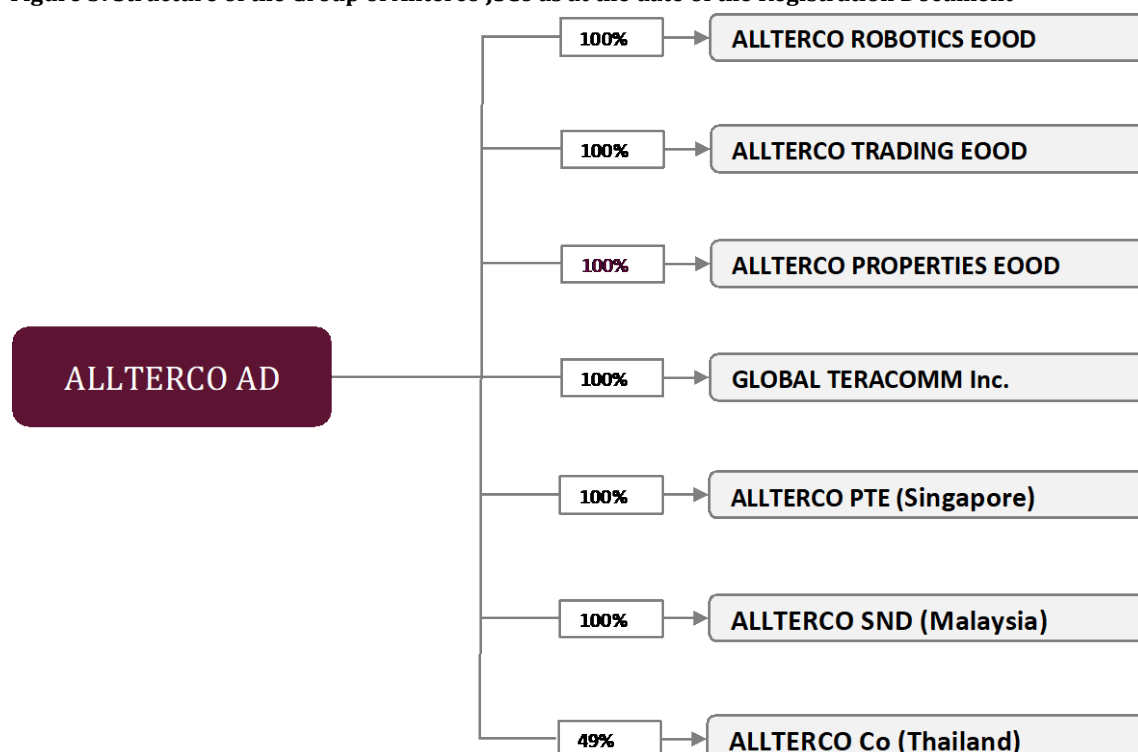
Developments and sales of the IoT products were successful in Bulgaria and on the international markets. In 2018, Allterco took steps to focus its activity on the IoT business. An agreement in principle for the sale of the telecommunication business in Europe was signed with Link Mobility Group ASA. The regulatory requirements related to the acquisition of LINK Mobility Group ASA by Victory Partners VIII Norway Holding AS prolonged the negotiations between the parties for more than 12 months.

As at 29 July 2019 Allterco JSCo finalized the sale of its telecommunication business in Europe by selling its interest (direct or indirect) in the capital of Teravoice EAD, Tera Communications AD, Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia).

In 2019, Allterco JSCo acquired the minority stakes in Global Teracomm Inc. (DBA Allterco Robotics) and in Allterco Trading EOOD in order to establish full control of the subsidiaries for the purposes of reorganization of their business in the field of IoT and separation of trading from manufacturing operations.

The Figure below presents the structure of the Group as at the date of the Registration Document as a result of this restructuring.

Figure 3: Structure of the Group of Allterco JSCo as at the date of the Registration Document



Source: Allterco JSCo

By the sale of the telecommunication business in Europe, and considering the relatively small market share of that business in Asia in December 2019 the Board of Directors of the Issuer made a decision to sell the Asian telecommunication business of the Group.

5. BUSINESS OVERVIEW

5.1. BUSINESS ACTIVITY

The Company's objects of business according to article 4 of its Article of Association are: acquisition, management, evaluation and sale of equity participation in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation, sale and assignment of licenses to use 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 initial, processed or worked form; sale of goods from Company's own production; foreign trade transactions; commissions, forwarding, warehousing and leasing transactions; transport transactions in the country and abroad; transactions of commercial agency and brokerage for local and foreign natural persons and legal entities; consultancy and marketing transactions; provision of services on management and administration of local and foreign legal entities; as well as any other commercial transactions not prohibited by the law.

5.2. KEY PRINCIPAL ACTIVITIES OF THE ISSUER

As a result of the strategic transactions, corporate changes and decisions in 2019, the core business of Issuer's Group is development, manufacturing and sale of IoT devices.

Since 2015 the Group has organically expanded into the IoT sector by developing and selling two main product categories: tracking devices under the brand name *MyKi* and home automation systems under the brand name *Shelly*.

5.2.1. IOT PRODUCT LINES

The IoT product portfolio of the Group includes devices with two types of connection: WiFi, which are on the market, and NarrowBand IoT (NB-IoT), whose release on the market is imminent. WiFi is the most wide-spread technology for high-speed internet. The low price of the integration of IoT devices makes them attractive and accessible. NB-IoT is the newest technology that uses mobile operators networks for delivery of connectivity for the IoT devices, with very low energy consumption, which extends the battery life of such products for up to 10 years. The Issuer is of the opinion that in the future, alongside the 5G networks, the NB-IoT technology will be a leading one for internet connectivity, which will result in the spread of IoT devices virtually everywhere.

MyKi Products

Wearable tracking devices (wearables)

- **MyKi Watches**– The product line includes different models of GPS/GSM watches **MyKi Watch**, **MyKi Junior** and **MyKi Touch**, aimed at children aged 4-10. The watches have an embedded SIM card, GPS, a microphone and a loudspeaker. By a mobile application which is available for download and installation from Google Play or AppStore free of charge the devices can be coupled with a mobile telephone or tablet which enables the communication between the parent and the child via calls or text messages as well as tracking the child's location in real time. The novelty of this product stems from the fact that it does not need a smartphone nearby in order to function (in contrast to other smartwatches), because of the SIM card that is installed inside the device itself.
- Pet tracking device **MyKi Pet** – the product is a GPS/GSM tracking device in which a SIM card is installed and after it is coupled with a mobile device via a mobile application it enables localization and tracking of the location of pets. Due to its small weight and precise localization it is appropriate for application both in the household and in agriculture.

Tracking devices to be fixed to movable items

- Automobile tracking device **MyKi Auto** - the product is a GPS/GSM tracking device in which a SIM card is installed and after it is coupled with a mobile device via a mobile application it enables localization and tracking of the location of transport vehicles and cargo for prevention of theft and management of transportation costs. The product is aimed not only at owners of private automobiles but also at transport companies and other corporations with a big vehicle fleet.

Health and care devices (Self-care devices)

- Self-care device **MyKi Care** – the product is an electronic device enabling the measurement and remote monitoring of body temperature via Bluetooth technology. The precision of the measurement of up to 0.01 degrees and the access to the measurement results via a mobile application make the device appropriate for use in home and hospital conditions.

Automation Devices (Shelly) – Make IoT Simple

WiFi devices compatible with the home management systems Amazon Alexa and Google Home.

Relays

The product category includes different models of relays Shelly 1, Shelly 1PM, Shelly 2.5, Shelly 4Pro, Shelly EM, Shelly Dimmer, Shelly RGBW, which enable remote control and management of household appliances or office equipment via a Wi-Fi network.

Bulbs, plugs and cameras

The product category includes different models of smart plugs (Shelly Plug and Shelly Plug S), a smart bulb Shelly Bulb and a smart camera Shelly Eye, which can be managed and controlled remotely via a Wi-Fi network at home or in the office where they are installed.

Sensors

The product category includes smart products for home security which enable the users to monitor their homes and offices when they are away and to detect unauthorized entering or failures - Shelly Door Window (sensor for doors and windows), Shelly Flood, Shelly H&T, Shelly Sense and Shelly Smoke.

5.2.2. BUSINESS MODEL

Until 2019 the IoT business of the Group was carried out by the subsidiary Allterco Robotics, which conducts research and development activity and creates and sells the entire range of IoT devices and solutions offered by the Group.

The Group's business model in this segment is described below:

- **Research and Development activity** for development and design of hardware prototypes and development of software solutions: it is carried out by Allterco Robotics EOOD, whereas some operations are assigned to external contractors;

- **Manufacturing of hardware solutions** is outsourced by the Group as a network of contractual partners has been built who carry out the manufacturing and supply of the finished goods as per specifications set by Allterco Robotics. For the sake of greater efficiency in time the entire manufacturing, assembling and testing of the products is outsourced to external contractual partners at the place of production. Only if additional customization is needed, it is done at the Group companies.
- **Manufacturing of software solutions.** The end products are hardware devices with embedded software responsible for their operation and accompanying software solutions as a service which include user software in the form of mobile applications with a dashboard for control of the devices and analysis of the data collected by them, software enabling cloud calculations and others. These are software solutions used in the entire IoT technology stack: for devices, for connectivity, for platforms for connection of devices and cloud platforms, for business applications, and their development thereof is predominantly carried out inside the Group.
- **Realization of overall end solutions** – a successfully functioning IoT technology stack requires integration of its individual components upon their implementation (see Figure 9: IoT technology stack). This approach is underlying the realization of the Group's production. So far the channels via which the Group – through Allterco Robotics – carries out the sales of its hardware products are:
 - B2B channel – the devices of the MyKi series are offered via distribution channels of the mobile operators in a package with mobile services,
 - B2B2C channel - the devices of the Shelly series are offered by local distributors by country/region. The role of this distribution channel for Shelly devices is expected to increase in the future;
 - B2C channel - the devices of the Shelly series and small part of the devices of the MyKi series are sold via company's own online stores.
- **Maintenance and Service Support** – Allterco carries out warranty and out-of-warranty service support of the devices sold. Currently, this activity is predominantly carried out in Bulgaria or by local partners on a local level.

The Board of Directors has taken measures to reorganize the sales on the market by separation of manufacturing and trade operations through changes to the objects of business of Allterco Trading EOOD and Global Teracomm Inc. (DBA Allterco Robotics). In order to improve the efficiency of the trade operations globally the management has started to implement the following organization, which is going to be further calibrated depending on the development of the business and its needs:

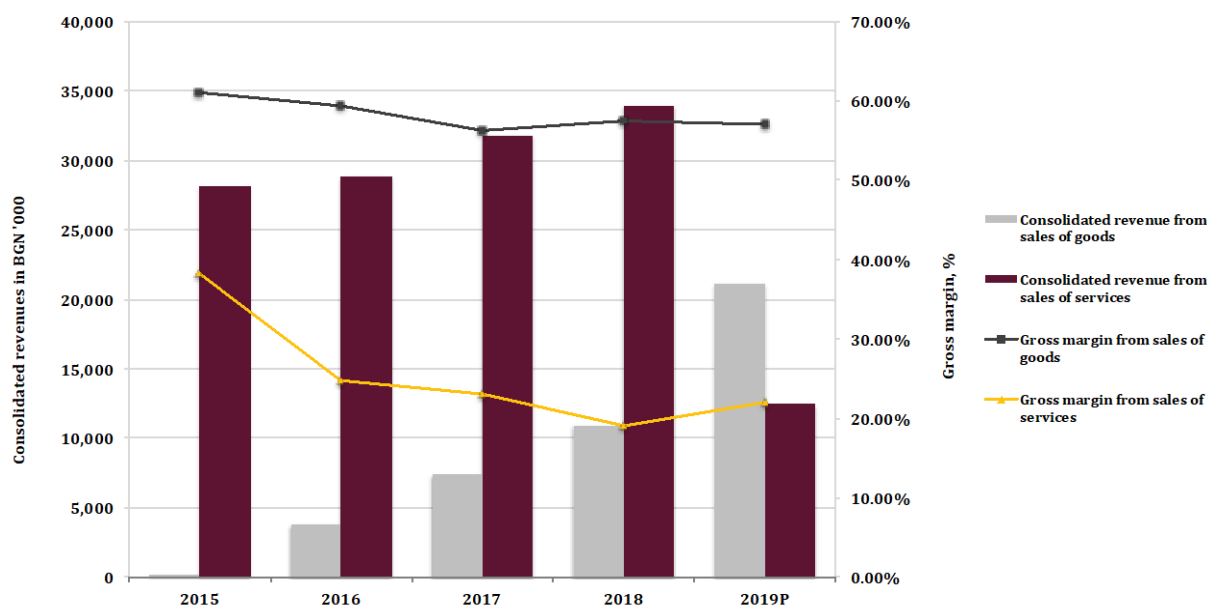
- Allterco Trading EOOD orders the manufacturing by external contractual partners and carries out the delivery directly to the mobile operators and other corporate customers of products of the MyKi series all over the world (B2B channel);
- Allterco Robotics orders the manufacturing by external contractual partners and carries out the delivery directly to distributors and end customers of products of the Shelly series within the EU (B2B2C and B2C channels);
- Global Teracomm Inc. (DBA Allterco Robotics) is to start direct orders to manufacturers and delivery directly to distributors and end customers of products of the Shelly series outside the EU (B2B2C and B2C channels).

5.2.3. DYNAMICS OF SALES REVENUES. MAIN MARKETS, SALES CHANNELS, PRODUCT LINES.

The Issuer's Group companies generated the first revenues in the IoT segment in late 2015. The revenues from sales in the IoT segment on a consolidated level are mainly represented by sales of goods, which make up approximately 95% of the revenues in this segment, and the remaining 5% represent mainly services related to warranty and service support. From the beginning of operations in this segment until 30 September 2019, the compounded annual growth rate of consolidated sales of goods is 240.7%. The gross margins on a consolidated basis from sales of goods from 2015 until 30 September 2019 are in the range of 56.3%-61.2%.

The dynamics of consolidated revenues from sales of goods and services and the corresponding gross profits are presented in the following Figure, as the indicators for the year 2019 are based on preliminary data.

Figure 4: Dynamics of consolidated revenues from sales and gross profits by goods/services



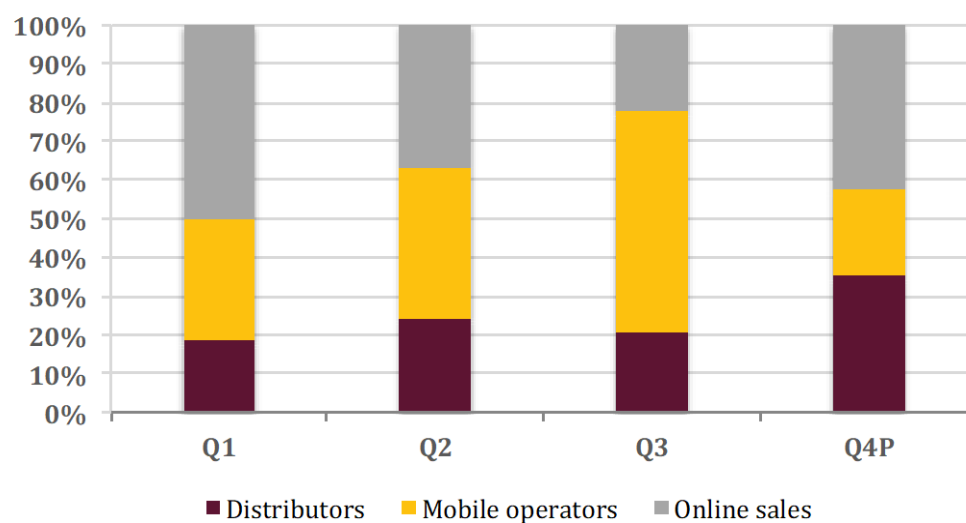
P- preliminary data

Source: Allterco JSCo

Until 30 September 2019 the Shelly product line comprises a little more than 60% of the revenues from sales of goods and the remaining percentage were of MyKi devices, as this allocation is expected to be preserved until the end of 2019.

