



**ANNUAL CONSOLIDATED ACTIVITY REPORT OF MONBAT AD, SOFIA
FOR THE FINANCIAL 2016**

THIS CONSOLIDATED REPORT WAS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE. 44 OF THE ACCOUNTANCY ACT (effective as of 01.01.2016), ARTICLE 100n, PARAGRAPH 5 OF THE LAW ON PUBLIC OFFERING OF SECURITIES AND ANNEX № 10 TO ART. 32A, PARA. 2 OF ORDINANCE № 2 OF SEPTEMBER 17, 2003 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION.

FORWARD LOOKING STATEMENTS

The Annual Consolidated Report may contain statements which reflect the current view of the Company's Board of Directors in respect of achieving future financial results, execution of business strategy, plans and objectives of the management.

These forward-looking statements concern MONBAT AD and companies of the economic group of MONBAT AD and the sectors where the Companies operate in. Statements that include the words "expects", "intends", "plans", "projects", "accepts", "will", "aims", "strives", "can", "could be", "continues", and other such statements with regard to the future presentation of the company constitute forward-looking statements for the purposes of the Bulgarian securities legislation and for other purposes.

In case that forward-looking statements are presented, the latter concern the future presentation and results of the company and its subsidiaries that involve risks and uncertainties. It is possible for factors and events to arise that could cause the actual results of MONBAT AD and its subsidiaries to differ significantly from those given in the forward-looking statements. These factors include but are not limited only to the factors described in the section entitled RISK FACTORS and should be considered in their interaction as well as in view of the whole financial and economic information presented in this document. The forward-looking statements are up-to-date as at the date of the Annual Consolidated Report. In compliance with the obligations under the Bulgarian legislation and the approved policy of MONBAT AD, the company's Board of Directors will continue announcing publicly, under the legally provided procedure, new forecasts as well as to update already presented forward-looking statements that need to be corrected.

Before taking an investment decision, potential investors should carefully consider the factors stated in the Annual Consolidated Report, which may cause the actual results of MONBAT AD on a consolidated basis to differ from the ones presented in this document.

PRESENTATION OF FINANCIAL, MARKET, ECONOMIC AND STATISTICAL INFORMATION

The financial information in the Annual Consolidated Report has been prepared in compliance with the International Financial Reporting Standards (IFRS).

The market, economic and statistical information as well as information regarding the financial and economic situation in the Republic of Bulgaria and the Bulgarian securities market used in the Consolidated Report has been taken from various sources, explicitly referred in the respective parts where such information is presented. Information presented in this document regarding a part of the systematic risks for MONBAT AD and the companies of the economic group of MONBAT AD is extracted from publicly available information, including publications and information disclosed in compliance with the requirements of the applicable securities legislation and other regulations. Information presented in this Report regarding the economic sectors where MONBAT AD and its subsidiaries operate is extracted from publicly available information, including publications and information disclosed in compliance with the requirements of the applicable securities legislation and other regulations. MONBAT AD does not guarantee the accuracy and exhaustiveness of this information as well as the presence of complete uniformity in the information from all these sources. With this regard, MONBAT AD takes responsibility only for the accurate reproduction of extracts from relevant sources of information.

The Board of Directors of MONBAT AD confirms that the information extracted from publications and other publicly available sources is reproduced correctly by the relevant sources and, to the best of its knowledge, no facts which could render the reproduced information inaccurate or misleading are missed. Nevertheless, the Board of Directors of MONBAT AD

informs that it has relied on the accuracy of this information without conducting an independent review.

DEAR SHAREHOLDERS

We, the members of the Board of Directors of MONBAT AD, led by the desire to manage the company in the interest of the shareholders and pursuant to the provisions of art. 39 of the Accountancy Act, article 100m, paragraph 7 of the LPOS and Annex № 10 to art. 32, paragraph 1, item 2 of Ordinance No. 2 of FCS prepared this Consolidated Activity Report /the Report/.

The Report presents comments and analysis of the financial statements and other essential information regarding the financial situation and the operational results of the company on a consolidated basis. The Report reflects in a credible way the condition and the development prospects of the company on a consolidated basis.

In 2016 occurred circumstances that the Company's management believes could be of relevance for investors in taking a decision to acquire, sell or continue holding publicly traded securities.

The occurred circumstances have been disclosed within the terms and in accordance with the procedure as provided by the LPOS to the investors, the regulated securities market and the Financial Supervision Commission. The same are also available on the company's website www.monbat.com – “Investor Center” section, “News – Important Information”.

As at 31.12.2016 MONBAT AD generated consolidated net sales revenues in the amount of BGN 263 271 000 which represents 7,04 % growth in comparison with the consolidated net sales revenues generated by 31.12.2015 in the amount of BGN 245 958 000.

As at 31.12.2016 MONBAT AD generated consolidated profit before taxes in the amount of BGN 28 450 000 which represents 17.95 % a profit increase compared to the consolidated profit before taxes generated for 2015 in the amount of BGN 24 121 000.

The consolidated net profit of MONBAT AD after non-controlling participation as at 31.12.2016 is in the amount of BGN 26 527 000 and reports 20.3 % a profit increase compared to the consolidated net profit of the company for 2015 which is in the amount of BGN 22 051 000.

I. GENERAL INFORMATION ABOUT THE COMPANY AND ITS GROUP

The company was incorporated in the Republic of Bulgaria in accordance with the Bulgarian legislation. The legal and organizational form of MONBAT AD is a joint stock public company. The company has its registered seat and business address at 4, Cherni vrah № 32A, 1407 Sofia.

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E-mail : investorrelations@monbat.com

Website: www.monbat.com

As at the date of this Activity Report the share registered capital of the company is in the amount of BGN 39 000 000 divided in 39 000 000 dematerialized registered shares with a nominal value of BGN 1.00 each of them.

Changes in the capital of MONBAT AD since the establishment of the company to date are as follows:

On 16.02.1999 by a resolution of Montana District Court in the Commercial Register were filed the following changes under the batch of “AKUMIKAR” AD: the company's capital was increased from 101 260 000 Bulgarian leva to 749 300 000 Bulgarian leva through issuance of new 64 804 registered voting shares with a nominal value of 10 000 Bulgarian leva each of them.

By a resolution № 4 of 05.07.2000 of Sofia District Court the capital of MONBAT AD was denominated from 749 300 000 Bulgarian leva to BGN 749 300, divided into 74 930 registered voting shares with a nominal value of BGN 10 each of them.

By a resolution № 8 of 13.01.2003 of Sofia District Court the capital of MONBAT AD was increased from BGN 749 300 to BGN 800 000 through issuance of new 5 070 shares with a nominal value of BGN 10 each of them.

By a resolution № 10 of 29.12.2005 of Sofia District Court the capital of MONBAT AD was increased from BGN 800 000 to BGN 14 800 000 through issuance of 1 400 000 registered voting shares with a nominal value of BGN 10 each of them.

By a resolution № 11 of 07.08.2006 of Sofia District Court was filed a change in the type of shares of MONBAT AD from materialized into dematerialized and the nominal value of BGN 10.00 per share was changed to a nominal value of BGN 1.00 per share.

By a resolution № 12 of 29.11.2006 of Sofia City Court was filed the company's capital increase from BGN 14 800 000 to BGN 19 500 000 through issuance of new 4 700 000 dematerialized shares with a nominal value of BGN 1.00 each of them.

At the general assembly of the shareholders of MONBAT AD held on 16.05.2008 was approved a resolution a part of the company's profit for the year 2007, together with the Reserve Fund, to be used for the increase of the Company's capital and the rest of the profit for the year 2007 to be distributed to the shareholders as dividends. The capital increase of MONBAT AD under the procedure of Art.197, para. 1 and Art. 246, para. 4 of the Commercial Act from BGN 19 500 000 to BGN 39 000 000 was filed with the Commercial Register on 15.06.2008.

At its sessionas of 16.07.2008 the Financial Supervision Commission approved a resolution to file the subsequent issue of shares of MONBAT AD, issued as a result of the company's capital increase from BGN 19 500 000 to BGN 39 000 000. The overall amount of the share registered capital of the company was admitted to trading on the Bulgarian Stock Exchange – Sofia AD.

In 2014, 2015 and 2016 no changes were made in the value of the capital of MONBAT AD.

As at 31.12.2016 there is one legal entity that exercises control over the public company MONBAT AD. This company is PRISTA OIL HOLDING EAD, Sofia. PRISTA OIL HOLDING EAD is related to another shareholder with considerable holdings, namely MONBAT TRADING OOD.

As at 31.12.2016 the capital structure of MONBAT AD is the following:

Table № 1

Name of the shareholder	Number of shares	Percentage of the capital
PRISTA OIL HOLDING EAD, Sofia	16 666 371	42.73 %
MONBAT TRADING Ltd., Sofia	2 752 800	7.06 %
PRISTA HOLDCO COOPERATIEF U.A.	8 103 758	20.78 %
UPF Doverie	2 549 457	6,54 %
MUPF Allianz	2 029 556	5,20 %
Free float	6 898 058	17,69 %

As at 31.12.2016 the Board of Directors of Monbat AD is the following:

Atanas Bobokov – Executive member of the Board of Directors

Plamen Bobokov – Member of the Board of Directors

Stoyan Stalev – Member of the Board of Directors

Alexander Chaushev – Member of the Board of Directors

Nikolay Trenchev – Member of the Board of Directors

Evelina Slavcheva – Member of the Board of Directors

Florian Huth – Member of the Board of Directors

Peter Bozadzhiev – Member of the Board of Directors

Yordan Karabinov – Member of the Board of Directors

As of 31.12.2016 the economic Group of Monbat AD includes the following companies:

Table 2

Company's name	Principal activity	Capital share or percentage of votes at the General Assembly as of 31.12.2016
MONBAT PLC DOO, Serbia	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Serbia as well as export and import from and to the Republic of Serbia of scrap, materials and finished goods.	100 % of the capital
START AD, Sofia	Production, service and marketing of accumulator batteries; engineering and development-implementation activities; production and marketing of equipment for production of accumulator batteries; foreign and domestic trade and setting up commercial networks, specialized stores and representation offices.	97.80 % of the voting shares
SC MONBAT RECYCLING SRL – Romania	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Romania as well as export and import from and to the Republic of Romania of scrap, materials and finished goods.	100 % of the capital
MONBAT RECYCLING EAD – Bulgaria	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of Bulgaria.	100 % of the capital
OCTA LIGHT BULGARIA AD	Manufacturing of high power light emitting diodes – manufacturing of single color (white), multicolor (blue, red, green), high power (from 0.5W to 5W), highly effective (above 100 lumen/Watt) user orientated (<80 lumen/Watt) series of light emitting diodes for general and specific purposes. Engineering in the field of lighting industry in the country and abroad, including marketing, feasibility studies, design.	50.45 % of the capital

	<p>Design and manufacturing of specialized lighting fixtures and luminaries for general purpose for street, architectural, stage and accent lighting</p> <p>Design, manufacturing and installation of whole lighting systems, including implementation of energy-efficient lighting solutions, work with municipalities and private corporations.</p> <p>Complex engineering and exploitation of installations on ESCO agreements within the territory of Bulgaria and abroad (attractive nearby markets as Greece, Serbia, Rumania, future markets as Western Europe).</p> <p>Investment and development in the field of optoelectronics, studies and experimental activities for the implementation of new products and materials for the manufacturing of high power LEDs and their use for general lighting; development of new products and concepts for the introduction of high power light emitting diodes for mass usage.</p>	
MONBAT ROMANIA OOD	Trade company with scope of activity: trading, service and marketing of accumulator batteries, accumulator, lead, polyethylene and polypropylene scrap.	99 % of the capital
MONBAT NEW POWER AD	Production and trade of batteries	51% of the capital
Energy Batteries Nigeria Limited	Trade of batteries and their accessories;	100 % of the capital

II. OVERVIEW OF THE ACTIVITIES AND THE CONDITION OF THE COMPANY AND ITS SUBSIDIARIES

1. Main Activity

The principal activity of MONBAT AD is production of lead-acid starter and stationary accumulator batteries and their servicing. The products of the company can be divided in the following main groups:

Starter Batteries



Comprehensive lineup of starter batteries, featuring the classic construction "Dynamic", "Maintenance Free", "Premium", "Heavy Duty" and "JIS" series and the AGM range under the label GEM. The batteries application cover the entire range of passenger and commercial vehicles, heavy trucks and agricultural machines, operating in normal and harsh environmental conditions.

Stationary Batteries



Valve-regulated lead-acid (VRLA-AGM) batteries, constructed in accordance with the following standards and reference norms: IEC 60 896-21/22, EN 60896-2, BS 6290-4, IEC 707 FVO, UL 94 VO, BS 6334 FVO, BDS 10457 / 88 and EUROBAT specification: Long life. Product range of 2-, 4-, 6- and 12-volt batteries with capacities from 50 to 600 Ah.

Deep cycle bateries



Megalight Power range features advanced AGM technology with absorbed electrolyte. Designed for reliable storage solutions for renewable energy applications.

Monolith Power Light Traction range is specially designed for applications requiring a permanent and long lasting supply electrical energy.

Monolith Power Deep Cycle range is specially design for powering electrical equipment for longer periods of time with increased ability of deep discharge cycles.

Special Batteries



Batteries for military application, suitable for both Russian and NATO designed tanks and armoured vehicles.

Locomotives Batteries



Railroad source of starter power - batteries designed to facilitate diesel engines initial cranking and to provide the electronic and control circuits power supply in the electrolocomotives.

Leisure batteries



Provided with a special design reliable to demanding charge/discharge cycling conditions peculiar to recreational and leisure equipment. Perfect for seasonal use.

Ideal for motorboats, canal boats, yachts, motorhomes and caravans.

The activities of the subsidiaries are presented under Table 2 of this consolidated activity report.

2. Major raw materials

The major raw materials essential to the Company's activities are: lead with purity of 99.99% and 99.985%, lead alloys - antimony and calcium, polypropylene trade-mark 7523, polyethylene separator and sulfuric acid. The availability of these materials that MONBAT AD supports ensures the production process for a period of between 15 and 30 days. Prices of lead and lead alloys and polypropylene are variable and directly dependent on the exchange prices of lead on the London Metal Exchange and the stock exchange price of oil.

During the last 6 years the management of MONBAT AD has made considerable investment expenses to ensure resource availability of lead and propylene - own production, by means of building its own recycling facilities, namely: opened two recycling facilities in Serbia and Romania.

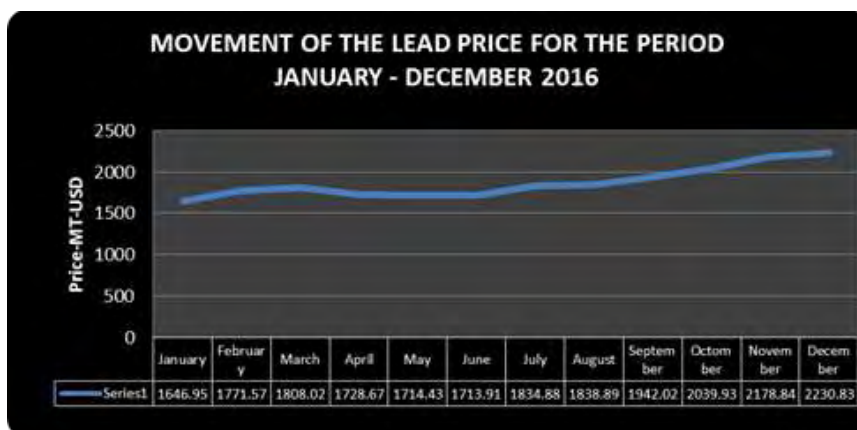
The share of own recycled lead, that MONBAT AD purchases mainly from its subsidiaries, used in the production process in 2014 represents 88 % and the share of the recycled polypropylene - own production - almost 100 %.

The share of own recycled lead, that MONBAT AD buys mainly from its subsidiaries, used in the production in 2015 represented 96 % and the share of the recycled polypropylene - own production - nearly 100 %.

The share of own recycled lead, that MONBAT AD buys mainly from its subsidiaries, used in the production in 2016 represented 72 % and the share of the recycled polypropylene - own production - nearly 100 %.

By means of creating own recycling facilities, the management of the company strives to reduce the risk of change in the price of the major raw materials.

The movement of the lead price in 2016 is shown in the following diagram:



*** Average lead price for 2016 is - 1,870.75 USD/MT**

The production is dependent on the price of electricity and natural gas, which are currently state-regulated. However, these prices do not significantly affect the cost price formation, as production of accumulator batteries is not energy consuming - up to 2 % of the cost price of the output is determined by electricity consumption and 0.9 % of the natural gas consumption.

MARKETS AND SALES

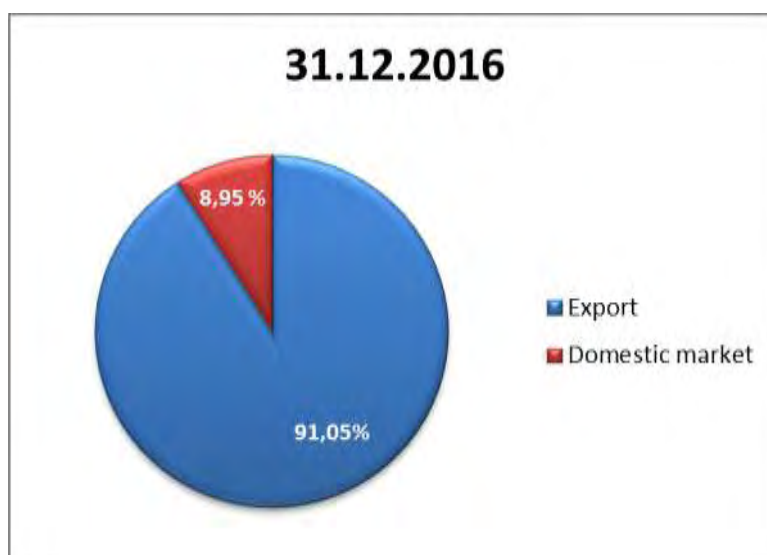
The marketing channels of MONBAT AD are built primarily on the basis of distribution trading for the domestic and foreign market. The company has granted deferred payment terms for the domestic market up to 60 days and for the foreign market – up to 90 days. In case of deferred payments, sales are being insured by BAEZ AD (the Bulgarian Export Insurance Agency).

MONBAT and its subsidiaries produce a wide range of products and have international positions in the markets of the Balkan countries and extended presence in the markets of Western Europe as important markets for the company and its subsidiaries in 2016 are France, Germany, Spain, Romania and Italy.

As at 31.12.2016 MONBAT AD reported consolidated net sales revenues in the amount of BGN 263 271 000 which represents an increase by 7,04 % compared to the consolidated net sales revenues generated for the same period of 2015 in the amount of BGN 245 958 000.

The generated consolidated sales revenues on the domestic market on a consolidated basis during 2016 were in the amount of BGN 23 557 000 and represent 8.95 % of the total sales, and the generated consolidated revenues from abroad including intra-community supplies were in the amount of BGN 239 713 000 and represents 91.05 % of the net sales revenues of the company on a consolidated basis.

BREAKDOWN OF THE CONSOLIDATED NET SALES REVENUES ON THE DOMESTIC AND FOREIGN MARKETS



MONBAT AD and its subsidiaries are an export-oriented companies.

Breakdown of the markets of MONBAT AD on a consolidated basis for 2016 is shown in the table below.

Table № 3

Country	31.12.2016		31.12.2015	
	Export (EUR,mln)	%	Export (EUR,mln)	%
OTHER	22 996	18,79	17 535	16,03
FRANCE	19 175	15,66	18 360	16,78
GERMANY	10 043	8,20	9 470	8,66
SPAIN	9 962	8,14	11 109	10,15
ROMANIA	8 292	6,77	7 086	6,48
ITALY	7 063	5,77	5 277	4,82
UKRAINE	6 778	5,54	2 482	2,27
GREAT BRITAIN	6 774	5,53	4 977	4,55
NETHERLANDS	6 027	4,92	5 555	5,08
GREECE	4 628	3,78	8 314	7,60
SERBIA	4 079	3,33	4 542	4,15
BELGIUM	3 011	2,46	2 914	2,66
FINLAND	2 815	2,30	1 749	1,60
DENMARK	1 978	1,62	1 682	1,54
PORTUGAL	1 926	1,57	1 461	1,34
IRELAND	1 862	1,52	1 559	1,43
CZECH	1 768	1,44	1 486	1,36
SOUTH AFRICA	1 718	1,40	2 391	2,19
GERORGIA	1 514	1,24	1 455	1,33
TOTAL	122 409	100	109 404	100

For the period 01.01.2016 - 31.12.2016 on a consolidated Basis the major market for MONBAT AD was France with EUR 19 174 000 sales revenues which represents 15.66 % of the total consolidated export of the company.

**QUALITY
ISO 9001**

MONBAT AD continuously strives to improve the way it operates, in all possible aspects: developing innovative products and technologies; increasing market share; managing risk more effectively; improving customer satisfaction. The established quality management system provides for a reliable framework capable to monitor and improve performance in the area of activity.

AQAP 2110

AQAP certificate ("Allied Quality Assurance Publications") is a group of standards for Quality assurance systems developed from the Military Standard. This standard contains the regulations for the development, construction and production, as well as for the quality inspection and final testing of military goods.

ISO/TS 16949

ISO/TS 16949 is an ISO technical specification which aligns existing US, German, French and Italian automotive quality system standards within the global automotive industry. It specifies the quality system requirements for the design/development, production, installation and servicing of automotive-related products.

II. OPERATING RESULTS

As a result of its business activities carried out in 2016 MONBAT AD reports consolidated profit before taxes in the amount of BGN 28 450 000 which represents an increase by 17,95 % compared to the consolidated profit before taxes generated in 2015 in the amount of BGN 24 121 000.

The consolidated net profit of MONBAT AD after non controlling participation as at 31.12.2016 is in the amount of BGN 26 527 000 and registers an increase by 20,3 % compared to the company's consolidated net profit for 2015 which is in the amount of BGN 22 051 000.