For the first 9 months of 2019 a slight increase of the share of distributors is observed. The management expects that this trend will continue on the back of a decrease in the shares of the sales via the mobile operators (B2B channel) and online sales (B2C), despite the greater weight of online sales in the 4th quarter of 2019, which is due to the Black Friday campaign.

Figure 5: Shares of sales channels in the total sales of goods in 2019 (P) by quarters

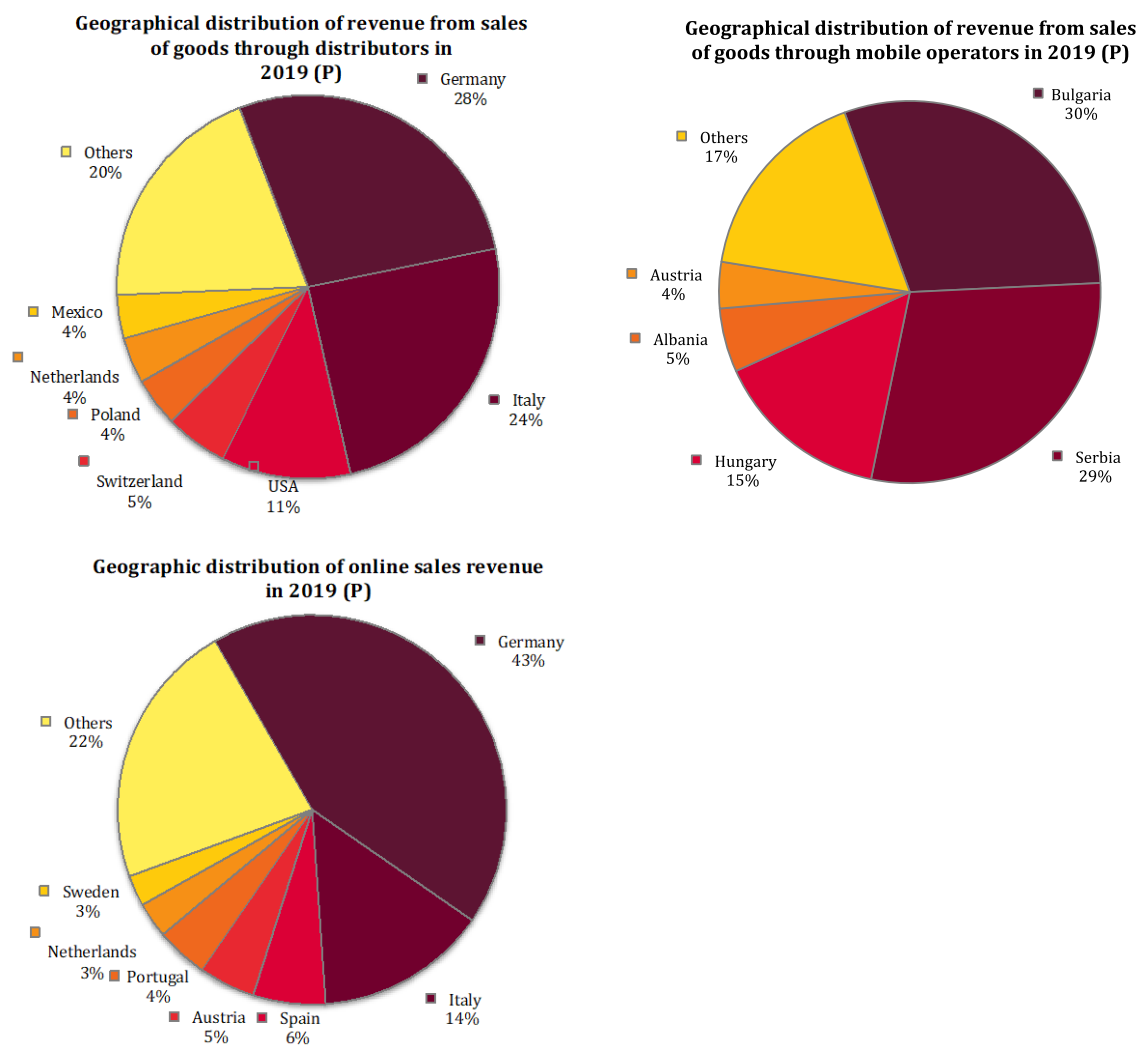


P- preliminary data

Source: Allterco JSCo

Germany and Italy make up more than 50% of the revenues from sales of goods via distributors and online according to preliminary data for 2019. In the sales via mobile operators nearly 75% are made in Bulgaria, Serbia and Hungary.

Figure 6: Geographical allocation of revenues from sales of goods by sales in 2019 (P)



P– preliminary data

Source: Allterco JSCo

5.2.4. INFORMATION ABOUT THE INDUSTRY

After Allterco's Group entered the market for Internet of Things (IoT) in 2015 and achieved some considerable financial results in the years thereafter, in 2018 the Holding directed its strategy to this segment. Subsequently, the core business of the Group remains development, manufacturing and sale of IoT devices. Allterco operates on the markets for (i) smart homes and (ii) wearables.

Internet of Things (IoT) is boosting growth for industries and businesses

After years of hype, anticipation, and steady uptake, the Internet of Things (IoT) seems poised to cross over into mainstream business use. According to McKinsey¹² and Gartner¹³ the number of businesses that use the IoT technologies has increased from 13% in 2014 to about 25% by mid-2019. And the worldwide number of IoT connected devices is projected to increase to 43 billion by 2023, which is almost threefold increase from 2018. This level of adoption is both a result of and a catalyst for the development of the technologies that form the backbone of IoT. Technological advancement means that IoT technology will become easier to implement, opening the door for a wider variety of companies to benefit from IoT applications. In fact, although large enterprises began to invest considerable resources in IoT technologies years ago, the beneficiaries of this latest wave of IoT maturity will be small and medium-size enterprises. While they may not have the means to execute custom-made implementations, they can still invest in easy-to-use IoT solutions.

Smart Home Segment: Growth in device installation is double digit.

IDC estimate the consumer market to be the third largest source of IoT spending in 2019, led by smart home and connected vehicles.¹⁴

The terms smart home and connected home are used interchangeably nowadays. However, the prime difference is as following:

- *Connected homes* consist of connected devices. Connected devices have ports, antennae and protocols that facilitate communication between a product and its operating environment;
- *Smart home* is equipped with lighting, heating, or electronic devices that can be controlled remotely — by a computer, tablet or smartphone.

The connected home has been a commercially available concept for more than 25 years but has always failed to live up to its fame. According to McKinsey¹⁵ this is finally changing by the penetration of smart speakers with voice assistant. Alexa, by Amazon, and Google Assistant, by Google, have achieved critical mass and, despite some security and privacy concerns, are increasingly integrated into how we operate things in our homes. Both players are establishing a position as the “control point” for the home, where previous attempts, by comparison, were too expensive, too complex, and less failure-proof. Consumers, especially younger ones, use these devices to initiate shopping, control entertainment, adjust the thermostat and lighting, and even

¹² McKinsey & Company, 2019, “Growing opportunities in the Internet of Things” (<https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/growing-opportunities-in-the-internet-of-things>)

¹³ Gartner, 2017, “Forecast: Internet of Things — Endpoints and Associated Services, Worldwide” (<http://www.gartner.com>)

¹⁴ IDC, 2019, “New IDC Forecast Expects the Internet of Things Spending in Asia/Pacific* to Reach USD 398,6 Billion by 2023” (<https://www.idc.com/getdoc.jsp?containerId=prAP45362119>)

¹⁵ McKinsey & Company, 2019, “Ten trends shaping the Internet of Things business landscape”

make coffee. This has significant implications for IoT strategy as manufacturers and retailers position their products and services to integrate with connected homes.

Analysis by Berg Insight show that smart speakers with built-in voice assistants have had a major impact on the smart home industry in recent years.¹⁶ Amazon and Google are the largest vendors of such devices, with a combined market share of about 90% in North America and Europe. Many of the well-known smart home device and system vendors have made their products compatible with Amazon Alexa and Google Assistant, allowing consumers to easily interconnect various smart home devices. More and more consumers find it beneficial to use smart speakers as the hub and main interface for the smart home. The high growth of the smart home market in the past 2 years can partly be credited to the popularity of smart speakers.

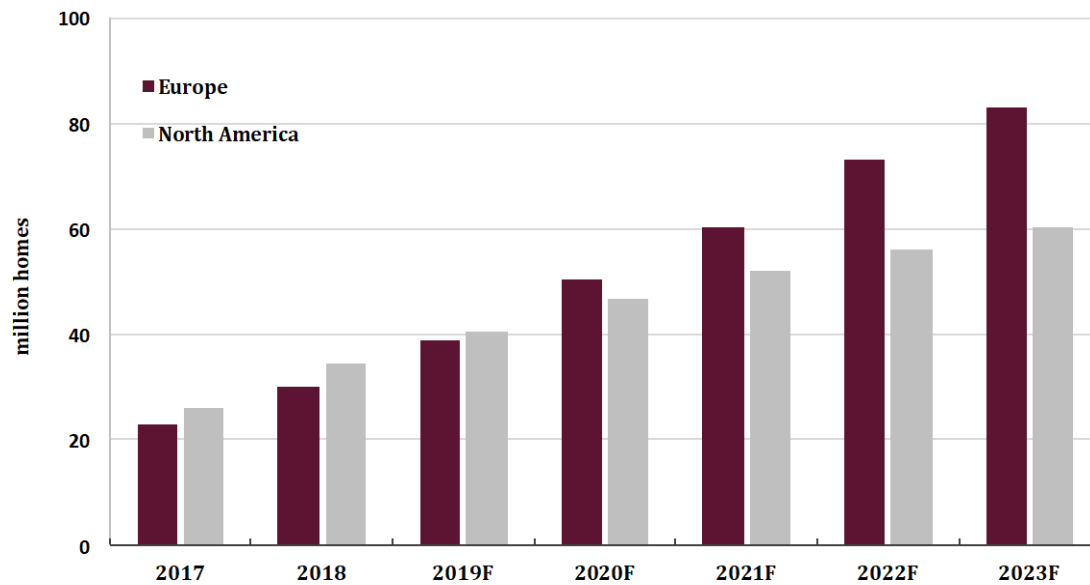
The European market for smart home systems is still a few years behind North America, both in terms of market penetration and maturity. According to the same analysis by Berg Insight at the end of 2018, there was a total of 82.3 million smart home systems in use in the EU28, Norway and Switzerland, up from 57.3 million in the previous year. Around 6.8 million of these systems were multifunction or whole-home systems whereas 75.5 million were point solutions. This corresponds to around 30.5 million smart homes when overlaps are taken into account, meaning that 13.2% of all households in Europe were smart at the end of the year. The number of European households to adopt smart home systems is forecasted to grow at a compound annual growth rate (CAGR) of 22.3% during the next five years, resulting in 83.2 million smart homes by 2023. Market revenues grew by 24.2% to EUR 12.9 billion (USD 15.2 billion) in 2018. Berg Insight forecasts that the market will grow at a CAGR of 23.4% between 2018 and 2023 to reach EUR 36.8 billion (USD 43.5 billion) at the end of the forecast period.

As per information from Berg Insight the North American smart home market recorded strong growth during 2018.¹⁷ The installed base of smart home systems increased by 49.7% to reach 135.4 million at the year-end. An estimated 13.3 million of these were multifunction or whole-home systems whereas 122.1 million were point solutions designed for one specific function. As some homes have more than one smart system in use, the installed base totaled an estimated 33.8 million smart homes at the end of the year. This corresponds to 23.9% of all households, placing North America as the most advanced smart home market in the world. Between 2018 and 2023, the number of households that adopt smart home systems is forecasted to grow at a compound annual growth rate (CAGR) of 12.3%, resulting in 60.3 million smart homes at the end of the forecast period. Market revenues reached EUR 18.9 billion (USD 22.3 billion) in 2018, an increase of 24.8% year-on-year. The market is expected to grow at a CAGR of 17.3% between 2018 and 2023, reaching EUR 42.0 billion (USD 49.5 billion) in yearly revenues at the end of the forecast period.

¹⁶ Berg Insight, 2019, "Smart Homes and Home Automation"
(<http://www.berginsight.com/ReportPDF/ProductSheet/bi-sh7-ps.pdf>)

¹⁷ Berg Insight, 2019, "Smart Homes and Home Automation"
(<http://www.berginsight.com/ReportPDF/ProductSheet/bi-sh7-ps.pdf>)

Figure 7: Total number of smart homes in Europe and North America 2017 - 2023



F – forecasted

Source: Berg Insight

A point solution will in most cases be the consumer's first smart home purchase. Compared to whole-home systems, point solutions generated 67% of the combined market revenues in North America and Europe. The most successful point solutions to date, in terms of sold units, include smart thermostats, smart light bulbs, smart plugs, connected security cameras, multi-room audio systems as well as voice controlled smart speakers.

Wearables market segment

The wearables market is segmented by products like smartwatches, or more general – wrist-worn wearables, head-mounted displays, smart clothing, ear worns, fitness tracker, body worn cameras, exoskeletons, and medical devices, pet trackers. As per Mordor Intelligence analysis¹⁸, smartwatch category is experiencing a rise, owing to additional features and proliferation of devices' use cases, e.g. health and fitness monitoring, integration with other smart home devices, parental tracking of their kids' location and others. In this line Allterco Robotics produces (i) smartwatches for kids ("MiKy Watch", "MiKy Touch", "MiKy Junior"), (ii) pet tracker ("MiKy Pet") and (iii) self-care devices in the category fitness trackers ("MiKy Care").

The projections of IDC for wrist-worn wearables is the category to reach 152.7 million units by the end of 2019 with 21.7% growth over last year, and 194.1 million units by 2023, with a compound annual growth rate (CAGR) of 6.2%.¹⁹ However, growth in the category is due to watches as the market for wristbands will remain essentially flat with a 0.1% CAGR and its share will decline from 41.2% in 2019 to 32.5% in 2023.