Table № 4

FINANCIAL INDICATORS	31.12.2016	31.12.2015	31.12.2014
EBITDA	44 384	37 504	40 278
EBIT	31 562	25 972	29 085
NET INCOME	263 271	245 958	228 415

***Data presented in BGN thousands.**

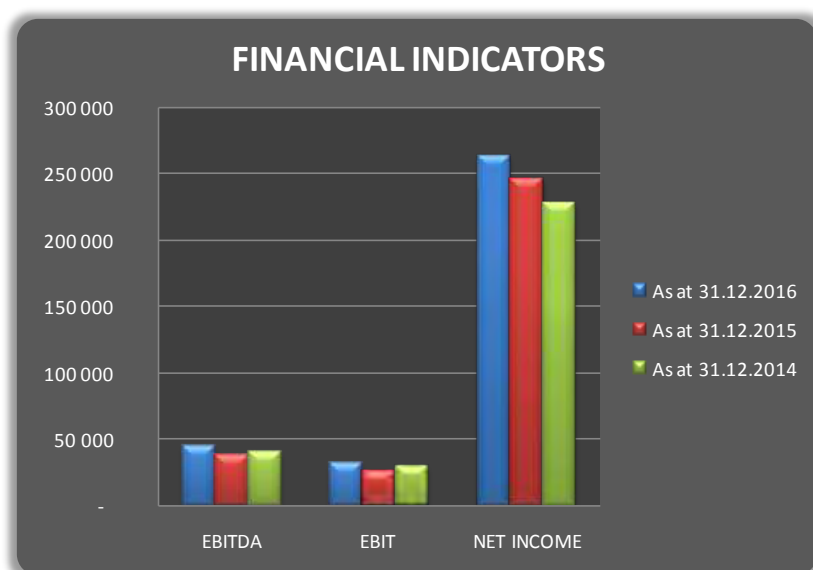


Table № 5

(in BGN '000)					
SHAREHOLDERS' EQUITY, MINORITY HOLDINGS AND LIABILITIES	2014	%	2015	%	2016
	a		1		2
A. SHAREHOLDERS' EQUITY					
I. Share capital	39 000	-0,03%	38 989	0,00%	38 989
II. Reserves	93 535	-0,77%	92 819	-0,39%	92 458
III. Financial result					
1. Retained earnings from previous periods	10 195	188,84%	29 447	39,38%	41 044
undistributed profit	10 195	188,84%	29 447	39,38%	41 044
loss not covered	-	0,00%	-	0,00%	-
one-time effect from changes in accounting policy	-	0,00%	-	0,00%	-
2. Current year profit	25 309	-12,87%	22 051	20,30%	26 527
3. Current year lost	-	0,00%	-	0,00%	-
III.Total	35 504	45,05%	51 498	31,21%	67 571
TOTAL SHAREHOLDERS' EQUITY "A" (I+II+III)	168 039	9,09%	183 306	8,57%	199 018

Operating revenues by category

Table № 6

(in BGN '000)					
REVENUES	2014	%	2015	%	2016
	a		1		2
A. Operating revenues					
I. Net revenues from the sale of:					
1. Finished goods	216 808	4,96%	227 571	10,05%	250 453
2. Goods for sale	2 781	229,31%	9 158	-65,46%	3 163
3. Services	1 438	43,95%	2 070	-5,80%	1 950
4. Other	7 388	-3,10%	7 159	7,63%	7 705
I: Total	228 415	7,68%	245 958	7,04%	263 271
II. Revenues from financing for fixed assets	622	31,03%	815	298,90%	3 251
incl. government grants					
II: Total	622	31,03%	815	298,90%	3 251
III. Financial income					
1. Interest revenue	1 353	-3,40%	1 307	-16,22%	1 095
2. Divident income	-	0,00%	-	0,00%	-
3. Gains from operations with financial assets and instruments	-	0,00%	-	0,00%	-
4. Gains from foreign exchange operations	1 531	64,08%	2 512	-0,88%	2 490
5. Other financial income	-	0,00%	-	0,00%	-
III: Total	2 884	32,42%	3 819	-6,13%	3 585
B. Total revenues (I+II+III)	231 921	8,05%	250 592	7,79%	270 107

Operating expenditures by category

Table № 7

(in BGN '000)					
EXPENSES	2014	%	2015	%	2016
a	1		2		3
Expenditures					
I. Operating expenses					
1. Materials	153 914	-3,09%	149 163	20,07%	179 095
2. External services	17 669	10,00%	19 436	19,06%	23 140
3. Depreciation	11 193	3,03%	11 532	11,19%	12 822
4. Salaries	13 383	13,70%	15 216	26,57%	19 259
5. Social security	2 639	17,39%	3 098	26,53%	3 920
6. Net book value of assets sold (finished goods excluded)	7 328	83,43%	13 442	-36,13%	8 586
7. Assets under construction and write off of assets	- 10 799	-117,45%	1 884	-1126,17%	- 19 333
8. Other expenses	4 625	52,00%	7 030	6,27%	7 471
incl. impairment of assets	-	0,00%	-	0,00%	-
incl. provisions	-	0,00%	-	0,00%	-
I. Total	199 952	10,43%	220 801	6,41%	234 960

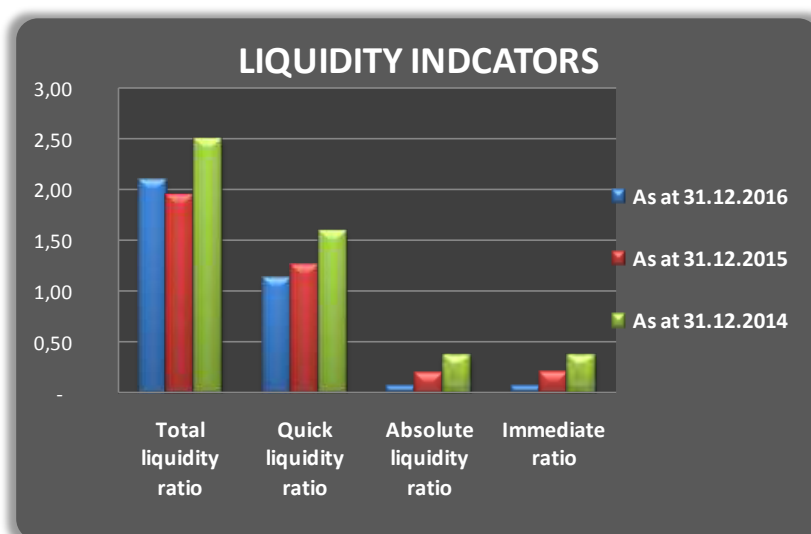
III. ANNALYSIS OF FINANCIAL AND NON-FINANCIAL BASIC INDICATORS ON THE RESULTS FROM THE ACTIVITIES RELATED TO THE BUSSINES INCLUDING INFORMATION ON ISSUES RELATED TO ECOLOGY AND HUMAN RESORSES

1. FINANCIAL INDICATORS

LIQUIDITY

Table № 8

LIQUIDITY INDICATORS	31.12.2016	31.12.2015	31.12.2014
Total liquidity ratio	2.10	1.94	2.50
Quick liquidity ratio	1.12	1.25	1.60
Absolute liquidity ratio	0.06	0.20	0.37
Immediate ratio	0.06	0.20	0.37



The trend of the liquidity indicators over time provides the most valuable information. Liabilities to creditors of MONBAT AD are being paid off in cash rather than using inventories or equipment. I.e., these factors describe the company's ability to pay off its debts on time.

TOTAL LIQUIDITY RATIO

The total liquidity ratio is one of the earliest formulated indicators and is considered to be universal. The total liquidity ratio represents the ratio of current assets to current liabilities. It could be expected that current assets will be at least equal to current liabilities, whereas actually it is normal for them to be even slightly higher than the current liabilities. Therefore, optimal values of this ratio are over 1 – 1,5. However, some types of companies are able to operate at odds of less than 1.

For 2016 the value of the consolidated total liquidity ratio is 2,10 and increased in comparison with the rates for 2015.

The registered increase in the value of this ratio for 2016 compared to 2015 on a consolidated basis is due to the increase in the amount of the company's consolidated current assets by 27,83 % and the increase in the amount of the company's consolidated current liabilities by 18.12 %

IMMEDIATE LIQUIDITY RATIO

The value of the immediate liquidity ratio of MONBAT AD on a consolidated basis for 2016 is 0,06 and registers a decrease compared to its rate from 2015 / 2014. The decrease in the value of the immediate liquidity ratio for 2016 compared to 2015 is due to the decrease in consolidated cash of the company by 63.56 % and increase in the consolidated current liabilities by 18.12 %.

QUICK LIQUIDITY RATIO

The quick liquidity ratio represents the ratio of current assets minus inventories to current liabilities. Its traditional rate, setting stability for the company is between 1.5-2 but much higher rates would indicate that company's assets are not being used in the best way.

The quick liquidity ratio of the company on a consolidated basis for 2016 is 1,12 and registers a decrease compared to its rate of 1.25 for 2015. In 2016 compared to 2015 the group of consolidated inventories increased by 67.41 %, consolidated current liabilities increased by 18.12 % and company's consolidated current assets increased by 27,83 %

ABSOLUTE LIQUIDITY RATIO

The absolute liquidity ratio is calculated as the ratio of cash and short term liabilities and indicates company's ability to meet its short-term liabilities with its available cash.

The absolute liquidity ratio of the company for 2016 on a consolidated basis is 0.06. For 2016 the company's consolidated cash reports a decrease by 63.56.% compared to the previous 2015 while the rate of the consolidated short term liabilities reports an increase by 18.12 %.

CAPITAL RESOURCES

The financial autonomy and financial leverage indicators report on the ratio between own funds and borrowed funds in the capital structure of the company. High rates of the financial autonomy indicator, respectively, the low rates of the financial leverage indicator, provide guarantee both for investors /creditors/ and for the owners themselves, on the ability if the company to pay regularly its long-term liabilities.

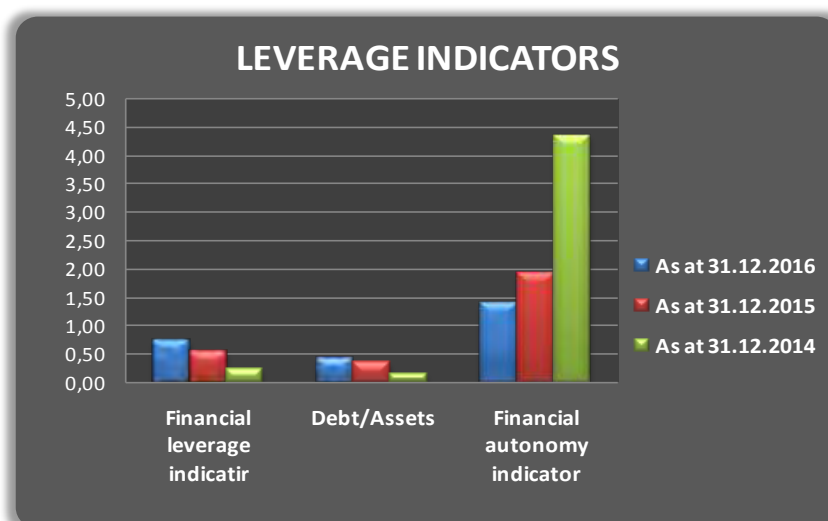
The effect of using borrowed funds (debt) by the company with a view to increase the final total net income from the funds involved in the activity (equity and borrowings) is called financial leverage. The benefit of using financial leverage appears when the company benefits from the investment of borrowed funds more than the expenses (interest) on their attraction. When a company achieves higher yields when using borrowed funds in its capital structure than the expenses on their attraction are, leverage is justified and should be considered in a positive

way (with the reservation that the rate of leverage does not significantly negatively influence other financial indicators of the company).

THE FINANCIAL LEVERAGE INDICATORS

Table № 9

LEVERAGE INDICATORS	31.12.2016	31.12.2015	31.12.2014
Financial leverage indicator	0.72	0.52	0.23
Debt/Assets	0.43	0.35	0.15
Financial autonomy indicator	1.38	1.91	4.34



FINANCIAL LEVERAGE RATIO

The indicators for the share of capital, obtained through loans show what part of the total capital represent the borrowings. The higher the share of long-term debt compared to shareholders' equity is, the higher will be the likelihood of failure in the payment of fixed liabilities.

The value of the financial leverage ratio of MONBAT AD for 2016 on a consolidated basis is 0,72 and reports an increase compared to its rate registered in 2015 and 2014.

In 2016 the consolidated shareholder's equity registered an increase by 8,57 % and company's consolidated debt registered an increase by 49,63 %

FINANCIAL AUTONOMY RATIO

The financial autonomy ratio shows what percentage of the total liabilities represents the shareholder's equity of the company.