¹⁸ Mordor Intelligence, 2020 "Smart Wearable Market | Growth, Trends, Forecast (2019 - 2024)" (<https://www.mordorintelligence.com/industry-reports/smart-wearables-market>)

¹⁹ IDC, 2019, "Wrist-Worn Wearables Maintain a Strong Growth Trajectory in Q2 2019" (<https://www.idc.com/getdoc.jsp?containerId=prUS45521319>)

Table 3: Worldwide wrist-worn wearables forecast by product, shipment, market share, and 2019-2023 CAGR (shipment in millions)

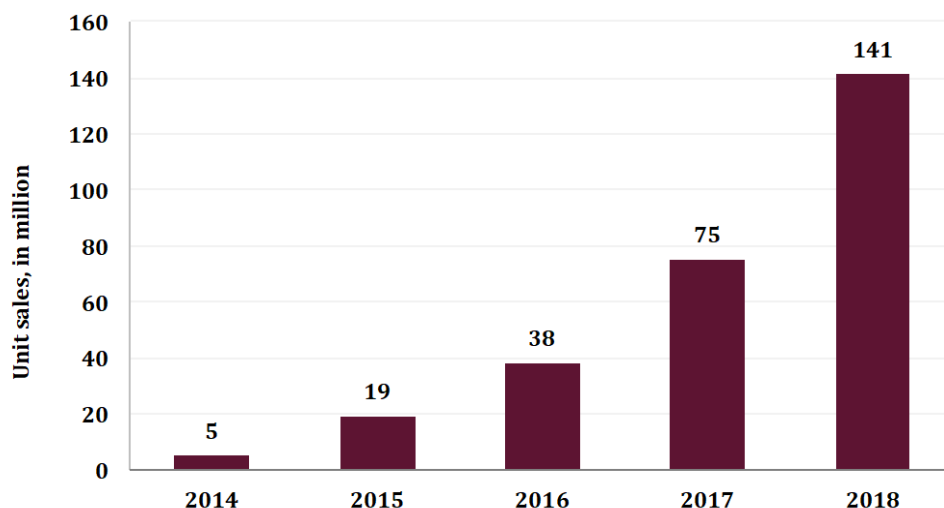
Product	2019F Shipments	2019F Market Share	2023F Shipments	2023F Market Share	2019F - 2023F CAGR
Smartwatch	66.5	43.5%	105.3	54.3%	12.2%
Basic Watch	23.3	15.3%	25.6	13.2%	2.4%
Wrist Band	62.9	41.2%	63.2	32.5%	0.1%
Total	152.7	100.0%	194.1	100.0%	6.2%

F- forecasted

Source: IDC

In November 2019 Google's parent company Alphabet Inc. announced that it would buy Fitbit Inc. for USD 2.1 billion. The deal is likely to be finalized in 2020. Before the acquisition of Fitbit, Google has made substantial investments in developing its wearable products. Reuters reported at the time that the purchase would give Google access to the health data of 28 million active Fitbit users around the world.²⁰ Earlier in 2019, Google spent USD 40 million to acquire smartwatch technology and personnel from Fossil Group's research and development team.²¹

Figure 8: Smartwatch unit sales, in million, 2014 – 2018



Source: Mordor Intelligence

The top 5 companies in wrist-worn wearables – Xiaomi, Apple, Huawei, Fitbit, and Samsung – continued to advance with new products during the 3rd quarter of 2019, collectively capturing 65.7% of the market, as per IDC reports.²²

²⁰ <https://www.reuters.com/article/us-fitbit-m-a-alphabet/google-taps-fitness-tracker-market-with-2-1-billion-bid-for-fitbit-idUSKBN1XB47G>

²¹ <https://www.reuters.com/article/us-fitbit-m-a-alphabet-exclusive/exclusive-google-owner-alphabet-in-bid-to-buy-fitbit-sources-idUSKBN1X71NY>

²² IDC, 2019, "Wrist-Worn Wearables Maintain a Strong Growth Trajectory in Q2 2019" (<https://www.idc.com/getdoc.jsp?containerId=prUS45521319>)

Table 4: Top 5 wrist-worn wearables companies, by shipments, market share, year-over-year growth, 2nd quarter 2019 (million devices)

COMPANY	2Q19 Shipments	2Q19 Market Share	2Q18 Shipments	2Q18 Market Share	Year-Over-Year Growth
1. Xiaomi	5.9	17.3%	4.2	15.6%	42.2%
2. Apple	5.1	14.8%	4.7	17.8%	7.0%
3. Huawei	4.8	14.1%	1.7	6.6%	175.7%
4. Fitbit	3.5	10.1%	2.6	9.9%	32.0%
5. Samsung	3.2	9.4%	1.1	4.1%	195.1%
Others	11.7	34.3%	12.2	45.9%	-4.0%
Total	34.2	100.0%	26.6	100.0%	28.8%

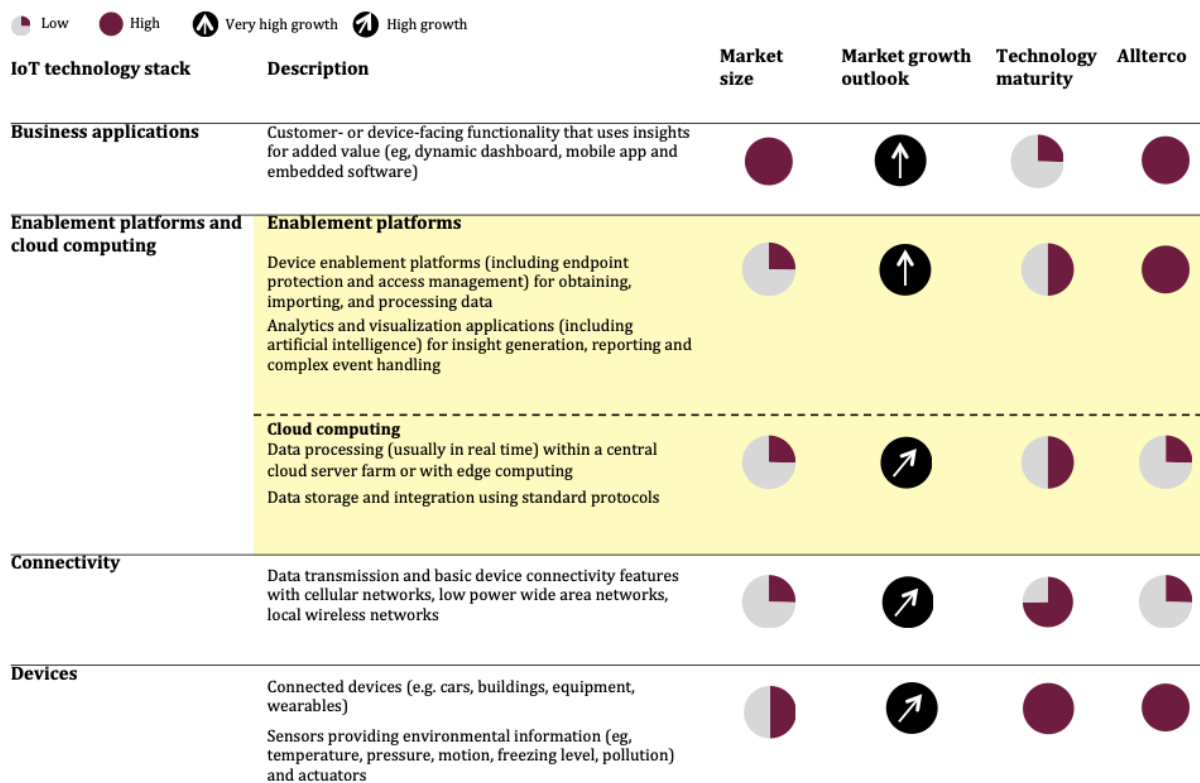
F - forecasted

Source: IDC

Allterco is active across the entire IoT technology stack

The IoT technology stack has advanced over the past five years—in the meantime, each of its layers holds significant market growth opportunities. McKinsey consider 5 components of the IoT technological stack.²³ **Smart devices** — the foundational layer of the IoT technology stack — are dominated by large manufacturers and specialist suppliers and enjoy healthy market growth. Smart devices are also the most mature product category in the IoT technological stack. The **connectivity layer** of the IoT technology is closely related to mobile-network operators (MNO) that offer standard cellular connectivity. A small number of well-financed start-ups have targeted this layer of the stack and have made progress in sub-segments such as low-power wide-area connectivity. **Device enablement platforms and cloud platforms** have especially strategic advantage of enabling related IoT growth and usage of the fast cloud computational power – this components is still in its growth phase. The final and top layer, **business applications**, will continue to be highly fragmented, with many disparate solutions and established companies coexisting with significant start-up activity.

²³ McKinsey & Company, 2019, “Growing opportunities in the Internet of Things” (<https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/growing-opportunities-in-the-internet-of-things>)

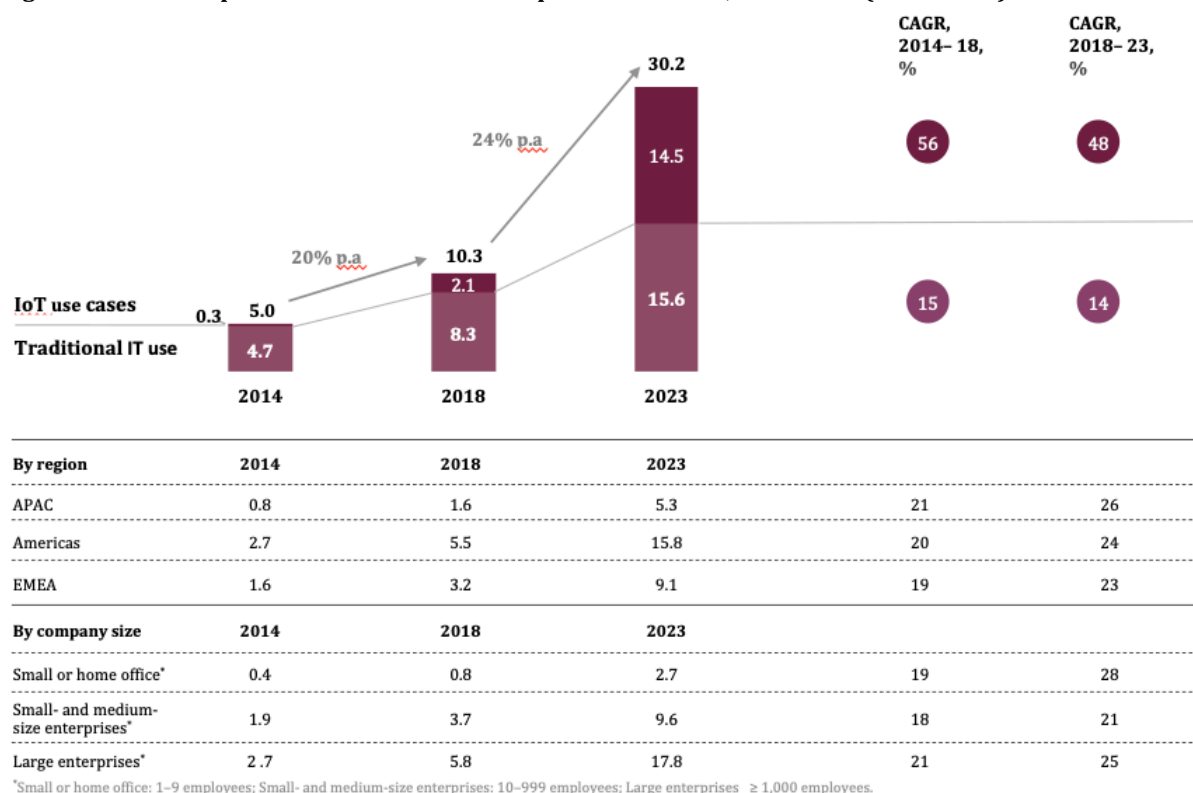
Figure 9: IoT technological stack
Markets for the IoT technology layers hold significant opportunities.


Source: McKinsey, Allterco JSCo

The Group of Allterco is active in the entire IoT stack, and is well-positioned in layers poised for the fastest expected growth in the near future. Alltero Robotics has developed and launched in parallel both its smart devices (Shelly, MyKi) and its device-enablement and cloud platform (Shelly Cloud, MyKi Cloud). Connectivity is a strong advantage of the Group, given the Company's long-lasting experience in the telecommunications market and the established business relation with more than 100 mobile network operators across Europe, North and South America, Africa and Asia. The Group companies have started developing business applications that will be shared with their smart devices customers. According to McKinsey's research device-enablement platforms become more important, in part due to uptake among small-to-medium-sized enterprises and small- and home-office users.²⁴ The revenue pools of device-enablement platforms for IoT are expected to grow at an average annual growth rate (CAGR) of 24% between 2018 and 2023, with the IoT segment in particular experiencing a growth rate of 48%.

²⁴ McKinsey & Company, 2019, "Growing opportunities in the Internet of Things" (<https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/growing-opportunities-in-the-internet-of-things>)

Figure 10: Revenue pools for device enablement platforms for IoT, 2014-2023 (EUR billion)



Source: McKinsey

5.3. SIGNIFICANT CHANGES RELATED TO THE BUSINESS OF THE ISSUER

5.3.1. SIGNIFICANT CHANGES

Significant changes impacting the Issuer's operations and principal activities

In 2019, Allterco JSCo discontinued its telecommunication business in Europe by selling 100% of its interest in the capital of 5 subsidiaries to LINK Mobility Group ASA. By completing the sale transaction on 29 July 2019, the interests listed below are no longer part of the holding's structure:

- 100% of the capital of Teravoice EAD, Bulgaria;
- 100% of the capital of Tera Communications AD, Bulgaria;
- 100% of the capital of Tera Communications DOOEL, Macedonia;
- 100% of the capital of Alterpay EOOD, Bulgaria
- 100% of the capital of Teracomm Ro SRL, Romania.

The implementation of Issuer's strategy of focusing on the development and manufacturing of smart devices necessitates an overall reorganization of the business and its channelling into the field of IoT. The Company has started a process of diversification of its business by operating, financial and administrative separation of the development activity from the trading one. The reorganization aims to overcome the misbalance between the subsidiaries due to the concentration of the whole load of the IoT business in Allterco Robotics. The process involves

the available resources in the holding's structure and currently does not envisage the acquisition or incorporation of new subsidiaries.

The process began by acquiring a 33-percent stake in Global Teracomm Inc. (DBA Allterco Robotics). Allterco JSCo became the sole owner of Global Teracomm Inc., which, from now on, will carry out entirely the trade and distribution operations in North and South America and other markets outside the EU of IoT devices of the Shelly line produced by Allterco Robotics OOD.

In December 2019, 33 % of the capital of Allterco Trading OOD (formerly Allterco Finance EOOD whose business activity was changed from financial and accounting service to trade in goods) were also acquired from the minority owner. Subsequently, Allterco JSCo became the owner of 100% of the capital of Allterco Trading EOOD, to which part of Allterco Robotics's trade operations is redirected in order to separate the trade from the production operations.

In December 2019, the Board of Directors made the strategic decision to sell the Group's telecommunication business in Asia to an appropriate buyer and at the best conditions complying with the statutory requirements and the interests of the Company. The implementation of that decision involves the sale of Issuer's stake in the capital of the following companies:

- 100% of the capital of Allterco Pte Ltd., Singapore;
- 100% of the capital of Allterco SDN Bhd., Malaysia;
- and 49% of the capital of Allterco Co. Ltd., Thailand.

The Board of Directors will carry out all necessary legal and factual actions necessary for the completion of such sale, including consultation and looking for an appropriate buyer. The specific parameters of a possible sale are subject to additional decision and disclosure according to the statutory requirements and the Company's policy on transparency.

Significant new products and services that have been introduced. Status of the development of new products and services.

A major part of the Group's IoT business is the research and development activities carried out by Allterco Robotics. In 2019, the developments of new solutions of the two product lines MyKi and Shelly, which are at different stages of creation, continued. Among the new devices launched on the market in 2019, the dual-channel relay Shelly 2.5 emerged as a more significant new product. It can be used in two electric circuits to control a wide range of household appliances, measure electricity consumption and has overload and overheating protection. The new relay was certified for sale in Europe and USA and was put to the market in the first half-year of 2019.

At present, the development of a new water-resistant MyKi watch is finalized. This product is to be demonstrated to customers in early 2020.

As part of Deutsche Telekom's development and innovation program Hub:raum, 2018 marked the beginning of a development of devices of the home automation product series, entirely based on the NB-LTE technology, which is characterized by the low energy consumption, longer battery life and the option to control a great number of connected devices. As at the date of the Prospectus the development of models, which include smart fire and smoke sensors and sensors

for air quality management, a door sensor with signaling and alarm, a smart contact, a motion sensor and a smart button, ensuring confort and security, and others, has been completed. There are products at the stage of final testing as their market launch is scheduled in 2020.

In 2019, works started on creating a device for remote measurement of vital parameters, which are at the initial stage of development.

Material changes in the Issuer's regulatory environment

After the end of the period covered by the Group's last audited financial statements, and namely: 31 December 2018, no material changes to the Issuer's or its subsidiaries' regulatory environment have occurred.

5.3.2. BUSINESS PLAN FOR DEVELOPMENT

Planning of resources for the implementation of strategic goals of the Issuer is detailed in business plans and summarized in financial forecasts. The details of them and the basic assumptions are presented in item 7.2 of the Registration Document.

Allterco's business plans are directed in three lines:

Development of new IoT devices

In the period 2020 - 2024 it is planned to continue the research and development activity related to the improvement of Shelly and MyKi as well as the development of new products. This line requires investments in worked man-hours of the respective IT and engineering specialists, purchase of materials and components, costs for hired services, as well as completion of laboratory equipment by purchasing of specialized equipment.

So far, 18 products and 3 accessories of the Shelly product line have been developed and are currently on the market. In 2020 some 15 new products and 8 accessories are planned to be developed and released on the market.

The Group also envisages the development of devices in brand new lines. The development and certification of a device for monitoring of vital indicators and diagnostic purposes is imminent in 2020.

The annual costs for research and development for remuneration and related social security contributions are expected to amount to EUR 320 thousand in 2020 and to reach EUR 386 thousand in 2024.