As at 31.12.2016 the value of the consolidated company's financial autonomy ratio is 1,38 compared to its rate of 1,91, registered as at 31.12.2015 and its rate of 4.34, reported for 2014.

During the analyzed financial period the value of the financial autonomy ratio on a consolidated basis decreased compared to the previous 2015. The indicated decrease in the value the financial autonomy ratio in 2016 compared to 2015 is due to the increase of the company's consolidated debt by 49,63% and an increase of the consolidated shareholder's equity by 8,57 %.

DEBT TO TOTAL ASSETS RATIO

The rate of the ratio shows what part of the assets is being financed through debt.

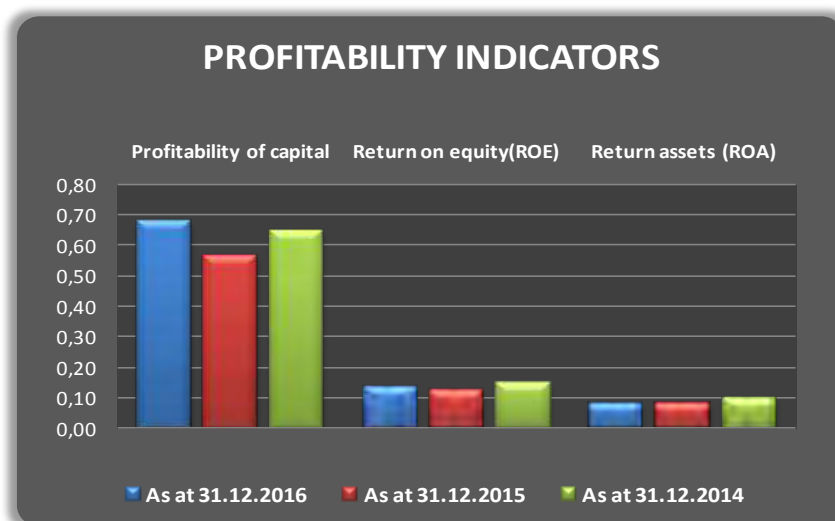
As at 31.12.2016 the value of the Debt/Assets ratio on a consolidated basis is higher compared to its rate for 2015. The registered increase in the value of this ratio in 2016 compared

to 2015 is due to the increase in the company's consolidated total debt by 49,63 % together with an increase in the value of the company's consolidated assets by 22,08 %.

PROFITABILITY INDICATORS

Table.№ 10

PROFITABILITY INDICATORS	31.12.2016	31.12.2015	31.12.2014
Profitability of capital	0,68	0,57	0,65
Return on equity(ROE)	0,13	0,12	0,15
Return assets (ROA)	0,08	0,08	0,10



RETURN ON EQUITY (ROE)

The Return on Equity indicator is calculated as the profit after taxation from the total income statement is related as a percentage of the company's shareholders' equity. This ratio measures the return to shareholders in terms of their absolute investments.

This ratio reports stable high rates for the last three financial periods due to the generated profit for these years. For 2016 the value of the Return on Equity ratio on a consolidated basis from 0,13 reports an increase compared to its rate of 0,12 registered in 2015. The increase in the value of the Return on Equity ratio is due to the increase of the company's consolidated net profit by 20,3 % with a registered increase of the consolidated shareholders' equity by 8,57 %.

RETURN ON ASSETS (ROA)

The Return on Assets indicator shows the effectiveness of using the total assets in the company. The decrease in the value of the Return on Assets indicator on a consolidated basis in 2016 compared to 2015 is due to the increase of the company's consolidated net profit by 20.3 % and the increase of the consolidated total assets by 22.08 %.

PROFITABILITY OF CAPITAL

As at 31.12.2016 the profitability of capital ratio is 0,68 and reports an increase compared to 2015. In 2016 compared to 2015 the net profit reported by the company on a consolidated basis is in the amount of BGN 26 527 000 and the company's registered consolidated capital remains unchanged.

KEY INDICATORS

Summerized information on the financial indicators of MONBAT AD on a consolidated basis for the last three financial years is presented in the following table:

Table № 11

	(in BGN'000)(*/%ratio)		
Indicattors	2016	2015	2014
Net sales revenues	263 271	245 958	228 415
Shareholders' equity	199 018	183 306	168 039
Non-current liabilities	54 072	20 120	38 676
Current liabilities	89 844	76 061	55 665
Non-current assets	147 620	127 885	120 440
Current assets	188 900	147 775	139 279
Working capital	99 056	71 714	83 614
Cash and cash equivalents	5 550	15 232	20 538
Total debt	143 916	96 181	94 341
Interest expenses	2 431	2 077	2 437
Inventories	87 970	52 547	50 398
Short-term receivables	95 320	79 399	68 308
Operating expenses	234 960	220 801	199 952
Material expenses	179 095	149 163	153 914
P/E	0,68	0,57	0,65
P/BV	1,40	1,70	1,92
P/S	6,75	6,31	5,86
Financial Maneuver Coefficient	0,50	0,39	0,50
Return on sales	0,10	0,09	0,11
ROFA *	0,18	0,15	0,14

The P/E, P/BV и P/S indicators are calculated based on the average share price of MONBAT AD as of 31.12.2016, 31.12.2015 and 31.12.2014.

* Financial maneuver coefficient – working capital / shareholders' equity;

*ROFA (return on non-current assets) – net profit/non-current assets;

*P/S – (net sales revenues / registered capital) x100

*P/BV – shareholders' equity / registered capital

*P/E – net profit / registered capital

ECOLOGY

The responsibility of MONBAT AD as the largest producer of accumulator batteries in Bulgaria and a dynamically developing public company finds expression also in the attitude towards environment. The management of MONBAT AD considers the activities directed towards pollution prevention or reduction aimed at achieving a maximum level of human health and environmental protection as a major priority and a crucial factor in the long-term and sustainable development. It is a company's practice of long standing to provide clear and accurate environmental information on its products, services and activities to customers, suppliers and the general public.

The management of MONBAT AD makes efforts to reduce the impact of the company on the environment through:

- effective use of electricity and heat power/thermal energy;
- minimizing and recycling waste;

- preventing pollution through reducing and minimizing detrimental emission in the air and water;
- using the best available techniques and best management practices when expanding the production;
- internal monitoring in terms of air, water and soil pollution;

Self-control system - the establishment and operation of an internal control system is designed to achieve continuous compliance with the environmental, health and safety regulations on the basis of the Integrated Management System. The self-control system evaluates the efficiency and effectiveness of the management system and the operations of MONBAT AD in general.

Pursuant to the requirements of the Law on Health and Safe Labor Conditions and the respective subordinate legislation and the Disaster Protection Act, MONBAT AD has developed an emergency plan to carry out rescue and emergency recovery activities in case of disasters, emergencies and accidents which have occurred in the production process. The purpose of the protection plan is to preventively ensure the necessary materials, equipment and resources for effective activities to prevent the consequences of disasters and accidents; preparation of the personnel on the site for action; way of announcing and preparing the personnel; managing the personnel's activities; procedures for putting the plan into action and informing the competent authorities; ways, means and procedures for notifying, when possible, the endangered population near the site; the procedure for carrying out the relevant rescue and emergency recovery activities on the territory of the site; procedures for restoring the activities on the site; ensuring the necessary measures for recreation of the environment.

The development strategy of MONBAT AD includes participation in long-term socially useful projects in the environment protection area. The Company has a system for separate waste collection and disposal by means of building a network of containers for collecting old accumulator batteries with the distributors of MONBAT AD. Old batteries are among the widespread harmful waste and the company significantly contributes to environmental protection by collecting, neutralizing and recycling such batteries. Lead and polypropylene derived from recycling are put again in the production of new accumulator batteries and thus waste has been efficiently utilized. The company has established the only individual system for collecting old batteries in Bulgaria and operates under its own Program for management of spent lead-acid accumulator batteries.

The Company has successfully passed through the certification process under ISO 14001 - an internationally recognized standard defining how a company can create and implement an effective management system in relation to the environment. The standard focuses on the delicate balance between maintaining efficiency and reducing environmental impact by engaging all levels of the organization to achieve both objectives.

HUMAN RESOURCES

The average number of the Company's employees as of 31.12.2016 is 382 employees.

As at 31.12.2016 803 employees are employed in the Monbat Group..

The Company has successfully passed through the certification process under OHSAS 18001 - an internationally recognized standard in terms of management systems of production safety. The standard was developed by selected leading commercial and certification organizations, based on the international standards, and directed towards a segment where a single international policy has lacked until now.

IV. PRINCIPAL RISKS WHICH THE ISSUER AND ITS SUBSIDIARIES FACE

Risks relevant to the Company and its operations can generally be divided into common (systematic) and specific (unsystematic) risks.

Systematic risks are related to the macro environment where MONBAT AD operates, therefore they are not subject to control by the management team.

Unsystematic risks are directly relevant to the operations of the Company and largely depend on the corporate Board. For their minimization it is relied on increasing the effectiveness of internal business planning and forecasting, which will provide opportunities to overcome the potential negative consequences of risk event occurring.

The general risk management plan of the Company's management is focused on the unpredictability of the financial markets and is aimed at minimizing the potential negative impact over the Company's financial standing.

Each of the risks associated with the state – political, economic, credit, inflation, monetary - has its own importance, but their aggregate consideration and interaction form an overall picture of the economic fundamentals, market conditions, competitive conditions in the country where the respective company operates.

SYSTEMATIC RISKS

OVERALL MACROECONOMIC RISK

At its monetary policy meeting, held on December 8, 2016 and based on the regular economic and monetary analysis the Governing Council of the European Central Bank made a profound assessment of the economy and inflation perspectives as well as on those of the monetary policy position. The assessment confirmed the need to prolong the time frame of the asset purchases program after March, 2017 in order to maintain the high level of monetary support needed to ensure sustainable convergence of inflation rates at levels below, but close to 2 % in medium term.

Assessment of the economy and finance state as of the date of the meeting of the Governing Council of the ECB of December 8, 2016 .:

During the second half of the year, economic activity worldwide marked improvement and is expected to continue increasing, although it is expected to remain below its pre-crisis levels. The conducted not restrictive policy and the improvement in the labor market helped the activity in the USA but the uncertainty regarding the prospects for the country and the world as a whole strengthened after the elections in the USA. In Japan, growth rates are expected to remain moderate, while the medium-term outlook for the UK growth is likely to be restricted due to the increased uncertainty related to the future relations of the country with the EU. Furthermore, although the currently observed gradual slowdown in China might affect other emerging economies, the gradual weakening of the deep recession in some large countries - exporters of major commodities, increasingly supports global growth. Oil prices increased as a result of the agreement of OPEC as of 30 November and the effects from its previous declines on the overall inflation in the world slowly decline. Yet, the large volume spare production capacity in the world, however, restrains core inflation.

Economic recovery in the euro area continues. During the third quarter of 2016 real GDP of the euro area grew by 0.3 % on a quarterly basis like its growth during the second quarter. Incoming data, especially the results of the surveys, indicate that growth will continue also during the fourth quarter of 2016.

In the future, the ECB Governing Council expects that the economic recovery will continue with a moderate but more stable rate. Transfer of the ECB's monetary policy measures in real economy, stimulates domestic demand and helps reducing indebtedness. Better profitability of enterprises and very favorable financing conditions continue promoting investments recovery. Furthermore, sustainable employment growth, which was stimulated by earlier structural reforms, supports real disposable income of households and private consumption.

According to the December, 2016 ECB staff macroeconomic projections for the euro area real GDP is expected to grow by 1.7 % in 2016 and 2017 and by 1.6 % in 2018 and 2019. Compared to the September, 2016 ECB staff macroeconomic projections the forecast for real GDP growth remains broadly unchanged. Risks for the growth prospects in the euro area are mostly associated with overestimation of the projections.