Expanding and building the distribution network by countries

Currently, the sales of IoT devices via distributors are carried out in Germany, Italy, France, the Netherlands (Holland), Sweden, Spain, Austria, Serbia, North Macedonia, Romania, Turkey, Slovenia, Hungary, Lebanon, Poland, Switzerland, the United Kingdom, Russia, Canada, Iceland, Portugal, Hong Kong (China) for the Shelly products. The management plans to enter and establish new geographical markets by extending the distribution network. The specific plans

for the year 2020 are oriented towards the entry and expansion of market shares in Spain and Great Britain. This necessitates identification and conclusion of contracts with local distributors. For the purposes of the expansion of the distribution network it is planned to considerably increase the sales team as well as to hire salesmen by country/region to keep contacts with local distributors, to participate in specialized local IoT exhibitions, to organize subsequent service support.

The expansion of geographical markets is also associated with the need of certification of the products in the respective jurisdiction as that process takes several months. The plan is to certify a total of 40 products in the period 2020 - 2021, and 30 products in the period 2022–2024 for the territories of the EC, the USA and Australia and New Zealand, as the expected costs for that for the entire forecast period until 2024 amount to appr. USD 1.3 million.

Optimization of deliveries and distribution

The extension of markets by expanding the distribution network and redirecting an increasing share of the sales to business customers and distributors, as well as the increase in the sales and the expansion of the product range, lead to an increase in inventories and the need of working capital. Besides, the expansion on global markets calls for optimization of deliveries and distribution. In this regard, Allterco has started to separate the distribution activity from production. For the sake of more efficient management of logistic processes, the management envisages to establish logistic centers in Bulgaria, USA and Hong Kong, and subsequently, in other countries, which will serve the deliveries for Europe, North America and Asia, respectively.

This line will require investments in working capital for warehouse stocks and advances to suppliers as well as costs for organising the manufacturing processes.

The financing of these projects is planned through the proceeds from the initial public offering and internally generated cash funds. If they deem it appropriate the Group companies may also use bank financing for working capital and investment purposes for specific lines.

5.4. INVESTMENTS

After the date of the most recent published financial statements of the Issuer as at 30 June 2019 the subsidiary Allterco Robotics has undertaken investments in development and certification of devices for remote measurement of vital indicators and diagnostics. The developments are expected to be completed within 2020. The total amount of necessary costs is BGN 500 thousand and the investment is to be covered by internally generated cash.

Save for the above investment, which is in progress, Allterco Robotics has continued to work and invest in new and existing developments of IoT devices as part of its core business, whereas none of these investments is significant itself.

After the date of the most recent published financial statements of the Issuer, no other significant investments or ones in progress or ones for which firm commitments have been made, have been undertaken by the Group companies.

5.5. FINANCIAL INDICATORS

Allterco JSCo prepares financial statements on a consolidated and on an individual basis. The information in this section is based on the audited annual consolidated financial statements for the year 2018 and the non-audited interim consolidated financial statements for the first half of the year 2019. The tables below present only the information that the management thinks is of material importance for understanding the financial position and operating results of the Issuer. Investors must scrutinize it together with the full content of the said statements, including the explanatory notes thereto. In relation to the material changes to Issuer's business and the changes to the financial position of the Group arising as a result thereof, potential investors must also make themselves familiar with the information in items 5.3, 6, 11.4 and 11.5 of this Registration Document.

Financial data from the interim consolidated financial statements and notices of the Group, which have been duly announced to the public and FSC as per the applicable provisions have been used for the purposes of calculations of certain financial ratios.²⁵

²⁵ The ratios which are marked accordingly are calculated as per the methodology of BSE <http://download.bse-sofia.bg/pdf/methodology.pdf>

Table 5: Selected financial indicators on a consolidated basis

Indicators from the Statement of Comprehensive Income, in BGN thousand	2018	2017	30.6.2019*	30.6.2018*
(1) Sales revenue, including:	44,880	39,186	24,044	18,155
<i>change on an annual basis, %</i>	14.53%	20.03%	32.44%	,
(2) - revenue from services	33,931	31,812	17,280	16,314
<i>change on an annual basis, %</i>	6.66%	10.35%	5.92%	
(3) - revenue from sales of goods	10,949	7,374	6,764	1,841
<i>change on an annual basis, %</i>	48.48%	93.04%	267.41%	
(4) Cost of sales, including:	-32,130	-27,711	-17,038	-13,466
(5) - cost of services	-27,464	-24,486	-14,050	-12,608
(6) - cost of goods sold	-4,666	-3,225	-2,988	-858
(7) Gross profit, including:	12,750	11,475	7,006	4,689
<i>change on an annual basis, %</i>	11.11%	22.11%	49.41%	
(8) - from sales of services	6,467	7,326	3,230	3,706
<i>change on an annual basis, %</i>	-11.73%	2.78%	-12.84%	
(9) - from sales of goods	6,283	4,149	3,776	983
<i>change on an annual basis, %</i>	51.43%	82.86%	284.13%	
(10) Other operating expenses, including	-9,777	-8,839	-5,863	-4,921
<i>change on an annual basis, %</i>	10.61%	12.17%	19.14%	
(11) - depreciation expenses	-700	-363	-768	-326
(12) Profit / Loss from operating activity before depreciation expenses, EBITDA	4,064	3,628	2,003	225
<i>change on an annual basis, %</i>	12.02%	82.59%	790.22%	
(13) Profit / Loss from operating activity, EBIT	3,364	3,265	1,235	-101
<i>change on an annual basis, %</i>	3.03%	85.09%	n.a.	
(14) Financial expenses	-285	-208	-95	-84
(15) Profit / loss before tax	3,079	3,057	1,140	-185
(16) Profit / loss for the period from continuing operations	2,093	2,714	995	-247
(17) Profit / loss for the period from discontinued operations	513	-	-136	-
(18) Net profit / loss	2,606	2,714	859	-247
<i>change on an annual basis, %</i>	-3.98%	96.10%	n.a.	
(19) Net profit attributable to the owners of the Parent Company	2,648	2,685	747	-411
<i>change on an annual basis, %</i>	-1.38%	96.70%	n.a.	
Indicators from the Statement of Financial Position, in BGN thousand	2018	2017	30.6.2019*	
(20) Cash and cash equivalents	543	3,060	1,964	
(21) Inventory	964	860	1,261	
(22) Trade receivables	7 652	11 619	5 703	
(23) Current assets	9,606	16,050	9,829	
(24) Intangible assets	3,597	3,516	3,930	
(25) Non-current assets	23,833	23,594	23,997	
(26) Non-current assets classified as held for sale and assets included in a disposal group classified as held for sale	8,858	-	7,643	
(27) Total Assets	42,297	39,644	41,469	
<i>change on an annual basis, %</i>	6.69%	24.65%	2.20%	
(28) Trade payables	2,131	7,515	1,553	
(29) Current liabilities	4,721	9,801	3,176	
(30) Financial debt	4,310	4,192	3,459	
(31) Non-current liabilities	3,043	3,596	3,013	
(32) Liabilities related to Non-current assets classified as held for sale and assets included in a disposal group classified as held for sale	5,609	-	5,720	
(33) Total Liabilities	13,373	13,397	11,909	
<i>change on an annual basis, %</i>	-0.18%	65.31%	-18.40%	

(34)	Net financial debt (financial debt – cash and cash equivalents)	3,767	1,132	1,495
(35)	Equity	28,924	26,247	29,560
(36)	Equity attributable to the owners of the equity of the Parent Company	28,875	26,153	29,403

Indicators on the basis of the Statement of Cash Flows, in BGN thousand		2018	2017	30.6.2019*	30.6.2018*
(37)	Net cash flow from operating activities	592	1,328	4,299	-1,001
(38)	Net cash flow from investment activities	-2,329	-5,020	-297	-915
(39)	Net cash flow from financial activities	1,325	3,146	-1,157	849

Other indicators		2018	2017	30.6.2019*
Number of shares, in thousand				
(40)	Number of shares as at the end of the period	15,000	15,000	15,000
(41)	Weighted average number of shares for the preceding 12 months	15,000	15,000	15,000
Stock exchange indicators				
(42)	Weighted average price from the last exchange session (without adjustment factor for dividend payment), in BGN	2.100	2.099	2.500
(43)	Last price per share from the last exchange session (without adjustment factor for dividend payment), in BGN	2.100	2.099	2.500
(44)	Market capitalization, in BGN thousand	31,500	31,485	37,500
Other indicators, in BGN thousand				
(45)	Dividend (by resolution of the GMS of 28 October 2019)	-	-	2,700
(46)	Arithmetic mean value of total assets for the last 5 quarters	40,920	34,382	41,458
(47)	Arithmetic mean value of equity attributable to the owners of the Parent Company for the last 5 quarters	26,619	24,342	28,053
(48)	Sales revenues for the last 4 quarters	44,880	39,186	50,769
(49)	Profit before interest and tax for the last 4 quarters, EBIT	3,364	3,265	4,700
(50)	Net profit attributable to the owners of the Parent Company for the last 4 quarters	2,648	2,685	3,806

Financial ratios		2018	2017	30.6.2019*
Profitability ratios				
	Gross profit margin, (7)/(1)	28.41%	29.28%	29.14%
	Gross profit margin from sales of goods, (9)/(3)	57.38%	56.27%	55.82%
	EBITDA margin, (12)/(1)	9.06%	9.26%	8.33%
	EBIT margin, (13)/(1)	7.50%	8.33%	5.14%
	Net profit margin, (18)/(1)	5.81%	6.93%	3.57%
	Net profit margin from continuing operations, (16)/(1)	4.66%	6.93%	4.14%
	Return on assets using EBIT (ROA using EBIT) (BSE), (49)/(46)	8.22%	9.50%	11.34%
	Return on equity, ROE (BSE), (50)/(47)	9.95%	11.03%	13.57%
Turnover and liquidity ratios				
	Asset turnover ratio (BSE), (48)/(46)	1.10	1.14	1.22
	Current liquidity (BSE), (23)/(29)	2.03	1.64	3.09
	Interest coverage ratio, [(13)/(14)]*(-1)	11.80	15.70	13.00
Ratios per share				
	Revenues from sales per share (BSE), (48)/(41)	2.99	2.61	3.38
	Earnings per share (BSE), (50)/(41)	0.18	0.18	0.25
	Book value per share, (36)/(40)	1.93	1.74	1.96
	Price/ Revenues from sales per share (BSE), (42)/[(48)/(41)]	0.70	0.80	0.74
	Price / Earnings per share (BSE), (42)/[(50)/(41)]	11.90	11.73	9.85
	Price / Book value per share (BSE), (42)/[(36)/(40)]	1.09	1.20	1.28

Indebtedness Ratios			
Financial debt / Financial debt + Equity, (30)/[(30)+(35)]	0.13	0.14	0.10
Interest-bearing debt / Assets, (30)/(27)	0.10	0.11	0.08
Indebtedness ratio (BSE), (33)/(27)	0.32	0.34	0.29

* Unaudited data

** In 2019, dividends were distributed by resolution of the General Meeting of Shareholders of 28 October 2019. Information about the dividends is given in items 11.4 and 11.7 of this document.

Source: Consolidated annual financial statements for the year 2018, Consolidated interim financial statements for the first half of 2019, interim quarterly reports and notices for the period from 01 January 2017 to 30 June 2019, BSE

6. TREND INFORMATION

The most significant recent trends in production, sales and inventory, and costs and selling prices

The main trend in the business of the Issuer since the end of the last financial year for which audited statements are published until the date of the Registration Document is the significant growth of sales in the IoT segment. In the consolidated revenues of the Issuer the sales in this segment are represented mainly by the sales of goods, which make up about 95% of the revenues in this segment. In the first half of 2019 Allterco generated revenues from sales of goods in the amount of BGN 6,764 thousand compared to BGN 1,841 thousand for the same period of the preceding year, accounting for a growth of 267% on an annual basis. In the second half of 2019 the trend of increasing revenues from sales of goods continued and according to preliminary financial data of the Issuer for the year 2019 it has achieved more than 90% growth on an annual basis. Within the Black Friday promotional campaign in November 2019 more than 68,000 devices of the Shelly product line were sold. Together with the increase in the sales of IoT devices in 2019 there is an increase of the share of devices sold via the B2B2C channel, which is linked to Group's strategic plans to expand the distribution network. Due to the increase in the sales in the IoT segment there is also an increase in the cost of goods sold. At the same time, the levels of the gross profit margin in the IoT segment are maintained, which, according to preliminary data reached about 57% until the end of 2019 from 57.4% in 2018.

In 2019, the Issuer registered an increase of the average selling price of the products of the MyKi range which was linked mainly to the increase of the share in the sales of the *Junior* model, which has the most extensive set of functionalities and, respectively, the highest price compared to the other models. With the Shelly products there was a small growth in the average selling prices. Nevertheless, the medium-term expectations of the Group's management are that with technological advancement, integrated circuits getting cheaper, increasing the volumes of the sales as well as improvement of the Issuer's competitive position, the end-selling prices for devices sold by the Group will decrease. Therefore, in their forecasts covering the period until 2024 Allterco sets a trend of decreasing prices and gross margins. On the other hand, it can be expected that due to the increase demand for highly qualified engineering staff the remuneration expenses will also grow.

The implementation of Issuer's strategy of focusing on development, manufacturing and sales of smart devices requires undertakings to build distribution network and logistic centers in some key regions. In 2019, some small volume of goods were stored at a warehouse facility in the USA

and its extension is forthcoming. Although as at the end of 2019 the inventories increase on an annual basis at a slower pace compared to the sales of goods, the Issuer expects that the effects of these measures and of the increase of the devices sales will result in an increase in the value of inventories by the growth of the sales.

The Group companies' manufacturing operations are outsourced to external subcontractors. In addition to the trends directly linked to the increase in the aforesaid sales of goods no other trends in manufacturing can be observed.

Significant change in the financial performance of the Group

A significant change to the financial position and results of the Group after the end of the last financial year is associated with the effects of the sale of the telecommunication business in Europe in July 2019, whereupon 100% of the stakes (direct or indirect) in the capital of Teravoice EAD, Tera Communications AD, Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia) were sold. In the course of the preparation of the sale a preliminary restructuring was carried out whereupon Tera Communications AD and Teravoice EAD acquired the shares of the capital of the subsidiaries Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia). Proceeds in the total amount of BGN 16,475 thousand were generated by the sale of the 5 subsidiaries, of which BGN 1,205 thousand were realized upon the preliminary restructuring, and BGN 15,270 thousand were realized upon the completion of the transaction with LINK Mobility Group ASA. The book value of the investments sold is BGN 7,509 thousand. In pursuance of the contract as at 29 July 2019, as agreed, Allterco JSCo received a partial payment of the contract price, namely: 60% cash payment in the amount of BGN 9,162 thousand, and 20% in the form of shares in the capital of the sole owner of LINK Mobility Group – ASA Victory Partners VIII Norway Holding AS to the amount of BGN 3,054 thousand. The remaining 20% of the selling price in the amount of BGN 3,054 thousand are payable under the conditions of deferred payment for a period of 2 years. The proceeds from the preliminary restructuring have been received in full in the form of cash payment as at the date of the Prospectus.

The transaction has an immediate significant effect on the absolute amounts of the consolidated sales of the Issuer for 2019. Before the transaction the revenues of the divested business (discontinued operations) formed a substantial part of Issuer's revenues from sales of services on a consolidated basis. For the first half of 2019 the consolidated revenues from sales of services amount to BGN 17,280 thousand, making up 72% of Issuer's total revenues, and the remaining 28% were generated by sales of goods representing revenues from sale of IoT devices. As a result of the sale the decrease in the revenues from services in 2019 is expected to be somewhere in the range of 64% on an annual basis. Accordingly, the expenses representing the cost of services provided also decrease. For the first 6 months the revenues from the sales and the net result of discontinued operations in the consolidated revenues and results of the Issuer account for BGN 11,933 thousand and a net loss of BGN 136 thousand, respectively. The pro forma consolidated revenues from sales for 2018 and for the first half of 2019 are BGN 22,415 thousand and BGN 12,398 thousand, respectively. The pro forma net profit for the shareholders of the Parent Company for 2018 and for the first half of 2019 are BGN 5,821 thousand and BGN 4,542 thousand, respectively (see item 11.5 Pro forma financial information).

The focusing on the IoT segment leads to the improvement of the profitability of continuing operations of the Company on a consolidated basis because the IoT segment has considerably higher margins compared to the telecommunication business.

In December 2019, in order to focus the Group into the IoT segment the Board of Directors of Allterco made a decision, as a matter of principle, to proceed to the sale of the telecommunication business in Asia. The Company's reorientation entirely to the "Internet of Things" segment is expected to have a significant effect on the Issuer's prospects. When the planned sale of the Asian telecommunication business is carried out this will result in a decrease in the absolute amount of the consolidated revenues of the Company, and some insignificant effect on the profitability of continuing operations might be expected. Meanwhile, as at 30 September 2019 a write-down in the goodwill related to the investment in Allterco Pte Ltd., Singapore, was accounted for on a consolidated basis to the amount of BGN 4,904 thousand, as a result of impairment of the investment in that company on the Issuer level and the goodwill review made as a result thereof. As of the date of the Registration Document the total value of Allterco's investment in the Asian companies on the Issuer level amounts to BGN 4,386 thousand. Given that the decision of the Board of Directors to sell these investments was taken recently, no talks have been held so far with interested parties, no specific parameters of the transaction have been identified and no commitments have been made by potential buyers. The realization of such a transaction is uncertain and the immediate effect of it on the results of the Company might be significant.

After the planned sale of the Asian telecommunication business the future results of the Company will depend entirely on the "Internet of Things" segment.

In June 2019, Allterco Robotics obtained certificates (UL) for certain IoT devices, which allows such devices to be marketed in North America. As a result of that some sales revenues were generated on the markets in USA and Canada where the Issuer expects significant growth in the future. From now on the subsidiary Global Teracomm Inc. will carry out entirely the trade and the distribution operations of the Shelly product line in North and South America as well as in all other regions outside the EU.

In 2019, the development of new IoT devices and applications continued. The Issuer's policy is to capitalize major portion of the expenses for development activities where they meet the criteria of the accounting standards for recognition of internally generated assets.

Additional information on the trends in the channels of sales, revenues and gross profits of the Issuer is also examined in item 5.2.3.

Other known trends

In 2020 the completion of the tests and start of the sales of the first NB LTE-technology based devices of the Shelly product series are expected. The management expects that this technology will be the future in the IoT industry and after the necessary period of introduction and establishment of the developed products on the market some significant sales can be expected in the medium-term.

In order to diversify its product portfolio in 2019 Allterco Robotics started the creation of devices for monitoring of vital parameters and diagnostics, and it expects that the development will be finalized by the end of 2020.

As at the date of preparation of the Registration Document, as far as the Issuer is aware, there are no other events, commitments, trends, requirements or uncertainties other than the ones described in this Prospectus that might have a material effect on Allterco's prospects in 2020.

7. PROFIT FORECAST OR ESTIMATE

7.1. PUBLISHED PROFIT FORECAST OR ESTIMATE

So far the Issuer has not published profit estimates. The Company has presented, as part of the Prospectus for Initial public offering in 2016, a forecast Statement of Comprehensive Income for the period 2016 – 2020 on an individual and consolidated basis. As of the date of the Prospectus this forecast is no longer valid due to the significant changes to Issuer's business described in item 5.3.1.

7.2. INCLUSION OF NEW FORECASTS

The Issuer has prepared a profit forecast on a consolidated basis for the period 2020 - 2024 which reflects the expectations and plans for development of the business in the medium term. The data included for the year 2019 are on the basis of preliminary financial results.

The Issuer declares that the profit forecast has been prepared in accordance with Issuer's accounting policies which comply with IAS and which are valid for the financial year ending on 31 December 2019. The Issuer has prepared the forecast on the basis of comparable financial information for past periods, in particular the consolidated financial statements of the Group for the year 2018 and the interim financial statements as at 30 June 2019. The forecast has not been audited by an independent auditor.

Table 6: Forecast financial results

In BGN thousand	2017	2018	2019P*	2020F	2021F	2022F	2023F	2024F
Sales revenue	39,186	44,880	33,526	34,247	54,512	82,059	103,476	121,104
Gross profit	11,475	12,750	14,799	16,195	24,020	34,110	41,451	47,947
<i>Gross profit margin</i>	29.3%	28.4%	44.1%	47.3%	44.1%	41.6%	40.1%	39.6%
Other revenues	629	391	68	-	-	-	-	-
Other operating expenses (except for depreciation expenses)	-8,476	-9,077	-12,970	-9,844	-12,175	-14,327	-15,950	-17,334
EBITDA	3,628	4,064	1,897	6,351	11,845	19,783	25,502	30,613
<i>EBITDA margin</i>	31.6%	31.9%	5.7%	39.2%	49.3%	58.0%	61.5%	63.8%
Depreciation expenses	-363	-700	-1,019	-1,570	-1,526	-1,580	-1,789	-1,228
Profit / Loss from operating activity, EBIT	3,265	3,364	878	4,780	10,318	18,203	23,712	29,385
<i>EBIT margin</i>	8.3%	7.5%	2.6%	14.0%	18.9%	22.2%	22.9%	24.3%
Financial revenues / expenses, net	-208	-285	8,802	-138	-108	-99	-89	-80
Profit before tax	3,057	3,079	9,680	4,643	10,210	18,104	23,623	29,305
Net profit	2,714	2,606	8,680	3,712	8,868	15,914	20,592	25,616
<i>Net profit margin</i>	6.9%	5.8%	25.9%	10.8%	16.3%	19.4%	19.9%	21.2%
Net profit attributable to the owners of the Parent Company	2,685	2,648	8,544	3,712	8,868	15,914	20,592	25,616

P* - preliminary data

F – forecast data

Source: Allterco JSCo

The profit forecast has been prepared on the basis of the assumptions described below, with a drawn distinction between the assumptions about the factors that fall within and outside the management's scope of influence.

Key Assumptions

IoT segment

The Issuer has prepared the forecasts on the basis of the strategic decision to focus the activity of the Group in the IoT segment. In relation to the decision of the Board of Directors on the sale of the Group's mobile value-added services business in Asia disclosed on 17 December 2019, the forecasts have taken into account only the operations of development, manufacturing and sale of IoT devices. The projections related to the telecommunication business are limited to the planned sale of the three subsidiaries in Asia. The Issuer has taken a conservative approach where the forecast proceeds from the sale is equal to the book value of the investment in these companies.

Number of devices sold

The following Table presents the number of devices sold by year underlying the forecasts.

Table 7: Forecast number of devices sold

	2019P*	2020F	2021F	2022F	2023F	2024F
Shelly devices	587,400	1,049,000	1,919,000	3,183,000	4,442,000	5,298,200
Myki devices	71,400	84,000	98,700	120,000	146,400	150,900
Other devices	-	-	1,380	3,907	5,851	7,807

P* - preliminary data

F – forecast data

Source: Allterco JSCo

Gross profit margin

The Issuer expects a decrease in the gross profit margin from sales of devices from 47% in 2020 to 40% in 2024. The decrease stems from the management's view that the increase of the market share and competitive position implies a decrease of the selling prices and shrinking of the gross margin.

Operating expenses

- An increase in the expenses for marketing and advertising is planned, including participation in major international and regional exhibitions and internet advertising;
- The expenses for staff are planned on the basis of actual remuneration in 2019 plus a percentage of annual increase and an increase in the number of staff during the forecast period as the new hires by the Group are envisaged to be as follows: 25 in 2020, 21 in 2021, 17 in 2022, 9 in 2023 and 4 in 2024.

Development activity

Allterco Robotics will continue to carry out development activity. As a result of that activity the Company will form intangible assets (capitalized expenses, mainly for remuneration) to the amount of EUR 320 thousand in 2020, as in the forecast period the amount will gradually increase until it reaches EUR 386 thousand in the end of 2024.

Working capital

The period for collection of trade receivables is expected to increase from about 60 days to 105 days for some of the companies, which takes into account the increase of the share of the sales to business customers in the total share of the sales. Other trade receivables, which include mainly advances in relation to the manufacturing operations in China, are expected to increase in terms of their value but expressed as a ratio to the daily revenues from sales they are expected to decrease, taking into account the expected improvement of the conditions for advance payment to the manufacturers of the devices. The inventories follow the growth of the sales of goods. It is expected that the period for payment of trade payables will increase in the main trade companies from about 20 days to 25-27 days.

Allterco will finance the need of working capital funds of its subsidiaries. The loans granted to subsidiaries for the forecast period are as follows:

- 2020 – EUR 2,900,000
- 2021 – EUR 4,300,000
- 2022 – EUR 4,500,000
- 2023 – EUR 3,850,000
- 2024 – EUR 3,100,000

Financing

Forecasts do not include new bank loans (other than the ones in effect as at the present). All new investments will be financed by own funds and by proceeds from the capital increase.

Factors within the scope of Management's influence

This group includes the assumptions regarding the forecasts which are subject to decisions of the management of Allterco: price policy, choice of suppliers and contractual partners, investment policy, staff selection, and determining the remuneration, other operating decisions.

Factors outside the scope of Management's influence

The factors, for which assumptions have been made for the purposes of the forecasts and which are outside the Management's influence are related to the strengthening of competition and entry of new players into the market for IoT devices; changes to the macroeconomic indicators of the countries where the goods are sold and where the manufacturing takes place; changes in currency exchange rates to which supplies of goods and revenues from sales are tied; changes in the regulations relevant to the IoT devices (licensing, necessary qualification to operate such devices) and protection of personal data; restrictions on free trade (customs duties, other barriers to trade); intensification of the shortage of qualified workforce and significant increase of the pay levels as a result thereof.

Factors which could materially change the outcome of the forecast

Such factors are associated with drastic adverse changes to the macroeconomic environment, including currency exchange rates; significant competition; restrictions on free trade; failure to achieve the forecast volumes of the sales and the prices underlying the plan, an increase in the manufacturing expenses above the envisaged levels; an increase in the expenses for remuneration as a result of shortage of qualified staff; wrong operating and investment decisions.

8. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

8.1. MANAGEMENT

Administrative, Management and Supervisory Bodies

Allterco JSCo has a one-tier management system consisting of a general assembly of shareholders and a Board of Directors, which is the management body of the Company. The Company has not appointed a procurator. The Board of Directors is composed of:

- Svetlin Iliev Todorov –Chairman of the Board of Directors of Allterco JSCo, business address: 5463 S Durango Dr, Las Vegas, NV 89113, USA;
- Dimitar Stoyanov Dimitrov – Deputy Chairman of the Board of Directors of Allterco JSCo and executive director, business address: 1407 Sofia city, 103 Cherni Vrah Blvd;
- Nikolay Angelov Marinov – independent member of the Board of Directors of Allterco JSCo, business address: 1404 Sofia city, Charles Champaud Street, bl. 18, entrance A, ap. 1;

The term of office of the Board of Directors is until 05 March 2020.

Dimitar Stoyanov Dimitrov is one of the founders of Allterco JSCo and has more than 17 years of experience in the sector of technology, media and telecommunications (TMT). He started his career as an entrepreneur in 1991. In 1994, he created a cable television in his hometown of Burgas and later the company expanded and developed cable networks on the territory of the entire country. In the late 1990s Mr. Dimitrov engaged in publishing by issuing 2 magazines in the field of technologies and telecommunications. In 2001, he established the first company in Bulgaria (DVR REVIEW OOD) offering value-added services for users of mobile phones. Later, in 2004, these operations moved to Tera Communications AD which he co-founded and which later became part of the structure of Allterco JSCo.

Dimitar Dimitrov is the founder of the Group's IoT business initially in his capacity of manager and, subsequently, as Director of Research & Development at Allterco Robotics EOOD. His work is underlying the development and promotion of new IoT products and designs. Dimitar Dimitrov has no principal activities performed outside of the Issuer's Group which are significant with respect to the Issuer.

Currently, Dimitar Dimitrov holds 5,776,120 shares of the capital of the Issuer representing 38.51% of the capital and voting rights at its general meeting.

Svetlin Iliev Todorov is an entrepreneur in the field of advertising business and has more than 20 years of experience in the sector of technology, media and telecommunications (TMT). He founded his first company, A-team, an international advertising agency in 1997 in Sofia. Five years later, he turned to the outdoor advertising business: posters, placards, billboards, etc. and established ATA Advertising Ltd., a company engaged in development and promotion of outdoor advertisements in Bulgaria. He joined the team that subsequently created Allterco JSCo as one of the founders in 2004 and took charge of management and business strategies of the Group. He has a BA degree in Business Administration from the Open University, London and a BA degree in Philology and Cultural Studies from St. Kliment Ohridski Sofia University, city of Sofia. Since 2017 he has been actively developing the American market for the IoT devices of the Group companies. Svetlin Todorov has no principal activities performed outside of the Issuer's Group which are significant with respect to the Issuer.

Currently, Svetlin Todorov holds 5,776,120 shares of the capital of the Issuer representing 38.51% of the capital and voting rights at its general meeting.

Nikolay Angelov Marinov has more than 18 years of experience in the field of capital markets, public companies and finances. He started his career as a commodity exchange broker at the Sofia Commodity Exchange in the period 1991-1993 and since 1993 he was a broker at the Sofia Stock Exchange and the Balkan Stock Exchange. From 1997 to 2006 he worked as a broker and head of Bulgarian Capital Market Division at Financial House Karoll AD, later Karoll AD, by entirely building up the intermediary as an institutional participant in the trading at the Bulgarian Stock Exchange (BSE). In 2003-2006, Mr. Nikolay Martinov was a member of the Board of Directors of Karoll Capital Management EAD, the managing company of Karoll's investment vehicle Advance Invest AD. From 2002 to 2005 he was awarded the BSE annual prize for broker with the highest number of concluded transactions. In the period 1997-2003, Mr.

Nikolay Martinov was also a member and manager of Unicom Consult OOD, then assumed control over the company and turned it into a private investment vehicle. Unicom owned the rights to the website Finance.News.BG until 2003 when they were sold to Web Media Group. In 2004, he participated as a leading figure in the initial public offering of Investor BG AD, the first one at BSE, and from 2004 to 2013 he was a member of the board of directors of the public company with responsibilities for its strategic management. Mr. Nikolay Martinov is co-founder of and managing partner in the private equity investment company Impetus Capital OOD, which was registered in 2019 with the register under article 30 (1), item 7 of FSCA kept by the Financial Supervision Commission, as an alternative investment fund manager. He has a master's degree in computer technology from the Technical University, city of Sofia and a certificate of securities broker issued by the Financial Supervision Commission.

Nikolay Martinov does not have direct participation in the capital of the Issuer. The companies Unicom Consult EOOD, of which he is the sole owner of the capital and manager, and Impetus Capital OOD, in which he is a member holding 50% of the capital and manager, hold 70,625 shares (0.5%) and 135,000 shares (0.9%), respectively, of the capital of the Issuer and of the voting rights at its general meeting. Nikolay Martinov has no principal activities performed outside of the Issuer's Group which are significant with respect to the Issuer.

There has been no change in the members of the Board of Directors of the Issuer after the date of the last annual financial statements. The declarations of the members of the Board of Directors regarding their participation in other companies according to article 114b POSA are disclosed on Issuer's website at www.allterco.com. In addition, information regarding the interests of the members of the Board of Directors is also disclosed in the annual statements of the Company, as in relation to the most recent published annual statements for the year 2018 one should take into consideration the subsequently submitted declarations under article 114b POSA which update the stated information.

There are no family relationships between the members of the Board of Directors of Allterco JSCo and for the previous 5 years none of the members of the Board of Directors:

- Has been convicted for fraud;
- Has been involved in bankruptcies, receiverships, or liquidations in his capacity of a member of administrative, management or supervisory body or senior manager;
- Has been subject to official public incrimination and/or sanctions by statutory or regulatory authorities (including professional bodies);
- Has been deprived by the court of the right to act as a member of the administrative, management or supervisory bodies of an issuer or to hold any position in the management of an issuer or to conduct the affairs of an issuer.