According to the six-month report of the World Economic Outlook Fund, published on 04.10.2016, the gross domestic product (GDP) of the country will grow by up to 3.0 % in 2016 and 2.8 % in 2017. The previous, April 2016 forecasts of the IMF were for growth of 2.3 % in 2016 and 2017. Major risks for the development of the Bulgarian economy according to the IMF experts are worsening demographics as well as major economic and social imbalances among the regions in the country.

On 06.12.2016 the Ministry of Finance publishes an updated Autumn macroeconomic forecast*. (**In the forecast were used statistics published until October 28, 2016, except for those specifically mentioned.*)

Update of the autumn forecast of the Ministry of Finance was imposed by publication of revised series of data on Payment Balance and National Accounts, respectively on September 17 and October 11, 2016.

According to the updated autumn forecast of the Ministry of Finance it is expected that both the European and the US economy to slow their growth rates during the current year.

The favorable development in emerging markets as well as the acceleration of the US GDP growth will play a leading role in the dynamics of the world economy in 2017.

At the same time, development of the European economy is expected to remain depressed as a result of increased insecurity in the region associated with geopolitical tensions, migration flows to the EU countries, the effect of the upcoming release of the UK from the Union and the worsened economic and political environment in Turkey.

The revised data on investments showed a larger increase in inventories, while investments in fixed capital are almost at the same the level as value and real growth. For the first half of the year total investment grew by 7.7 %, but for the whole year growth is expected to slowdown to 4.1 %.

This will be related to the expected lower growth in inventories and private investments in the second half of the year and the decline in capital expenditure of the government, which is due to the transition to the new financial framework 2014 - 2020 on programs financing by the EU funds. Fixed capital investments are expected to grow by 0.1%, which will be due to the private sector.

2016 real growth of the Bulgarian economy is expected to reach 3.2 % while the autumn forecast showed 2.6 %. Domestic demand (consumption and investments) again is expected to have major contribution to the growth but net export contribution is increased from 0.6 to 1 percentage point due to the revised data.

In 2017 GDP growth is expected to slow down slightly to 2.9 % while the autumn forecast expected 2.5 %. Contributing to the lower growth will have the weaker external demand from the European economy which will result in a slowdown in export growth to 3.2 %. In case

of strengthening the demand and investments in fixed capital, growth in imports of goods and services is expected to be a bit higher than 2016 and reach 2.7 %. As a result, the contribution of net exports to GDP growth will be 0.4 percentage points which will be lower by 0.6 percentage points compared to 2016.

For the period 2018 – 2019 is expected a slight acceleration of GDP growth to 3 %. Domestic demand will be leading for the growth both in terms of consumption and investments. Higher growth of domestic demand will result in accelerated growth of imports as a result of which the net export contribution will continuously decrease and at the end of the forecast period is expected 0 contribution to GDP.

Pursuant to data of the National Statistical Institute in December 2016 the total business climate indicator remained at its level from the previous month. Improvement of the economic situation was registered in industry and construction, while retail trade and services sector reported a decrease.

The composite "business climate in industry" indicator increased by 2.3 points compared to November which is due to the improved assessments and expectations of industrial entrepreneurs about the business situation of enterprises. However, the production assurance with orders is estimated to be slightly reduced which is accompanied by reduced expectations for production activity over the next three months.

The uncertain economic environment is continuously the most serious problem impeding business activities of 46.4 % of the companies.

As regards selling prices in industry, most managers provide retaining of their level over the next three months.

In December the composite "business climate in construction" indicator increased by 1.2 points as a result of the favorable assessments and expectations of construction entrepreneurs about the business situation of enterprises. Their opinion on the current construction activity, as well as their forecasts for the following three months, is also more moderate.

The most serious problems for the business development are continuously related to the uncertain economic environment and competition in the field.

As regards selling prices in construction, managers expect that they will remain unchanged over the next three months.

The composite "business climate in retail trade" indicator decreased by 5.2 points compared to the previous month which is due to the declined assessments and expectations of retailers on the business situation of enterprises.

Their forecasts regarding the volume of sales and orders to suppliers during the following three months are also more reserved.

Competition in the field, the uncertain economic environment and insufficient demand keep on being the most serious factors retaining the business activities of companies.

As regards selling prices, prevailing number of retailers expect that they will remain unchanged over the next three months.

In December the composite "business climate in the service sector" indicator decreased by 1.3 points mainly as a result of the more unfavorable expectations of managers about the business situation of enterprises over the following six months. Their opinion in terms of current and expected service demand is also more reserved.

Major obstacles for business development remain related to the uncertain economic environment and competition in the industry, although during the last month decrease of negative impact is reported.

As regards selling prices in the service sector, most of the managers expect that they will remain unchanged over the next three months.

INTEREST RATE RISK

The interest rate risk is related to possible, contingent adverse changes in the interest rates, set by the financial institutions in the Republic of Bulgaria.

On 08.10.2016 the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00 %, 0.25 % and -0.40 % respectively and continues to expect that they will remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases on the part of the Eurosystem. The Governing Council confirmed that the monthly asset purchases of EUR 80 billion are intended to run until the end of March 2017, or beyond, if necessary, and in any case until it sees a sustained adjustment in the path of inflation consistent with its inflation aim.

At its monetary policy meeting, held on December 8, 2016 in view of implementing its price stability objective the Governing Council of the European Central Bank adopted the following resolutions:

- As for the non-standard monetary policy measures, the Eurosystem will continue making purchases under the assets purchase program (APP) at the current rate of EUR 80 billion per month by the end of March, 2017. Starting from April, 2017 it is provided that net purchases of assets will continue to be held with a monthly volume of EUR 60 billion by the end of December, 2017, and if necessary after that, but in any case until the Governing Council finds a lasting correction in inflation trend which is consistent with its inflation target. If meanwhile the prospects become more unfavorable or financial conditions do not correspond to further progress towards a sustainable correction in inflation trend, the Governing Council intends to increase the amount and/or duration of the program.

- In order to provide ever so smooth conduct of asset purchases by the Eurosystem, the Governing Council decided to adjust the parameters of APP by January, 2017 as follows: First, maturity range of the program for purchases from the public sector will be expanded, with a minimum residual maturity of eligible securities shall be reduced from two years to one year. Second, purchases of securities under APP, the yield to maturity of which is lower than the interest rate of the ECB deposit facility will be resolved until needed.

- Governing Council decided to leave the key ECB interest rates unchanged and continues expecting that they will remain at current or lower levels for a continuous period of time and a lot after the close of net purchases of assets.

**Base interest rates set by the Bulgarian National Bank for the period
01.01.2016 – 31.12.2016**

Table № 12

Month	Base Interest Rate
January 2016	0.01 %
February 2016	0.00 %
March 2016	0.00 %
April 2016	0.00 %
May 2016	0.00 %
June 2016	0.00 %
July, 2016	0.00 %
August, 2016	0.00 %
September, 2016	0.00 %
October, 2016	0.00 %
November, 2016	0.00 %
December, 2016	0.00 %

*Source:BNB

INFLATION RISK

Inflation risk is the overall increase in prices, where money is devalued and there is likelihood for households and businesses to suffer losses.

Pursuant to data of the National Statistical Institute, the consumer price index for October, 2016 compared to September, 2016 was 100.2 %, i.e. monthly inflation is 0.2 %. Inflation as from the beginning of the year (October, 2016 compared to December 2015) is minus 0.4 % and annual inflation for October, 2016 compared to October, 2015 is minus 0.6 %. Average annual inflation for the period November, 2015 – October, 2016 compared to the period November, 2014 – October, 2015 is minus 0.8 %.

The harmonized consumer price index for October, 2016 compared to September, 2016 was 99.9 %, i.e. monthly inflation is minus 0.1 %. Inflation as from the beginning of the year (October, 2016 compared to December, 2015) is minus 1.1 % and annual inflation for October, 2016 compared to October, 2015 is minus 1.0 %. Average annual inflation for the period November, 2015 – October, 2016 compared to the period November, 2014 – October, 2015 is minus 1.4 %.

The consumer price index for November, 2016 compared to October, 2016 was 100.0 %, i.e. monthly inflation is 0.0 %. Inflation as from the beginning of the year (November, 2016 compared to December, 2015) is minus 0.5 % and annual inflation for November, 2016 compared to November, 2015 is minus 0.5 %. Average annual inflation for the period December, 2015 – November, 2016 compared to the period December, 2014 – November, 2015 is minus 0.8 %.

The harmonized consumer price index for November, 2016 compared to October, 2016 was 99.9 %, i.e. monthly inflation is minus 0.1 %. Inflation as from the beginning of the year (November, 2016 compared to December, 2015) is minus 1.2 % and annual inflation for November, 2016 compared to November, 2015 is minus 0.8 %. Average annual inflation for the period December, 2015 – November, 2016 compared to the period December, 2014 – November, 2015 is minus 1.4 %.

The consumer price index for December, 2016 compared to November, 2016 was 100.6 %, i.e. monthly inflation is 0.6 %. Annual inflation for December, 2016 compared to December, 2015 is 0.1 %. Average annual inflation for the period January – December, 2016 compared to the period January – December, 2015 is minus 0.8 %.

The harmonized consumer price index for December, 2016 compared to November, 2016 was 100.8 %, i.e. monthly inflation is 0.8 %. Annual inflation for December, 2016 compared to December, 2015 is minus 0.5 %. Average annual inflation for the period January – December, 2016 compared to the period January – December, 2015 is minus 1.3 %.

The different range of CPI and HCPI and therefore the different structure of consumption are responsible for the different values of the two indices.

According to the updated Autumn forecast of the Ministry of Finance, published on 06.12.2016, the 2016 annual inflation rate remained negative, taking into account some acceleration in the first half of the year mainly through the decline in prices of food and energy products and the cheaper communication services. In the summer months, however, deflation in the country declined significantly and remained at the level of 1.1 % on annual basis in the period July - September.

The current dynamics of the indicator and the expectations on the international commodity prices give grounds to the Ministry of Finance to expect that negative inflation in the country will continue slowing down, reaching -0.2 % at the end of 2016. The overall HCPI on average for the year is expected to report a decrease by 1.2 % in view of the high deflation in the period April – May, 2016.

Accumulated inflation at the end of 2017 will accelerate to 1.2 % and a negative contribution is expected only along the line of the continuing price decrease of consumer goods of lasting nature, even so at a slower rate. The other main components of the HCIP will rise in case of admitting higher international oil and non-energy raw materials prices and increase in

domestic demand. The average annual increase of HCPI in 2017 is expected to be 1.1 % and in the period 2018 – 2019 inflation will accelerate up to 1.5 – 1.7 %.

Inflation for the period 01.01.2016 – 31.12.2016 is as follows:

Table № 13

Month	% of inflation
January 2016	0.00 %
February 2016	- 0.3 %
March 2016	-0.7 %
April 2016	0.00 %
May 2016	0.00 %
June 2016	-0.1 %
July, 2016	1.00 %
August, 2016	0.00 %
September, 2016	-0.5 %
October, 2016	0.2 %
November, 2016	0.00 %
December, 2016	0.6 %

***Source: NSI**

According to the Eurostat's flash estimate, annual inflation in the euro area measured by HICP rises up to 0.6 % in November, 2016 compared to 0.5 % in October and 0.4 % in September, largely reflecting the increase in annual inflation in energy sources, though still there are no signs of pronounced upward core inflation trend. In the future, based on current oil futures prices it is likely for the overall inflation to increase significantly in December, 2016 – January, 2017, to a level above 1 %, mainly due to the base effects in the annual change of energy sources prices.