Other members of senior management

Svetozar Gospodinov Iliev is the Financial Director of the Issuer and of the economic group of Allterco JSCo, business address: 1407 Sofia city, 103 Cherni Vrah Blvd.

Svetozar Iliev has more than 15 years of experience in the field of finance, 10 of which are related to the sector of technology, media and telecommunications. His career started in 1999 in the sector of risk capital and corporate finance in Southeast Europe working for companies such as Deloitte, Global Finance and ECM-BPPF. In 2006, he moved to the media company Diema Vision in the position of Chief Financial Officer (CFO). After the company was acquired by MTG Group, **Svetozar Iliev** became deputy chief financial officer of the group for its media business in Bulgaria and Macedonia. He has a BA degree in Business Administration from the University of Portsmouth, the United Kingdom, a certificate of financial analyst (CFA) and is a member of CFA Institute (USA) and the Bulgarian CFA Association. Svetozar Iliev has no principal activities performed outside of the Issuer's Group which are significant with respect to the Issuer.

Currently, Svetozar Iliev holds 135,000 shares of the capital of the Issuer representing 0.9% of the capital and voting rights at its general meeting.

Svetozar Iliev participates in the capital and/or the management of:

- Allterco Robotics EOOD, Unified Identification Code (UIC) 202320104, Address: Sofia city, 103 Cherni Vrah Blvd.– manager;
- Teravoice EAD, Unified Identification Code (UIC) 200724639, Address: Sofia city, 103 Cherni Vrah Blvd.– member of the Board of Directors and executive director until 07 April 2017;
- Tera Communications AD, Unified Identification Code (UIC) 131384920, Address: Sofia city, 103 Cherni Vrah Blvd. – member of the Board of Directors and executive director until 15 August 2019;
- River Farm EOOD, Unified Identification Code (UIC) 200765568, Address: Sofia city, 5 Bogdan Street, apt. 9 – sole owner of the capital and manager;
- Allterco Trading EOOD (former name: Allterco Finance OOD), Unified Identification Code (UIC) 203348672, Address: Sofia city, 103 Cherni Vrah Blvd., floor 8 – member holding 33% of the capital until 16 December 2019 and manager until 09 August 2019;
- Mobimex International Ltd., Great Britain, Address: 4th Floor, Lawford House, Albert – manager until 2016.

Svetozar Iliev has no family relationships with any of the members of the Board of Directors and for the previous 5 years:

- Has not been convicted for fraud;
- Has not been involved in bankruptcies, receiverships, or liquidations in his capacity of a member of administrative, management or supervisory body or senior manager;
- Has not been subject to official public incrimination and/or sanctions by statutory or regulatory authorities (including professional bodies);
- Has not been deprived by the court of the right to act as a member of the administrative, management or supervisory bodies of an issuer or to hold any position in the management of an issuer, or to conduct the affairs of an issuer.

8.2. CONFLICTS OF INTEREST

The persons referred to in item 8.1 above have declared to the Issuer that there is no potential conflict of interest between their duties carried out on behalf the Issuer in their respective capacity and their private interests or other duties.

There are no arrangements or understandings between majority shareholders, customers, suppliers and/or others in pursuance of which a member of the Board of Directors or the financial director of the Issuer was selected as a member of the position held by him at the Issuer.

As at the date of this document and as far as the Issuer is aware, the members of the Board of Directors and of the senior management of the Issuer referred to in item 8.1 above have not agreed and have not been imposed any restrictions on disposal of the shares of the Issuer held by any of them. At present the term under the contract on restriction of disposal of shares held in the capital of the Company entered into on 30 November 2016, parties to which include the members of the Board of Directors Dimitar Dimitrov and Svetlin Todorov, has expired (the contract was entered into for a 3-year period as from 1 December 2016). In relation to the planned increase of the capital of the Company subject of this Prospectus the members of the Board of Directors and majority shareholders of the Issuer (holding a total of 11,552,240 shares in the capital of the Company) Dimitar Dimitrov and Svetlin Todorov have made a commitment to locking the shares held by them for trading in favour of the Company for a period of 3 years as of the date of registration of the capital increase with the Commercial Register, whereas after the expiration of 6 months after the date of registration of the capital increase with the Commercial Register they will have the right to trade up to 7% of the shares held by them. To this end, the Company and the named members of the Board of Directors will enter into an explicit agreement prior to the starting date of the subscription for the shares offered by this Prospectus, which will be duly disclosed pursuant to the procedure for disclosure of regulated information, whereby to the extent that the said event is planned and its expected occurrence is disclosed, accordingly, no explicit supplement to the Prospectus will be made in this regard. In addition, in relation to commitments made with respect to shares in the Issuer held by the said persons, although not with respect to restrictions on disposal of shares, the investors should also take into consideration the disclosure in item “3.1 Interest of natural persons and legal entities participating in the offering” of the Securities Note regarding commitments made in relation to the rights under § 1, item 3 of the Supplementary Provisions of POSA, which will be issued to such persons in view of this offering.

The company abides by the National Code of Corporate Governance and, in particular, the principles of treatment of potential conflicts of interest established by the said Code.

9. MAJOR SHAREHOLDERS

As at the date of the Registration Document the shareholder other than the members of the Board of Directors referred to in item 8.1 above who holds more than 5 percent of the voting rights at the general meeting of shareholders of the Company, is Viktor Georgiev Atanasov, who directly holds 1,120,500 shares at par value BGN 1 each representing 7.47% of the capital and of the voting rights at the general meeting of shareholders of Allterco JSCo. As far as the Issuer is

aware there are no other persons, except for Viktor Atanasov and the members of the Board of Directors of the Issuer Dimitar Dimitrov and Svetlin Todorov, as stated in item 8.1 above, who directly or indirectly hold more than 5% of the capital and/or the votes at the general meeting of shareholders of Allterco JSCo.

None of the shareholders of Allterco JSCo has different voting rights. All shares of the Issuer are ordinary, registered shares conferring 1 vote and they grant their holders equal rights.

There are no persons exercising control of Allterco JSCo. The Issuer is not aware of any arrangements the operation of which may result in a change in control of the Company (i.e. that such may arise).

10. RELATED PARTY TRANSACTIONS

After the date of its last financial statements as at 30 June 2019, the Issuer has not entered into related party transactions within the meaning of IAS 24 and has not received or made proposals for such transactions with the exception of:

- Transaction of acquisition of a 33% stake in the capital of Allterco Trading OOD from the minority shareholder Svetozar Iliev, Financial Director of the Issuer. The value of the transaction amounts to BGN 330.
- Transactions in the ordinary course of operating activity with its subsidiaries, which are eliminated on a consolidated basis;

For the year 2019 the transactions entered into with subsidiaries include:

- Provision of management services the revenues from which amount to BGN 271 thousand, BGN 98 thousand of them being from companies which are not part of the Group as at the date of the Prospectus.
- Dividends received from subsidiaries, which amount to an income of BGN 820 thousand
- The Company used financial services from one of its subsidiaries to the amount of BGN 41 thousand (until 01 August 2019).
- The Company rents an office and cars from one of its subsidiaries to the total amount of BGN 57 thousand.
- The Company receives cash deposits from its subsidiaries. As at 31 December 2019 all deposits received were repaid. The expenses for interests charged under such deposits amounted to BGN 3 thousand.
- Allterco JSCo has also provided additional cash contributions to two of its subsidiaries, namely: Allterco Properties EOOD and Allterco Trading EOOD (former name Allterco Finance EOOD). The additional cash contributions amount to EUR 900,000 each and were provided for a period of 1 year at an annual interest rate of 1 %, and the interest is calculated on a 360-day basis. The interest income from the provided additional cash contributions amount to BGN 14 thousand.

- The Company has received interests under an additional cash contribution provided to one of its subsidiaries in a preceding period. The revenues for 2019 amount to BGN 7 thousand.

For the period from 01 January 2020 to the date of the Prospectus the transactions entered into with subsidiaries include:

- The Company rents cars from one of its subsidiaries for the total amount of BGN 2 thousand.
- Interest income under additional cash contributions provided in 2019 to Allterco Properties EOOD and Allterco Trading EOOD in the amount of BGN 2 thousand.

11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

11.1. FINANCIAL STATEMENTS

The Issuer Allterco JSCo prepares annual and interim individual and consolidated financial statements.

As a public company the Issuer has published all interim and annual audited financial statements and has disclosed the necessary information under the applicable provisions. All disclosures and the financial statements are available on the website of the Company (<http://www.allterco.com>) and in the information system X3News (the medium via which the Issuer discloses information to the public).

The annual financial information included in this Registration Document as well as in the Summary and in the Securities Note is extracted from the annual consolidated audited statements of the Company for the year 2018, which also include the respective comparable information for the year 2017, prepared according to the International Accounting Standards and the Accounting Act. The annual financial statements were audited by Primorska Audit Company OOD. The annual financial statements together with the explanatory notes, the auditor's report and the management's report on the operations are included in the Prospectus by way of reference.

The interim financial information included in this Registration Document as well as in the Summary and in the Securities Note is extracted from the interim non-audited statements of the Company as at 30 June 2019, which also include the respective comparable information as at 30 June 2018. The interim financial statements were prepared according to IAS 34 and are not audited. The interim financial statements, together with the explanatory notes, are included in the Prospectus by way of reference.

All documents listed will be available on the website of the Investment Intermediary Karoll AD (<https://karollbroker.bg>) and on the website of the Issuer (<http://allterco.com>) and the same will be made available upon request to each potential investor by Allterco JSCo and Karoll AD for the

period from the publication of the notice in regard to the public offering until the expiration of 10 years after such publication.

11.2. AUDITED ANNUAL FINANCIAL INFORMATION

11.2.1. AUDIT REPORT

The consolidated annual financial statements of the Issuer are independently audited. The audit report is prepared in accordance with Directive 2014/56/EU and Regulation (EU) No 537/2014.

The auditor's report for the year 2018 prepared by Primorska Audit Company OOD the following opinion was expressed regarding the audit of the consolidated financial statements, in the Auditor's Qualified Opinion part:

"In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report below, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Accounting Standards (IAS) adopted for application in the European Union (EU).

Basis for Qualified Opinion

In the Group's consolidated statement on financial position as at 31 December 2018 goodwill is presented to the amount of BGN 15,581 thousand. This goodwill is formed as a result of business combinations carried out in relation to the acquisition of control of subsidiaries in different prior periods. According to the requirements of IFRS 3 *Business Combinations* goodwill may be accounted for as such and presented in the consolidated statement on financial position only if the value of the investment made in the respective subsidiary is higher than its share in the fair value of the identifiable assets and liabilities acquired as a result of the business combination. In the course of our audit we were unable to obtain sufficient and convincing evidence of the assessment of the identifiable assets and liabilities acquired in the preceding periods in the individual business combinations at their fair value as at the date of acquisition thereof. As a result we are unable to confirm the value of the goodwill presented in the consolidated statement on financial position as at 31 December 2018.

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

11.2.2. OTHER AUDITED INFORMATION. NON-AUDITED INFORMATION.

Save for the information from the audited annual consolidated financial statements of the Issuer for the year 2018, no other audited information is presented in the Prospectus.

In addition to the information extracted from the audited annual consolidated financial statements, financial information derived from the non-audited interim consolidated statements has also been presented in the Registration Document.

The pro forma financial statements for the year 2018 and the ones as at 30 June 2019 presented in item 11.5. of this Registration Document have been examined by the independent auditor of the Company: Primorska Audit Company OOD. This examination does not constitute an audit.

11.3. LEGAL AND ARBITRATION PROCEEDINGS

In the previous 12 months the Issuer and any of its subsidiaries has not been party to any pending or threatened governmental, legal or arbitration proceedings of which the Issuer is aware and which may have, or have had significant effects on the Issuer and/or Group's financial position or profitability.

In the previous 12 months some companies sold by the Issuer in July 2019 were parties to legal and arbitration proceedings, to a total amount of BGN 319 thousand and creditors under enforcement proceedings for collection of receivables to a total amount of BGN 24 thousand. None of these proceedings has or may have had significant effects on the Issuer and/or Group's financial position or profitability.

11.4. SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL POSITION

In the second hand of 2019 Allterco JSCo discontinued its telecommunication business in Europe by selling 100% of its shareholding in the capital of 5 subsidiaries to LINK Mobility Group ASA, as a result of which it realized proceeds from sale in the amount of BGN 16,475 thousand. In the course of the preparation of the sale in the first half of 2019 a preliminary restructuring was carried out whereupon Tera Communications AD and Teravoice EAD acquired the stakes in the capital of the subsidiaries Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia). The revenues generated from the overall transaction comprise of BGN 15,270 thousand from the selling price under the transaction with LINK Mobility Group ASA and BGN 1,205 thousand from the preliminary restructuring in preparation for the transaction. The book value of the investments sold was BGN 7,509 thousand. In pursuance of the contract as of 29 July 2019, as agreed, Allterco JSCo received a partial payment of the contract price, and namely: 60% cash payment to the amount of BGN 9,162 thousand and 20% in the form of shares in the capital of the sole owner of LINK Mobility Group – ASA Victory Partners VIII Norway Holding ASA in the amount of BGN 3,054 thousand, representing a non-current financial asset. The remaining 20% of the selling price in the amount of BGN 3,054 thousand are receivable under the conditions of deferred payment for a period of 2 years and are presented as other non-current receivables. The revenues from the preliminary restructuring have been received in full in the form of cash payment.

As a result of this transaction a decrease in the goodwill in the amount of BGN 7,396 thousand

has been reflected.

After the completion of the transaction for the sale of its European value-added services business and implementation of its strategy on focusing on the development and manufacturing of smart devices, as at 30 September 2019 the Company reviewed its investments in subsidiaries, as a result of which it recognized in its individual financial statements an impairment of its investments in Allterco Pte Ltd., Singapore. Following the impairment of that investment and the review of the goodwill made as a result thereof a decrease in goodwill related to the investment in Allterco Pte Ltd., Singapore in the amount of BGN 4,904 thousand was accounted for.

As a result of these events the value of Issuer's goodwill has decreased to BGN 3,281 thousand.

In the same period Allterco JSCo acquired 33 % of Global Teracomm Inc. (DBA Allterco Robotics). As from 30 August 2019 Allterco JSCo is the owner of 100% of the capital of Global Teracomm Inc. The transaction for the acquisition of 33% of the capital of Global Teracomm Inc. from the natural person (minority shareholder) was in the amount of USD 12.37 per share or a total of USD 10,205.25. No interested parties participated in the transaction.

In December 2019, 33 % of Allterco Trading OOD (formerly Allterco Finance EOOD) were acquired. Subsequently, Allterco JSCo is the owner of 100% of the capital of Allterco Trading EOOD. The transaction on the acquisition of 33% of the capital of „Allterco Трейдинг“ from Svetozar Iliev as seller was in the amount of BGN 1 per share or a total of BGN 330. No interested parties participated in the transaction.

By resolution of the general meeting of 28 October 2019 it was decided to distribute cash dividends for a total amount of BGN 2,700 thousand. The distributed dividends is on account of reserves from issuance of shares (distributed sum in the amount of BGN 103,952.98), from retained earnings from 2015, 2017 and 2018 (distributed sum in the total amount of BGN 1,496,047.02) and from retained earnings on the basis of the six-month financial statements for the first six-month period of 2019 (distributed sum in the amount of BGN 1,100,000).

11.5. PRO FORMA FINANCIAL INFORMATION

The pro forma financial information presented in the tables below has been compiled in relation to the sale during the second half-year of 2019 of 100% of the interest in a package of subsidiaries, namely: Teravoice EAD, Tera Communications AD, Tera Communications DOOEL, Alterpay EOOD and Teracomm Ro SRL ("the companies sold") and the post-sale change in the goodwill related to the investment in Allterco Pte Ltd., Singapore, as described in more detail in item 11.4 of the Registration Document.

POTENTIAL INVESTORS SHOULD BEAR IN MIND THAT THE PRESENTED PRO FORMA FINANCIAL INFORMATION HAS BEEN COMPILED FOR ILLUSTRATIVE PURPOSES ONLY TO DESCRIBE THE IMPACT OF THE OUTLINED EVENTS, AS IF THEY HAD OCCURRED AT AN EARLIER DATE. DUE TO ITS NATURE THE PRO FORMA FINANCIAL INFORMATION REFLECTS A HYPOTHETICAL SITUATION AND DOES NOT PRESENT THE ISSUER'S ACTUAL FINANCIAL POSITION OR RESULTS.

The pro forma financial information examines the hypothetical situation as if the sale of the package of subsidiaries and the subsequent change in the goodwill had occurred in the year 2018 or in the first half-year of 2019. It illustrates the effect of these events on the Group's financial position as at 31 December 2018 and 30 June 2019, respectively, as if the aforesaid event had occurred as at 31 December 2018 and 30 June 2019, respectively and on the financial results of Company's operations for the period ending on 31 December 2018 and 30 June 2019, respectively, as if the aforesaid event had occurred as at 1 January 2018 and 1 January 2019, respectively.

The presented pro forma financial information has been prepared as per the principles laid down in Annex 20 of Delegated Regulation (EU) 2019/980, and in accordance with the accounting policy adopted by the Issuer. The pro forma financial information is accompanied by a report by the independent auditor Primorska Audit Company OOD.

The pro forma financial information has been compiled on the basis of the Issuer's consolidated financial statements for the annual period ending on 31 December 2018 for which an auditor's report has been issued, and of the non-audited financial statements for the interim period ending on 30 June 2019. The pro forma financial information is accompanied by explanatory notes on the source and explanations of each adjustment.

Pro forma financial statements for the year 2018

Table 8: Consolidated pro forma Statement of Comprehensive Income of the Issuer for 2018

	Audited statement 2018 BGN thousand	Adjustments BGN thousand	Pro forma statement 2018 BGN thousand	Explanatory Notes
Sales revenue	44,880	-22,465	22,415	(1)
Cost of sales	-32,130	18,196	-13,934	(2)
Gross profit	12,750	-4,269	8,481	
Other operating income	391	-306	85	(3)
Sales expenses	-322	53	-269	(4)
Administrative expenses	-9,313	4,087	-5,226	(5)
Other operating expenses	-142	-5,172	-5,314	(6)
Operating profit	3,364	-5,607	-2,243	
Financial income /(expenses), net	-285	9,048	8,763	(7)
Operating profit from ordinary activity	3,079	3,441	6,520	
Net profit before income taxes	3,079	3,441	6,520	
Tax expenses	-473	-268	-741	(8)
Net profit	2,606	3,173	5,779	
Other comprehensive income:				
Items that can be reclassified into profit or loss				
Currency exchange rate differences from translation of statements of foreign operations	71	38	109	(9)
Other comprehensive income for the period after taxes	71	38	109	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,677	3,211	5,888	
Net profit attributable to:				
Minority interest	-42		-42	
The owners of the Parent Company	2,648	3,173	5,821	
Other comprehensive income attributable to:				
Minority interest	-		-	
The owners of the Parent Company	71	38	109	(9)
Total comprehensive income attributable to:				
Minority interest	-42		-42	
The owners of the Parent Company	2,719	3,211	5,930	

Table 9: Consolidated pro forma statement of financial position of the Issuer as at 31 December 2018

	Audited statement 2018 BGN thousand	Adjustments BGN thousand	Pro forma statement 2018 BGN thousand	Explanatory Notes
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	4,634		4,634	
Intangible assets	3,597		3,597	
Goodwill	15,581	-12,300	3,281	(10)
Financial assets		3,054	3,054	(11)
Other receivables		3,055	3,055	(12)
Deferred tax assets	21		21	
Total non-current assets	23,833	-6,191	17,642	
<i>Current assets</i>				
Inventory	964		964	
Trade receivables	7,652	617	8,269	(13)
Other receivables	430		430	
Cash and cash equivalents	543	10,643	11,186	(14)
Prepaid expenses	17		17	
Total current assets	9,606	11,260	20,866	
<i>Assets qualified as held for sale</i>	8,858	-8,858	-	(15)
TOTAL ASSETS	42,297	-3,789	38,508	
LIABILITIES				
<i>Non-current liabilities</i>				
Bank loans	2,926		2,926	
Finance lease	117		117	
Total non-current liabilities	3,043		3,043	
<i>Current liabilities</i>				
Current share of finance lease	61		61	
Current share of bank loans	1,206		1,206	
Trade payables	2,131	359	2,490	(16)
Payables to personnel	134		134	
Social security liabilities	60		60	
Tax liabilities	348	410	758	(17)
Other payables	778	278	1,056	(18)
Prepaid income	3		3	
Total current liabilities	4,721	1,047	5,768	
<i>Liabilities related to assets qualified as held for sale</i>	5,609	-5,609	-	(19)
TOTAL LIABILITIES	13,373	-4,562	8,811	
EQUITY				
Registered capital	15,000		15,000	
Retained earnings	12,227	776	13,003	(20)
Reserves	184	-5	179	(21)
Share premium reserve	1,343		1,343	
Currency exchange rate differences from translation of financial statements of foreign operations	121	2	123	(22)
Equity attributable to the owners of the equity of the Parent Company	28,875	773	29,648	
Minority interest	49		49	
TOTAL EQUITY	28,924	773	29,697	
TOTAL LIABILITIES AND EQUITY	42,297	-3,789	38,508	

Explanatory notes to the pro forma financial statements for the year 2018 explainning the adjustments:

- (1) Change for the sales revenue related to the companies sold;
- (2) Change for direct costs related to the companies sold;
- (3) Change for other operating income related to the companies sold;
- (4) Change for sales expenses related to the companies sold;
- (5) The adjustment includes administrative expenses related to the companies sold;
- (6) The adjustment includes:
 - Other expenses related to the companies sold – BGN 29 thousand (a decrease in the expense) and expenses of BGN 4 thousand to the companies sold
 - Provision for final adjustment of the selling price of the companies sold BGN 293 thousand.
 - Change in goodwill related to the impairment of the investment in Allterco Pte Ltd., Singapore BGN 4,904 thousand;
- (7) The adjustment includes:
 - Financial expenses related to the companies sold in the amount of BGN 104 thousand (a decrease in the expenses) and expenses amounting to BGN 21 thousand to the companies sold;
 - Positive result from the sale of the companies sold in the amount of BGN 8,965 thousand;
- (8) The adjustment includes:
 - Tax expenses related to the companies sold in the amount of BGN 142 thousand (a decrease in the expenses);
 - Additionally charged tax in the amount of BGN 410 thousand as a result of the adjustments of revenues and expenses made;
- (9) Change for currency exchange rate differences related to the companies sold;
- (10) Change to the goodwill as a result of:
 - Sale of the companies sold BGN 7,396;
 - Impairment of the investment in Singapore subsidiary BGN 4,904 thousand;
- (11) Shares acquired in the capital of ASA Victory Partners VIII Norway Holding AS in the amount of BGN 3,054 thousand being payment of part of the price for the sale of the companies sold;
- (12) Long-term receivable to the amount of BGN 3,055 thousand being part of the price in the transaction related to the sale of the companies sold;
- (13) Change for the sum of trade receivables from the companies sold;
- (14) The adjustment includes:
 - Deposits provided by the companies sold to the amount of BGN 276 thousand;
 - Proceeds from the sale of the companies sold to the amount of BGN 10,367 thousand;
- (15) Elimination of assets related to the companies sold;
- (16) Change in the sum of the trade payables to the companies sold;
- (17) Additionally charged tax liabilities as a result of the adjustments of the revenues and expenses made;
- (18) Change for the amount of the payables to the companies sold;
- (19) Elimination of liabilities related to the companies sold;

(20) The adjustment includes:

- A decrease of BGN 3,040 thousand being retained earnings related to the companies sold;
- A decrease of BGN 247 thousand being a transfer to reserves;
- An increase of BGN 297 thousand related to the adjustments of revenues and expenses as a result of the elimination of the companies sold;
- An increase of BGN 8,965 thousand being an effect of the sale of the companies sold;
- A decrease to the amount of BGN 293 thousand being a provision for final determination of the price in the transaction for the sale of the companies sold;
- A decrease in the amount of BGN 4,904 thousand being an effect of change to goodwill as a result of impairment of the investment in Allterco Pte Ltd., Singapore;

(21) Change to the reserves as a result of the transformations made to financial statements;

(22) Change as a result of the transformations made to financial statements.

Pro forma financial statements for the first half of 2019

Table 10: Consolidated pro forma Statement of Comprehensive Income of the Issuer for the six-month period of 2019

	Interim Statement, 6m 2019 BGN thousand	Adjustments BGN thousand	Pro forma statement, 6m 2019 BGN thousand	Explanatory Notes
Sales revenue	24,044	-11,646	12,398	(1)
Cost of sales	-17,038	10,111	-6,927	(2)
Gross profit	7,006	-1,535	5,471	
Other operating income	92	29	121	(3)
Sales expenses	-18	21	3	(4)
Administrative expenses	-5,420	1,648	-3,772	(5)
Other operating expenses	-425	-5,118	-5,543	(6)
Operating profit	1,235	-4,956	-3,721	
Financial income /(expenses), net	-95	9,013	8,918	(7)
Operating profit from ordinary activity	1,140	4,057	5,197	
Net profit before income taxes	1,140	4,057	5,197	
Tax expenses	-281	-262	-543	(8)
Net profit	859	3,795	4,654	
Other comprehensive income:				
Items that can be reclassified into profit or loss				
Currency exchange rate differences from translation of statements of foreign operations	-223	-13	-236	(9)
Other comprehensive income for the period after taxes	-223	-13	-236	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	636	3,782	4,418	
Net profit attributable to:				
Minority interest	112		112	
The owners of the Parent Company	747	3,795	4,542	
Other comprehensive income attributable to:				
Minority interest	-4		-4	
The owners of the Parent Company	-219	-13	-232	(9)
Total comprehensive income attributable to:				
Minority interests	108		108	
The owners of the Parent Company	528	3,782	4,310	

Table 11: Consolidated pro forma statement of financial position of the Issuer as at 30 June 2019

	Interim Statement, 6m 2019 BGN thousand	Adjustments BGN thousand	Pro forma statement, 6m 2019 BGN thousand	Explanatory Notes
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	4,466		4,466	
Intangible assets	3,930		3,930	
Goodwill	15,581	-12,300	3,281	(10)
Financial assets		3,054	3,054	(11)
Other receivables		3,055	3,055	(12)
Deferred tax assets	20		20	
Total non-current assets	23,997	-6,191	17,806	
<i>Current assets</i>				
Inventory	1,261		1,261	
Trade receivables	5,703	-820	4,883	(13)
Other receivables	890		890	
Cash and cash equivalents	1,964	10,367	12,331	(14)
Prepaid expenses	11		11	
Total current assets	9,829	9,547	19,376	
<i>Assets qualified as held for sale</i>	7,643	-7,643		(15)
TOTAL ASSETS	41,469	-4,287	37,182	
LIABILITIES				
<i>Non-current liabilities</i>				
Bank loans	2,902		2,902	
Finance lease	111		111	
Total non-current liabilities	3,013		3,013	
<i>Current liabilities</i>				
Current share of finance lease	73		73	
Current share of bank loans	373		373	
Trade payables	1,553	436	1,989	(16)
Payables to personnel	81		81	
Social security liabilities	60		60	
Tax liabilities	359	275	634	(17)
Other payables	675	105	780	(18)
Prepaid income	2		2	
Total current liabilities	3,176	816	3,992	
<i>Liabilities related to assets qualified as held for sale</i>	5,720	-5,720		(19)
TOTAL LIABILITIES	11,909	-4,905	7,005	
EQUITY				
Registered capital	15,000		15,000	
Retained earnings	12,727	998	13,725	(20)
Reserves	431	-381	51	(21)
Share premium reserve	1,343		1,343	
Currency exchange rate differences from translation of financial statements of foreign operations	-98		-98	
Equity attributable to the owners of the equity of the Parent Company	29,403	618	30,021	
Minority interest	157		157	
TOTAL EQUITY	29,560	618	30,178	
TOTAL LIABILITIES AND EQUITY	41,469	-4,287	37,182	

Explanatory notes to the pro forma financial statements for the first half of 2019 explaining the adjustments:

- (1) Change for sales revenue related to the companies sold;
- (2) Decrease for direct costs related to the companies sold;
- (3) Change for other operating income related to the companies sold;
- (4) Change for sales expenses related to the companies sold;
- (5) Administrative expenses related to the companies sold;
- (6) The adjustment includes:
 - Other expenses related to the companies sold – BGN 79 thousand (a decrease in the expense)
 - Provision for final adjustment of the selling price of the companies sold BGN 293 thousand.
 - Change in goodwill related to the impairment of the investment in Allterco Pte Ltd., Singapore BGN 4,904 thousand;
- (7) The adjustment includes:
 - Financial expenses related to the companies sold in the amount of BGN 63 thousand (a decrease in the expenses) and expenses amounting to BGN 15 thousand to the companies sold;
 - Positive result from the sale of the companies sold in the amount of BGN 8,965 thousand;
- (8) The adjustment includes:
 - Tax expenses related to the companies sold in the amount of BGN 13 thousand (a decrease in the expenses);
 - Additionally charged tax in the amount of BGN 275 thousand as a result of the adjustments of revenues and expenses made;
- (9) Change for currency exchange rate differences related to the companies sold;
- (10) Change to the goodwill as a result of:
 - Sale of the companies sold BGN 7,396 thousand;
 - Impairment of the investment in Singapore subsidiary BGN 4,904 thousand;
- (11) Shares acquired in the capital of ASA Victory Partners VIII Norway Holding AS in the amount of BGN 3,054 thousand being payment of part of the price for the sale of the companies sold;
- (12) Long-term receivable to the amount of BGN 3,055 thousand being part of the price in the transaction related to the sale of the companies sold;
- (13) The adjustment includes:
 - Adjustment to trade receivables related to the companies sold;
 - A decrease of trade receivables by BGN 1,205 thousand being an account receivable related to restructuring made as part of the transaction for the sale of the companies sold;
- (14) The adjustment includes:
 - An increase in cash to the amount of BGN 1,205 thousand as a result of restructuring effected before the finalization of the transaction for the sale of the companies sold;
 - Proceeds from the sale of 5 subsidiaries to the amount of BGN 9,162 thousand;
- (15) Elimination of assets related to the companies sold;

- (16) Change in the sum of trade payables to the companies sold;
- (17) Additionally charged tax liabilities as a result of the adjustments of the revenues and expenses made;
- (18) Change for the amount of other payables to the companies sold;
- (19) Elimination of liabilities related to the companies sold;
- (20) The adjustment includes:
 - A decrease of BGN 2,919 thousand being retained earnings related to the companies sold;
 - An increase of BGN 149 thousand related to the adjustments of revenues and expenses as a result of the elimination of the companies sold;
 - An increase of BGN 8,965 thousand being an effect of the sale of the companies sold;
 - A decrease in the amount of BGN 293 thousand being a provision for final determination of the price in the transaction for the sale of the companies sold;
 - A decrease to the amount of BGN 4,904 thousand being an effect of change to goodwill as a result of impairment of the investment in Allterco Pte Ltd., Singapore;
- (21) Change to the reserves as a result of the transformations made to financial statements;

11.5.1. INDEPENDENT AUDITOR'S REPORT ON COMPILING THE PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE PROSPECTUS



Primorska
Audit Company

REPORT OF INDEPENDENT AUDITOR

To the Board of Directors of

Allterco JSCo.