The macroeconomic forecasts for the euro area of the ECB's experts as of December 2016 foresee annual HICP inflation of 0.2 % in 2016, 1.3 % in 2017 and 1.5 % in 2018 and 1.7 % in 2019. The HICP inflation forecast is basically unchanged compared to the macroeconomic forecasts of the ECB's experts of September, 2016.

POLITICAL RISK

Political risk is the likelihood of a governmental change or a sudden shift in its policy, occurrence of external or internal political disturbances and unfavorable changes in the European and/or national legislation, as a result of which the environment where local businesses operate to change adversely and investors - to suffer losses.

At national level, on November 14, 2016 Prime Minister Boyko Borisov submitted to the National Assembly the resignation of the government. After voting the resignation at the parliament on November 16, 2016, after the three unsuccessful attempts to form a new government within the current parliament and the refusal of the President to appoint a caretaker government, political risk for Bulgaria is associated with the possibility for internal destabilization of the country within the period of organizing and holding early parliamentary elections.

Political risks for Bulgaria in the international aspect are associated with the commitments for implementation of significant structural reforms in the country in its capacity of a full-right EU member, enhancing social stability, reducing inefficient expenses, on one hand, and the strong destabilization of the Middle East countries, more frequent threats of terrorist attacks in Europe, waves of refugees and instability in key countries close to Bulgaria.

The main conclusion in the report on Bulgaria of the Economist Intelligence Unit (EIU) is that despite the fiscal improvements during the period January-August after the consolidation progress in 2015 there are some risks to the budget of Bulgaria in 2016-17, resulting from problems in the energy sector. The reason, despite the deficit reduction in the sector as a result of the 2015 reforms, is the fact that in June the international court of arbitration decided that NEC will have to pay EUR 550 mln. to the Russian "Atomstroyexport" as a result of Bulgaria's decision to abandon the project for NPP "Belene". Although the compensation is only half of what Russia wants, it represents a significant amount for NEC which is in a difficult financial position and probably financing with public funds will be necessary. The main forecast of the Economist Intelligence Unit (EIU) is that fiscal consolidation will continue exceeding the government targets in the medium term.

Bulgaria together with the other countries – EU members from the region continue being seriously affected by the common European problem with the intensive refugee flow from the Middle East.

After the European Council meeting in Bratislava on 16.09.2016, the President of the European Commission Jean-Claude Juncker announced that the European Union will provide EUR 160 mln. to Bulgaria for border management and tackling the migration crisis. The financial support for the country is expected to be disbursed in two tranches. The European Council decided EUR 108 mln. to be granted initially for the needs of Bulgaria, as the purpose is that amount to reach EUR 160 mln. what the request of the Bulgarian Prime Minister was. Other factors that also influence this risk are possible legislative changes and in particular those concerning the economic and investment climate in the country.

CURRENCY RISK

Exposure to currency risk is the dependence on and the effects from changes in the currency exchange rates. Systematic currency risk is the likelihood of any possible change of the currency regime in the country (currency board) which would either lead to devaluation of the BGN or the appreciation of the BGN against foreign currencies.

Currency risk will have impact over companies having market shares, payments to which are made in currencies different from the Bulgarian lev and the euro. In view of the fact that according to the current legislation in the country the Bulgarian lev is pegged to the euro at the rate of EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian lev in circulation equivalent to the foreign exchange reserves of the Bank, the risk of devaluation of the lev against the European currency is minimal and consists in a possible elimination of the currency board in Bulgaria ahead of term. At this stage it appears to be unlikely since the Currency Board is expected to be repealed upon adoption of the euro as an official legal tender in Bulgaria.

Theoretically, currency risk could increase when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime under which the country must maintain the currency rate against the euro within a + / -15% from central parity. In practice, all countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) have witnessed fluctuations that were significantly smaller than the allowed $\pm 15\%$.

The fixed rate of the BGN to the EUR does not eliminate the risk for the Bulgarian currency of adverse movements in the euro exchange rate against other major currencies (U.S. dollar, British pound, Swiss franc) in the international financial markets, but at present the company does not consider that this risk would be significant in terms of its activity. The company might be affected by the currency risk, depending on the type of currency of its cash and the type of currency of the company's contingent loans.

LIQUIDITY RISK

The appearance of liquidity risk with regard to the company is being associated with the possible lack of timely and/or sufficient cash to meet all current liabilities. This risk may occur, either in case of significant delays in payments from debtors of the company, or in case of insufficiently effective management of the company's cash flows.

UNSYSTEMATIC RISKS

RISK OF PRICE CHANGES IN THE BASIC PRIME AND RAW MATERIALS

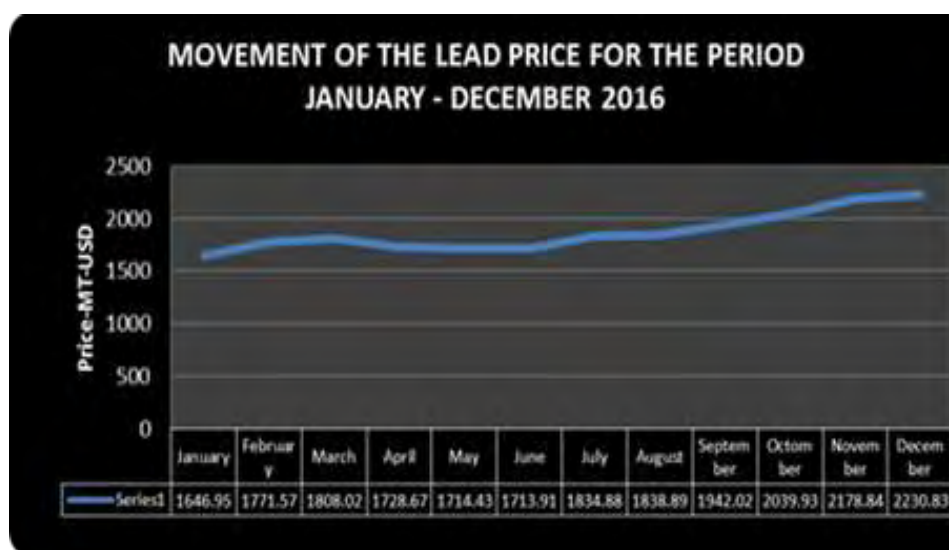
The principal activity of MONBAT AD is production and trading with accumulator and lead-acid batteries – starter batteries, stationary batteries for telecom application, semi-traction batteries, specialized batteries – army power range and locomotive batteries. Major prime and raw materials for the company's production process are lead and lead alloys, polypropylene, polyethylene separator and sulfuric acid. For the last three years, lead takes the following percentage of the cost structure per unit:

2014 – 70 %

2015 - 70 %

2016 – 70 %

The movement of the lead price in 2016 is shown in the following diagram:



*** Average lead price for 2016 is - 1,870.75 USD/MT**

The risk of price change in the basic raw material – lead is being managed by means of construction of company's own recycling facilities.

In 2016 the used lead produced by own recycling facilities was 72 %

DEPENDENCE OF MONBAT AD ON DISTRIBUTORS, SUPPLIERS, CUSTOMERS

There is no dependence of MONBAT AD on customers due to the fact that company's sales are not being made directly with customers but through the mediation of an extensive distribution network in the country and abroad. Sales with deferred payment in the country and for export are being insured in the Bulgarian Export Insurance Agency (BAEZ) by reason of which the risk of non-payment on the part of the customers is completely eliminated.

MONBAT AD is an export-oriented company.

MONBAT AD is an export-oriented company. The company exports in 2016 most of its products as the most important markets as France, Germany, Italy and Romania.

DEPENDENCE OF MONBAT AD ON KEY PERSONNEL

The professional activities and efforts, qualifications, motivation and reputation of the members of the corporate boards and the senior officials of MONBAT AD and the companies within the economic group are essential for achieving the strategic and investment objectives of the Company. The leave or release of any member of corporate boards or key executive official would, in the short term, negatively affect the smooth conduct of the company's business activities.

Nevertheless, the established management system and consistently applied corporate policy for provision of incentives to motivate employees within the structure, guarantee to a great extent the long-term participation of the corporate boards' members and key management personnel in the activities of the company.

RISK OF CHANGE IN THE DEMAND AND INTRODUCTION OF NEW TECHNOLOGIES

This risk is related to demographic, economic and technological changes and determines the fact that the demand for company's products might change over time also as a result of the introduction of new products. With the introduction of new technologies in the automotive industry (hybrid and electric cars), consistent with environmental protection and reduction of the separate carbon dioxide emissions to a minimum, the need for alternative energy sources such as new generation lead-acid batteries grows. At the same time, the need for multifunctional products - accumulator batteries - as a spare source for the photovoltaic power supply and lighting systems also grows. These new generation products could negatively affect the demand for an existing and approved product as a result of the fact that they are or at least they are perceived by consumers as more effective, more refined, combining new features, as well as due to the fact that they are more advertised.

Monbat AD has not yet been exposed to such a risk, but in the future the company could be relatively exposed to such a risk since the principal products of the company are lead-acid batteries for various applications: starter batteries, stationary batteries for telecommunication application, semi-traction batteries, special batteries for military application and locomotive batteries.

LIQUIDITY RISK

Liquidity risk consists of the likelihood that MONBAT AD is unable to pay its current liabilities. The absolute liquidity ratio is calculated as the ratio of cash and short term liabilities and indicates company's ability to meet its short term liabilities with its available cash.

The absolute liquidity ratio of the company for 2016 is 0.05 For 2016 r. the company's cash reports a decrease by 74.72 % compared to the previous 2015 r. while the rate of the short-term liabilities reports an increase by 47.65 %.

ECOLOGICAL RISK

The responsibility of MONBAT AD as the largest producer of accumulator batteries in Bulgaria and a dynamically developing public company finds expression also in the attitude

towards environment. The management of MONBAT AD considers the activities directed towards pollution prevention or reduction aimed at achieving a maximum level of human health and environmental protection as a major priority and a crucial factor in the long-term and sustainable development. It is a company's practice of long standing to provide clear and accurate environmental information on its products, services and activities to customers, suppliers and the general public.

FORCE MAJEURE

A number of force majeure circumstances such as natural disasters, accidents or intentional acts, could cause substantial property damages that could lead to temporary suspension and even cessation of the activities of the company. MONBAT AD has a full property insurance of the production facilities and storages of materials and production but in case of a continuous violation of the sequence of production activities, that fact could hardly compensate the lost profits.

RISKS ASSOCIATED WITH THE STRUCTURE OF MONBAT AD

Risks associated with the choice of strategy by the management team of MONBAT AD

Future profits and value of MONBAT AD and the companies in its economic group largely depend on the strategy chosen both by the Issuer's management team and the management teams of its subsidiaries. Choosing an inappropriate marketing strategy or non-fulfillment of the chosen one could lead to material losses and affect the value of the company on individual and consolidated basis. The management of MONBAT Plc strives to manage strategic risk by means of continuous monitoring over the implementation of the chosen strategy and the approved strategies of the subsidiaries with a view to undertaking adequate measures and when necessary - changes. Inappropriate or delayed changes in the company's strategy would have a significant adverse effect on its business, operating results and financial condition.

Risk of sale or dissolution of the subsidiaries

The structure of the Issuer includes four major groups of companies setting up separate economic activities:

- group of the producers of lead-acid batteries that includes MONBAT AD, Start AD and Monbat New Power;
- group of the recycling companies that includes Monbat DOO, Serbia, Monbat Recycling EAD and Monbat Recycling, Romania;
- group of the commercial companies active in optimizing the sales of lead-acid batteries that includes Monbat, Romania; U Monbat Serbia and Energy Batteries Nigeria Limited
- one separate company Octa Light Bulgaria AD, whose activity is related to production of LEDs for lighting fixtures.

The structure allows selling or dissolution of each of the subsidiaries in case that there is a resolution of the shareholders or associates of the company, or when a respective decision has been adopted by the General Assembly of Shareholders to authorize the management body of MONBAT AD to execute such transactions. In this respect, occurrence of potential conflicts of interests and estimations among different shareholders or partners regarding the rationality of such decisions is possible.

RISKS ASSOCIATED WITH THE ACTIVITIES OF THE SUBSIDIARIES OF MONBAT AD

Due to the specific characteristics and scope of activity of the companies in the Group of MONBAT AD /except for Octa Light Bulgaria AD and the commercial companies MONBAT DOO, Romania, YU MONBAT, Serbia and Energy Batteries Nigeria Limited/ and in view of the fact that the activities of the companies in the Group are closely related to the activity of MONBAT AD, the above stated non-systematic risks for the activities of the Issuer are also relevant to the activities of the companies in the Group of MONBAT AD.

V. IMPORTANT EVENTS, OCCURRED AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS

All important events, which have occurred after the date of the annual financial statements, were disclosed through the information disclosure system of MONBAT AD, namely - to the regulated securities market, the Financial Supervision Commission and the public. The information is also available on the website of the company www.monbat.com.

VI. CURRENT TRENDS AND PROBABLE FUTURE DEVELOPMENT OF THE COMPANY

The financial 2016 is extremely successful for the economic Group of MONBAT AD and this fact is proved by the reported consolidated financial results.

The period 2017 - 2021 will be a new stage and a new approach will be used by the Group to enter the target markets through a hybrid strategy for growth (production and distribution), as well as to create conditions for specialization in three categories: products derived from the recycling activities of the company; adoption of new technologies for the production of batteries and increase the number of product and technology solutions in the field of energy management. The group of Monbat will use its financial strength and excellent relations with customers in 64 countries, to enrich its portfolio of products and services and meet new emerging trends in the battery industry.

VII. RESEARCH AND DEVELOPMENT ACTIVITIES

The management of MONBAT AD highly appreciates the importance of continuous development through elaborating new technologies and continuously invests significant resources and efforts in this direction.

The activities related to development and adoption of new products is being carried out jointly by the Marketing and Trade Department, Technical Department, Production Department and Testing Laboratory.

The company's own research and development laboratory – STARBAT which is equipped with modern, specialized electronic devices.

The highly qualified staff of both MONBAT and STARBAT ensures company permanent technological and innovative growth. Here, we are able to conduct all kinds of chemical, physical and electrical tests required under the internationally recognized standards for lead-acid batteries.

MONBAT Research and Development department works in close cooperation with the Institute of Electrochemistry and Energy Systems (IEES) of the Bulgarian Academy of Sciences.

The amount spent on research and development activities within the period 2014 – 2016 form a part of the overall amount spent on remunerations for the experts in the separate departments Marketing and Trade Department, Technical Department, Production Department and Testing Laboratory. Investments in research and development activities form a part of the overall investment expenses of the company for the respective periods. With this regard the same can not be separated.

VIII. INFORMATION REQUIRED PURSUANT TO ART. 187D AND ART. 247 OF THE COMMERCIAL LAW

1. The number and the nominal value of the acquired and transferred through the year own stocks; the share of the capital which they represent, as well as the price at which the acquisition or transfer have been executed

As at 31.12.2016 the company does not hold own shares.

2. The grounds for the acquisitions made through the year

Pursuant to the provisions of the company's Articles of Association the Board of Directors of MONBAT AD has the power to initiate redemption procedures based on respective particular resolutions.

3. The number and the nominal value of the possessed own stocks and the share of the capital which they represent

As at 31.12.2016 the company does not hold own shares.

4. The total remuneration received during the year by the members of the boards

In 2016 the members of the Board of Directors have received the following remuneration:

Table № 14

Name	Position	Netto BG
Atanas Bobokov	Chairperson and Executive member of the Board of Directors	713 640
Plamen Bobokov	Member of the Board of Directors	792 000
Alexandar Chaushev	Member of the Board of Directors	32 000
Nikolay Trenchev	Member of the Board of Directors	32 000
Kamen Zahariev	Member of the Board of Directors since 17.11.2016 r.	0
Florian Huth	Member of the Board of Directors	0
Peter Bozadzhiev	Member of the Board of Directors	32 000
Yordan Karabinov	Member of the Board of Directors	32 000
Evelina Slavcheva	Member of the Board of Directors	5 310.32
Petar Petrov	Procurator	133 670.02

The General Assembly of Shareholders held on 27.06.2016 authorized the Board of Directors of the Company to set additional remuneration for 2015 to the members of the Board of Directors of MONBAT AD in the total amount of up to BGN 1 000 000.

5. The acquired, possessed and transferred stocks and bonds of the company by the members of the Board of Directors during the year

As at 31.12.2016 the shares of the capital of MONBAT AD held by members of the Board of Directors are as follows:

Atanas Bobokov – Chairperson of the Board of Directors – 110 shares

Alexandar Chaushev – Member of the Supervisory Board - 8 630 shares

6. The rights of the members of the Board of Directors to acquire stocks and bonds of the company

Members of the Board of Directors of the Company may freely acquire shares of the company's capital on the regulated securities market subject to the provisions of the Market abuse regulation and the Law on Public Offering of Securities.

7. The participation of the members of the board of directors in commercial companies as unlimited liable partners, the possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperations as procurators, managers or members of boards

Atanas Stoilov Bobokov – Chairperson of the Board of Directors and Executive Director

- Member of the Board of Directors of PRISTA OIL HOLDING EAD, UIC: 121516626, No20, Zlaten Rog Str., Lozenets district, Sofia
- Partner with 36 % in Lubrico Trading Ltd UIC: 130343881, No 9, Layosh Koshut Str., Krasno Selo district, h.e. Krasno Selo, 1606 Sofia
- Managing partner with 40 % in Monbat Eco Projects Ltd, UIC: 204021314, No 66A, Tzar Asen Str., Triaditza district, 1463 Sofia
- Manager and owner in Torlashka sresta Ltd UIC: 200280522, No 74a, Asen Balkanski Str, Chuprene
- Managing Director of MONBAT TRADING Ltd., UIC: 130137657, No 9, Layosh Koshut Str., Krasno Selo district, h.e. Krasno Selo, 1606 Sofia
- Executive member of the Board of Directors of PRISTA REAL ESTATES AD, UIC: 175021319, No9, Layosh Koshut Str., Krasno Selo district, Sofia.
- Member of the Board of Directors of START AD, UIC: 124712007, 4, Golo Burdo Str., Lozenets district, Sofia.
- Member of the Board of Directors of OCTA LIGHT BULGARIA AD, UIC: 201133233, N 22, Veslets Str., Oborishte district, 1000 Sofia.
- Member of the Board of Directors of MONBAT RECYCLING EAD, UIC: 200801562, 4, Golo Burdo Str., Lozenets district, Sofia.

- Member of the Board of Directors of VUELTA EUROPE AD, UIC: 117546396, No 106, Lipnik Str., 7013 Rousse.
- Member of the Board of Directors of WINERY HOUSE RUSE AD, UIC: 117630264, No 73, Borisova Str., 7012 Rousse.
- Partner – LEVENTA Ltd., UIC: 117632621, No 73, Borisova Str., 7012 Rousse, holding 50 % of the capital.
- Partner – PRISTA OIL TRADING Ltd., UIC: 130343881, No9, Layosh Koshut Str., Krasno Selo district, 1606 Sofia, holding 36 % of the capital.
- Board member – Monbat New Power AD
- Member of the Board of Directors and Executive Director - Prista Invest AD UIC: 204082281, No20, Zlaten Rog Str., Lozenets district, Sofia

Plamen Stoilov Bobokov - Member of the Board of Directors

- Member of the Board of Directors of PRISTA OIL HOLDING EAD, UIC: 121516626, No20, Zlaten Rog Str., Lozenets district, 1407 Sofia
- Managing partner - MIX OIL Ltd., UIC: 831015922, No1 Han Kubrat Str., floor 6, office 5, Rousse, holding 50 % of the capital
- Managing Director of MONBAT TRADING Ltd., UIC: 130137657, No 9, Layosh Koshut Str., Krasno Selo district, h.e. Krasno Selo, 1606 Sofia
- Member of the Board of Directors of PRISTA REAL ESTATES AD, UIC: 175021319, No9, Layosh Koshut Str., Krasno Selo district, Sofia.
- Member of the Board of Directors of VUELTA EUROPE AD, UIC: 117546396, No 106, Lipnik Str., 7013 Rousse.
- Member of the Board of Directors of WINERY HOUSE RUSE AD, UIC: 117630264, No 73, Borisova Str., 7012 Rousse.
- Member of the Supervisory Board of MARINE ANTIPOLLUTION ENTERPRISE AD, UIC: 813109299, South Industrial Area, Base oil terminal, Asparuhovo district, 9000 Varna
- Partner – LEVENTA Ltd., UIC: 117632621, No 73, Borisova Str., 7012 Rousse, holding 50 % of the capital.
- Partner – PRISTA OIL TRADING Ltd., UIC: 130343881, No9, Layosh Koshut Str., Krasno Selo district, 1606 Sofia, holding 36 % of the capital.

Stoyan Zhivkov Stalev – Member of the Board of Directors

Stalev does not participate in management and supervisory bodies of other companies.

Alexander Viktorov Chaushev – Member of the Board of Directors

- Member of the Board of Directors of SOPHARMA AD, UIC: 831902088, No 16 Iliensko Shose, nadezhda district, 1220 Sofia.
- Member of the Board of Directors of MANAGEMENT AND ADVERTIZING AGENCY IN SPORTS EAD, UIC: 130969084, No 42, Todor Alexandrov Blvd., Vuzrazhdane district, 1303 Sofia.
- Member of the Board of Directors of DK – DOMOSTROENE AD, UIC: 102148397, Pobeda housing estate, 8000 Burgas.
- Partner – SOFSERVICE Ltd., UIC 131407109, No 339, Tzar Boris III Blvd., Knyazhevo housing estate, Vitosha district, 1618 Sofia, holding 78 % of the company's capital.

Nikolay Georgiev Trenchev – Member of the Board of Directors

- Partner – EKOTEH Ltd., UIC: 125026751, No 39, Tzar Osvoboditel Str., entr. D, floor 2, app. 11, 7700 Turgovishte, holding 75 % of the company's capital.

Florian Huth – Member of the Board of Directors

Florian Huth participates in the management of the following companies:

- AND GNG East Ukraine Ltd, BVI – Member of the Board of Directors
- Setcar Holdings Ltd, Cyprus – Member of the Board of Directors
- Prista Oil Holding EAD, Sofia, registered under comnay case № 13825/1994 of Sofia City Court, having its registered seat and business address at No 20, Zlaten Rog Str., Sofia, with UIC: 121516626

Peter Bozadzhiev – Member of the Board of Directors

Peter Bozadzhiev participates in the management of the following companies:

- „ Prista Oil Holding EAD, Sofia, registered under comnay case № 13825/1994 of Sofia City Court, having its registered seat and business address at No 20, Zlaten Rog Str., Sofia, with UIC: 121516626
- Monbat New Power AD

Yordan Karabinov – Member of the Board of Directors

Yordan Karabinov participates in the management of the following companies:

- The Bulgarian Institute of internal auditors – Chairperson
- J&K Partners LTD, Sofia , with UIC 175277788
- Contro, Sofia, with UIC 201971539
- Kraimorie Beach LTD with UIC 201642757

Partner in Contro, Sofia, with UIC 201971539

The owner of the capital of:

- J&K Partners LTD, Sofia , with UIC 175277788
- Kraimorie Beach LTD with UIC 201642757

Evelina Slavcheva - Member of the Board of Directors

Evelina Slavcheva participates in the management of the following companies:

- Elhim Energy Ltd, UIC 200171341, Sofia

Evelina Slavcheva is Partner in

- Elhim Energy Ltd UIC 200171341, Sofia

8. Executed contracts in 2016 with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements

In 2016 no transaction have been executed with members of the Board of Directors or their related persons beyond the usual activity of the company and its subsidiaries or substantially diverted from the market requirements.