Sofia

Report on the compilation of Pro Forma Financial Information included in a prospectus

We have completed our insurance engagement to reporting on the compilation of the Pro Forma Financial Information of Allterco JSCo (the "Company") prepared by the Company's Management. The Pro Forma Financial Information consists of Pro Forma annual Consolidated Statement of Financial Position as at 31 December 2018, Pro Forma Interim Consolidated Statements of Financial Position as at 30 June 2019, Pro Forma Annual Consolidated Statements of Comprehensive Income, prepared for the year ending on 31 December 2018, as well as Pro Forma Interim Consolidated Statements for the Comprehensive Income, prepared for the period of 2019, ending on 30 June 2019, and the related explanatory notes, presented in the Pro Forma Financial Information section of the Registration Document, part of the Prospectus, issued by the Company. The applicable criteria on the basis of which the Company's management has compiled the Pro Forma Financial Information are given in Sections 1 and 2 of Annex 20 to the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 ("Delegated prospectuses regulation") supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing the Commission Regulation (EC) 809/2004 and in the recommendations issued by the European Securities and Markets Authority (the "applicable criteria").

The Pro Forma financial information has been compiled by the Company's management to illustrate what would be the effect of the sale of a package of subsidiaries and the post-sale correction of the goodwill, as if it had taken place in 2018 or within the first half of 2019, as indicated in the section "Significant change in the Issuer's financial position" of the Registration document, part of the Prospectus, on the financial position of the Company on a consolidated basis as at 31 December 2018 and 30 June 2019, as if the above event had taken place as at 31 December 2018 and 30 June 2019, respectively, and the financial results of the Company's activity on a consolidated basis for the period ending on 31 December 2018 and on 30 June 2019 respectively, as if the event described above had taken place on 1 January 2018 and 1 January 2019, respectively. As part of this process, information about the financial position and financial results of the Company's activity was extracted by the Company's Management from the Company's consolidated financial statements for the annual period ending on 31 December 2018, on which an independent auditor's report was published, and for the interim period ending on 30 June 2019, respectively.

Member of



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taking you further

Global network of independent professional service companies

9002 Varna, 104 Gen. Kolev Street, floor 5, ap. 32

phone: 052 608 874; 608 875, fax: 052 721 444

1000 Sofia, 36 Vitosha Blvd., floor 4, ap. 8; phone: 02 427 70
office@pocompany.com, www.pocompany.com

The auditor's report issued to the consolidated annual financial statements of the Company for 2018 contains a modification relating to the valuation of the goodwill presented in them, which is included in the section "Audit reports" of the Registration Document, part of the Prospectus.

Responsibility of the Company's Management for the Pro Forma Financial Information

The Company's Management is responsible for compiling the Pro Forma financial information on the basis of the applicable criteria.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Primorska Audit Company Ltd. applies the International Standard Quality Control 1 and accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities of the independent auditor

Our responsibility is to express an opinion in accordance with the requirements of Section 3 of Annex 20 to the Delegated prospectuses regulation on whether the Pro Forma Financial Information has been compiled duly, in all significant aspects, by the Company's Management on the basis of the applicable criteria.

We have fulfilled our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 *Assurance engagements to report on the compilation of Pro Forma financial information included in a prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires the independent auditor to plan and implement procedures to obtain reasonable assurance as to whether the Company's management has compiled duly, in all material respects, the Pro Forma financial information on the basis of the applicable criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in the compilation of Pro Forma financial information, nor have we performed in the course of the engagement an audit or review of the financial information used in the compilation of the Pro Forma financial information.

The purpose of the Pro Forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on the entity's unadjusted financial information, as if the event had occurred or the transaction had been undertaken at an earlier date selected for illustration purposes.

Accordingly, we do not provide any of assurance that the actual result of the event or transaction as at 31 December 2018 or 30 June 2019, respectively 1 January 2018 and 1 January 2019, would be the same as that presented.

A reasonable assurance engagement to report whether the Pro Forma financial information has been duly compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by the Company's management in the compilation of the Pro Forma financial information provide a reasonable basis for presenting significant effects directly attributable to the event or transaction, and to obtain sufficient and appropriate evidence whether:

- the corresponding Pro Forma adjustments produce give appropriate effect to these criteria; and
- the Pro Forma financial information reflects the proper application of these adjustments to the non-adjusted financial information.

The procedures selected depend on the judgment of the independent auditor, taking into account the independent auditor's understanding of the nature of the company, the event or the transaction in respect of which the Pro Forma financial information has been compiled, as well as other pertinent circumstances related to the engagement.

The engagement also involves evaluating the overall presentation of the Pro Forma financial information.

We believe that the evidence we have received is sufficient and relevant to provide a basis for our opinion.

Opinion

In our opinion:

- A) the Pro Forma financial information has been properly compiled in all material respects on the basis of the applicable criteria and stated data;
- B) the basis referred to in (a) for the preparation of the Pro Forma financial information is in compliance with the accounting policies adopted and applied by the Company.

Primorska Audit Company Ltd.

Marian Nikolov /sign.ill./

Registered auditor

Iliya Iliev /sign.ill./

Managing Director

27 December 2019

Varna

Seal of Primorska Audit Company Ltd.

Audit Company, Varna, Reg. No.086

11.6. DIVIDEND POLICY

The Issuer does not have a formal policy on dividend distribution and payment. Every year the General Meeting of Shareholders adopts a resolution on the distribution of profit from the current or past years as per the future plans for development and needs of financing of the operation.

The Company distributes dividend subject to the procedure and under the conditions stipulated in the Commerce Act, POSA and the Articles of Association of the Company.

The General Meeting of Shareholders adopts a resolution on distribution of dividend after the approval of the annual financial statements, or the six-month financial statements, respectively, and in accordance with the provisions of the Commerce Act and POSA. As at the date of this Registration Document the Issuer's Articles of Association allow payment of six-month dividend subject to the conditions of article 115c (2) of POSA.

In the event that the General Meeting of Shareholders adopts a resolution to distribute dividends, the profit of the Company is distributed in accordance with the Articles of Association and subject to the restrictions under article 247a of the Commerce Act.

Persons recorded in the registers of The Central Depository as having a dividend right shall be entitled to receive a dividend on the 14th day after the date of the General Meeting of Shareholders on which the annual, or the six-month financial statements, respectively, were adopted and on which a resolution to distribute profit was passed. The Central Depository submits a shareholders register as at the aforesaid date to the Company. Enlistment in the register is a sufficient condition for such persons to receive dividend after they properly identify themselves.

The Articles of Association of Allterco JSCo does not stipulate any restrictions on dividend distribution. The expenses for the payment of the dividend are at the expense of the Company.

The Company must ensure payment to the shareholders of the dividends voted at the General Meeting of Shareholders within a period of 60 days after it was held. The payment of dividend is made by using The Central Depository. Persons entitled to a dividend may exercise this right before the expiration of the general 5-year statute of limitations and thereafter the right shall be extinguished and the non-received dividends shall be retained by the Company.

11.7. DIVIDEND PER SHARE

At the General Meeting of Shareholders of the Issuer held on 27 June 2019, at which a resolution to approve the annual financial statements of the Company for the year 2018 was passed, it was decided that the profit for 2018 would not be distributed as dividend.

At the General Meeting of Shareholders of the Issuer held on 28 October 2019, a resolution was adopted to distribute cash dividend on account of reserves from issuance of shares (distributed sum in the amount of BGN 103,952.98), from retained earnings from 2015, 2017 and 2018 (distributed sum in the total amount of BGN 1,496,047.02) and from retained earnings on the basis of the six-month financial statements for the first six-month period of 2019 (distributed

sum in the amount of BGN 1,100,000) as stated below, as the number of issued shares of the Company has not been changed for the same period.

- The total amount of the dividend: BGN 2,700,000 (two million and seven hundred thousand Bulgarian leva)
- gross amount of dividend per share BGN 0.180
- net amount of dividend per share: BGN 0.171 (for shareholders being natural persons), determined after deduction of the 5-percent withholding tax on dividends for natural persons.

The gross amount of dividend per share at the account only of the retained earnings for the six-month period of 2019 is BGN 0.07.

12. ADDITIONAL INFORMATION

12.1. SHARE CAPITAL

The Issuer has not issued convertible securities, exchangeable securities or securities with warrants.

As at the date of this document the Issuer does not have any information about the existence of any acquisition rights and/or obligations over authorized but unissued capital. The Issuer is aware of a commitment made by the members of the Board of Directors Dimitar Dimitrov and Svetlin Todorov to issue an option in favour of MM Consult EOOD for purchasing of the rights within the meaning of § 1, item 3 of the Supplementary Provisions of POSA, which will be issued to the respective member of the Board of Directors in his capacity of shareholder in the Issuer for the increase of the capital of the Company within the offering subject of this Prospectus (see item “3.1 Interest of natural persons and legal entities participating in the offering” of the Securities Note).

13. REGULATORY DISCLOSURES

In the 12 months preceding the date of this document, the Issuer has disclosed the following information according to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation):

Disclosures regarding acquisition and disposal of share interests in relation to reorganization of the business of the Group via a sale of the telecommunication business, redirection of the business entirely into the field of IoT and separation of manufacturing and distribution operations

Table 12: Disclosures regarding the reorganization of business

Date	Event
17 June 2019	Acquisition by the subsidiaries Tera Communications AD and Teravoice EAD of a total of 100 % of the capital of Teracomm Ro SRL, Romania, registered with the Romanian Commercial Register under number J40/12988/2005
01 July 2019	Share Purchase Agreement concluded with LINK Mobility ASA, in pursuance of which Allterco JSCo shall transfer 100 % of its interest (direct or indirect) in the capital of its subsidiaries: Teravoice EAD, Tera Communications AD, Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia)
10 July 2019	Disclosure of a planned date for the formal completion of the transaction under Share Purchase Agreement (SPA) with LINK Mobility Group, information about which was disclosed on 01 July 2019 - 29 July 2019.
29 July 2019	Closing of the sale of the companies of the telecommunication business of Allterco JSCo's in Europe under a Share Purchase Agreement (SPA) with LINK Mobility Group, information about which was announced on 01 July 2019, and receipt of a partial payment of the selling price.
17 December 2019	<p>Acquisition of 33% of the capital of the subsidiary Allterco Trading OOD, whereupon the Company became the sole owner of its capital.</p> <p>Decision adopted on the sale of Allterco JSCo's telecommunication business in Asia, by selling 100% of the capital of Allterco Pte Ltd., Singapore, 100% of the capital of Allterco SDN Bhd., Malaysia and 49% of the capital of Allterco Co. Ltd., Thailand, the specific parameters of a possible sale are subject to additional decision and disclosure.</p>

Disclosures regarding financing of the operations of Group companies

Table 13: Disclosures regarding financing of operations

Date	Event
16 August 2019	Provision of additional cash contributions to two of its subsidiaries: Allterco Properties EOOD and Allterco Trading OOD (former name: Allterco Finance EOOD).
19 August 2019	Additional disclosure in relation to the intention of the additional cash contributions, information about which was announced on 16 August 2019
20 December 2019	Resolution of the Board of Directors on an increase of the capital of Allterco JSCo by public offering of 3,000,000 ordinary registered dematerialized shares adopted as per the explicit authorization in the Articles of Association of the Company. The remaining parameters of the issue are subject to additional resolution of the Board of Directors.

Investors should take into consideration that the internal information disclosed as at 25.04.2019 regarding the conclusion by the Company Tera Communications AD, in its capacity of joint debtor, of an annex on extending the term of an effective Revolving Bank Credit Contract under which Teravoice EAD is a borrower, is irrelevant to this offering since the two companies are not part of the Group as at the date of the Prospectus.

Disclosures in relation to General Meetings of Shareholders of the Issuer

Table 14: Disclosures regarding general meetings

Date	Event
27 June 2019	Resolutions from a regular meeting of the General Meeting of Shareholders of Allterco JSCo held on 27 June 2019
16 August 2019	Recorded change to the Articles of Association of Allterco JSCo adopted by resolution of the General Meeting of Shareholders on 27 June 2019
20 September 2019	Change of the date for which an Extraordinary General Meeting of Shareholders is convened

Disclosures in relation to the operation of Group companies

Table 15: Disclosures regarding the activity of Group companies

Date	Event
16 December 2019	Preliminary data about sales effected by Allterco Robotics EOOD

Other disclosures

Potential investors should take into consideration that in the 12 months preceding the date of this Prospectus, the Company has also disclosed regulated information other than the one subject to disclosure according to Regulation (EU) No 596/2014, and namely: the financial information required (financial statements and interim financial information), invitation to convene two general meetings (annual and extraordinary) and minutes, dividend notice, whereas the entire information disclosed to the public is available at <http://www.x3news.com>.

14. MATERIAL CONTRACTS

In a period of two years before the publication of this Prospectus the Company has entered into a material contract, namely: Share Purchase Agreement with LINK Mobility ASA, in pursuance of which Allterco JSCo transferred 100 % of its interest (direct or indirect) in the capital of its subsidiaries: Teravoice EAD, Tera Communications AD, Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia), as follows:

Subject Matter: Sale of 100 % of Allterco JSCo's interest (direct or indirect) in the capital of the subsidiaries: Teravoice EAD, Tera Communications AD, Alterpay EOOD, Teracomm Ro SRL (Romania) and Tera Communications DOOEL (Macedonia) ("Target Companies"), under the following conditions:

Parties: Allterco JSCo - seller and LINK Mobility Group ASA – buyer

Conditions: Total indicative price: EUR 7,886,000 or BGN 15,423,675, within the limits of the minimum threshold approved by the General Meeting, as per the lowest aggregate fair market price, as per a valuation of 25 June 2018. The final price is determinable on the basis of the aggregate (total) indicative price after an adjustment of the preliminary accounting statements, calculated based on the “cash-free/debt-free” method and is adjusted by the net working capital ratio of each of the target companies for the past 4 quarters before the date of completion of the sale (the transfer of all shares of the capital of the said companies), but not less than 4% of the gross consolidated revenue. The final realized proceeds amount to BGN 16,475 thousand, of which BGN 15,270 thousand are the selling value upon the closing of the transaction and BGN 1,205 thousand are realized upon the preliminary restructuring of the companies sold;

Manner of payment: 60% – by means of payment by bank transfer upon the finalization of the sale; 20% deferred payment with maturity date 2 (two) years after the date of completion of the sale without interest earning; 20% by transfer of rights to purchase vinculated (restricted) shares of the capital of Victory Partners VIII Norway Holding AS, reg. no. 920 901 336, sole owner of the capital of LINK Mobility Group ASA at a price of NOK 225. As at the present moment 80% of the price have been paid.

Except for the contract stated above there are no other material contracts, other than contracts entered into in the ordinary course of business, to which the Issuer or any member of the Group is a party, for the two years immediately preceding publication of the Registration Document. There is no other contract (other than contracts entered into in the ordinary course of business) entered into by any member of the Group, which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of the Registration Document.

15. DOCUMENTS AVAILABLE

The Company declares that during the validity period of the Registration Document the following documents are made available for inspection:

- [up to date Articles of Association of the Issuer;](#)
- [annual audited consolidated financial statements as at 31 December 2018, notes thereto, consolidated report on business activities and independent auditor's report;](#)
- [interim, non-audited consolidated financial statements as at 30 June 2019 and notes thereto;](#)
- [independent auditor's report in relation to the pro forma financial information attached in item 11.5;](#)
- [Prospectus, including the declarations from the persons responsible attached thereto.](#)

The above documents will be made available at the following addresses and on the following websites:

- Allterco JSCo – 1407 Sofia city, 103 Cherni Vrah Blvd.; www.allterco.com
- Investment Intermediary Karoll AD – 1164 Sofia city, 1 Zlatovrah Street; <https://karollbroker.bg>

THE UNDERSIGNED PERSON IN HIS CAPACITY OF EXECUTIVE DIRECTOR OF THE ISSUER DECLARES BY HIS SIGNATURE THAT THE REGISTRATION DOCUMENT COMPLIES WITH THE REQUIREMENTS OF THE LAW.

DECLARATIONS BY THE PERSONS RESPONSIBLE IN ACCORDANCE WITH THE STATEMENTS IN ITEM 2 ARE ATTACHED TO THE PROSPECTUS.

For the Issuer:

/sign.ill./

Dimitar Dimitrov – Executive Director

The undersigned, Atanas Svetlozarov Igov, do hereby certify the fidelity of the foregoing translation of the enclosed document from Bulgarian into English. The translation consists of 75 pages.

Translator: Atanas Svetlozarov Igov

See official translation 