9. Planned economic policy for the next year, including the expected investments and development of the personnel, the expected revenue from investments and development of the company, as well as the forthcoming transactions of substantial importance for the activity of the company

The Company presents consolidated data on sales revenue and profit on a monthly basis. On 06.03.2017 the company announced its forecast for the development of the economic group of Monbat AD for the period 2017 – 2021.

Information on all elements of the forecast can be found on the company's website as well as in the announcement of Monbat AD in the specialized financial media - Infostok, X3 News and Investor BG.

IX. AVAILABILITY OF BRANCHES OF THE ENTERPRISE

The company does not have registered branches in the country and abroad.

X. FINANCIAL INSTRUMENTS USED BY THE COMPANY

In 2016 MONBAT AD has not used financial instruments for hedging the risks of changes in the exchange rates, interest rates or cash flows. During the reported year the company has made no transactions to hedge the currency risk, as there were only a few large-scale transactions in USD or other currencies floating against the BGN exchange rate.

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

XI. ADDITIONAL INFORMATION UNDER SECTION VI A OF APPENDIX NO 10 OF ORDINANCE NO 2 OF FSC

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

SOLD ACCUMULATOR BATTERIES FOR THE PERIOD 2014 – 2016 ON A CONSOLIDATED BASIS

Table № 15

Year	2014	2015	2016
Number of accumulator batteries sold	2 282 652	2 565 681	2 906 299

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the issuer

Information about the revenues allocated by major categories of activities

Table № 16

(in BGN '000)					
REVENUES	2014	%	2015	%	2016
a	1		2		3
A. Operating revenues					
I. Net revenues from the sale of:					
1. Finished goods	216 808	4,96%	227 571	10,05%	250 453
2. Goods for sale	2 781	229,31%	9 158	-65,46%	3 163
3. Services	1 438	43,95%	2 070	-5,80%	1 950
4. Other	7 388	-3,10%	7 159	7,63%	7 705
I: Total	228 415	7,68%	245 958	7,04%	263 271
II. Revenues from financing for fixed assets					
incl. government grants	622	31,03%	815	298,90%	3 251
II: Total	622	31,03%	815	298,90%	3 251
III. Financial income					
1. Interest revenue	1 353	-3,40%	1 307	-16,22%	1 095
2. Divident income	-	0,00%	-	0,00%	-
3. Gains from operations with financial assets and instruments	-	0,00%	-	0,00%	-
4. Gains from foreign exchange operations	1 531	64,08%	2 512	-0,88%	2 490
5. Other financial income	-	0,00%	-	0,00%	-
III: Total	2 884	32,42%	3 819	-6,13%	3 585
B. Total revenues (I+II+III)	231 921	8,05%	250 592	7,79%	270 107

Information about the the revenues allocated by local and external markets on a consolidated basis.

For 2016 MONBAT AD generated consolidated revenues from abroad in the amount EUR 122 409 000, which represents 91,05 % of the net sales revenues of the company. During the period 01.01.2016 - 31.12.2016 major market for MONBAT AD on a consolidated basis was France with EUR 19 174 000 sales revenues which represents 15,66 % of the total revenues from abroad of the company on a consolidated basis.

The generated consolidated sales revenues on the domestic market during the fourth quarter of 2016 were in the amount of BGN 23 357 000 and represent 8,95% of the total sales

3. Information about concluded considerable transactions

In 2016 MONBAT AD and its subsidiaries have not concluded considerable transactions

4. Information about the transactions concluded between the issuer and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status

In 2016 MONBAT AD has concluded transactions with related parties as follows:

Table № 17

Related party	Type of relation	Transactions
START AD, Sofia	Subsidiary company of MONBAT AD	Sale of materials and work-in-progress on the part of MONBAT AD
START AD, Sofia	Subsidiary company of MONBAT AD	Purchase of materials and work-in-progress on the part of MONBAT AD
MONBAT RECYCLING EAD BULGARIA	Subsidiary company of MONBAT AD	Sale of materials and others on the part of MONBAT AD
MONBAT RECYCLING EAD BULGARIA	Subsidiary company of MONBAT AD	Sale of materials and others on the part of MONBAT AD
MONBAT RECYCLING ROMANIA	Subsidiary company of Monbat Recycling EAD Bulgaria	Purchase of materials on the part of MONBAT AD.

No transactions with related parties have been concluded which are outside its usual activity or substantially deviate from the market conditions.

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year

During 2016 no unpredictable and unforeseen circumstance of an extraordinary nature, which have had an impact on the company and its subsidiaries, have occurred,

6. Information about off-balance sheet transactions in 2016 – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer's financial status

In 2016 no off-balance sheet transactions have occurred..

7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well

asthe investments in equity securities outside its economic group and the sources/ways of financing

As of 31.12.2016 MONBAT AD has direct and indirect holdings in the following subsidiary companies within the economic group if the issuer:

Table № 18

Company's name	Principal activity	Capital share or percentage of votes at the General Assembly as of 31.12.2016
MONBAT PLC DOO, Serbia	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Serbia as well as export and import from and to the Republic of Serbia of scrap, materials and finished goods.	100 % of the capital
START AD, Sofia	Production, service and marketing of accumulator batteries; engineering and development-implementation activities; production and marketing of equipment for production of accumulator batteries; foreign and domestic trade and setting up commercial networks, specialized stores and representation offices.	97.80 % of the voting shares
SC MONBAT RECYCLING SRL – Romania	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Romania as well as export and import from and to the Republic of Romania of scrap, materials and finished goods.	100 % of the capital
MONBAT RECYCLING EAD – Bulgaria	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of Bulgaria.	100 % of the capital
OCTA LIGHT BULGARIA AD	<p>Manufacturing of high power light emitting diodes – manufacturing of single color (white), multicolor (blue, red, green), high power (from 0.5W to 5W), highly effective (above 100 lumen/Watt) user orientated (<80 lumen/Watt) series of light emitting diodes for general and specific purposes.</p> <p>Engineering in the field of lighting industry in the country and abroad, including marketing, feasibility studies, design.</p> <p>Design and manufacturing of specialized lighting fixtures and luminaries for general purpose for street, architectural, stage and accent lighting</p> <p>Design, manufacturing and installation of whole lighting systems, including implementation of energy-efficient lighting solutions, work with municipalities and private corporations.</p> <p>Complex engineering and exploitation of installations on ESCO agreements within the territory of Bulgaria and abroad (attractive nearby markets as Greece, Serbia, Rumania, future markets as Western Europe).</p> <p>Investment and development in the field of optoelectronics,</p>	50.45 % of the capital

	studies and experimental activities for the implementation of new products and materials for the manufacturing of high power LEDs and their use for general lighting; development of new products and concepts for the introduction of high power light emitting diodes for mass usage.	
MONBAT ROMANIA OOD	Trade company with scope of activity: trading, service and marketing of accumulator batteries, accumulator, lead, polyethylene and polypropylene scrap.	99 % of the capital
MONBAT NEW POWER AD	Production and trade of batteries	51% of the capital
Energy Batteries Nigeria Limited	Trade of batteries and their accessories;	100 % of the capital

8. Information about the concluded by the issuer or by its subsidiaries, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

Amount and maturity date of the loans of MONBAT AD as at 31.12.2016

Table № 19

Bank	Contract № and date	Maturity date	Type of credit	Currency	Amount of credit	Utilized amount as of 31.12.2016 r.	Collateral
Eurobank Bulgaria AD	100-532/16.05.2007	16.05.2017	Investment loan	EUR	6 100 000	371 538	yes
Reiffeisen Bank EAD	28.11.2013, Annex № 5/12.04.2016	15.12.2016 for the limit A, 15.11.2018 for the limit B	Investment loan	EUR	5 700 000	1 434 680	yes
Reiffeisen Bank EAD	25.02.2014	15.02.2017	Revolving loan	EUR	3 200 000	4 138 891	yes
Eurobank Bulgaria AD	339/07.12.2014 and Annex 29.07.2014	01.09.2017	Credit line	BGN	9 192 401	9 192 401	yes
Eurobank Bulgaria AD	100 -972/2010 Annex 29.07.2014	01.09.2017	Credit line	BGN	1 946 830	1 946 503	yes
Hipo Noe Gruppe Bank AG	16.05.2014	01.10.2018	Investment loan	EUR	10 000 000	10 000 000	yes
DSK Bank	№1675/16.09.2015	10.09.2017	Overdraft	EUR	2 500 000	2 500 000	yes
DSK Bank	№1674/16.09.2015	10.09.2017	Overdraft	BGN	2 000 000	1 998 545	yes
SG Express Bank	11.07.2016	10.07.2017	Working capital loan	EUR	3 500 000	3 498 325	yes
Reiffeisen Bank EAD	09.11.2015	15.05.2017	Overdraft	EUR	490 000	488 158 BGN	yes
Hipo Noe Gruppe Bank AG	21.07.2016	22.07.2021	Overdraft	EUR	3 600 000	3 600 000	yes
Bulgarian American Credit Bank	20.10.2016	20.11.2017	Overdraft	BGN	5 000 000	5 000 000	yes

9. Information about the concluded by the issuer or by its subsidiaries, in their capacity of borrowers, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under,

including the deadlines for repayment and the purpose for which they have been granted

The main contracts for loans granted to related parties are presented as follows:

Eurobank Bulgaria AD

Contract № 100-532 from 16.05.2007

Maturity date: 16.05.2017

Amount borrowed: EUR 6 100 000

Type of credit: Investment loan

Interest: 3-month EURIBOR + fixed mark-up

Collateral: Mortgage on real estate: Land in Regulation XXIII 27 250 sq. m. in Montana, including the buildings on it. Pledge on movable property owned by Monbat AD – Property, plant and equipment worth EUR 2 934 860, automobiles at the amount of EUR 131 484 and equipment acquired with the loan.

Utilized amount as of 31.12.2016 at the amount of EUR 371 538 or BGN 621 051

Raiffeisenbank EAD

Contract dated 28.11.2013, Annex 5/12.05.2016

Maturity date: 15.12.2016 (limit A), 15.11.2018 (limit B)

Amount borrowed: EUR 5 700 000

Type of credit: Investment loan

Interest: 1-month EURIBOR + fixed mark-up

Collateral: First rank collateral of assets including Engitec line, owned by Monbat Recycling and first rank conventional mortgage of own real estate, owned by Monbat AD and Monbat Recycling EAD

Special pledge on property, plant and equipment owned by Monbat AD

First rank collateral of receivables

Utilized amount as of 31.12.2016 at the amount of EUR 1 434 679 or BGN 2 805 989

Raiffeisenbank EAD

Contract dated 25.02.2014,

Maturity date: 15.02.2017

Amount borrowed: EUR 3 200 000

Type of credit: Revolving loan

Interest: 1-month EURIBOR + fixed mark-up

Collateral: Rank collateral of mortgage of own real estate, cadaster № 48489.5.279, cadaster № 48489.5.281, cadaster № 48489.5.396, together with buildings on it, on the territory of Montana str. Industrialna Industrialna owned by Monbat AD and Monbat Recycling EAD.

Special pledge on property, plant and equipment owned by Monbat AD

First rank collateral of receivables

With Annex №4/30.06.2016 the amount is increased up to EUR 4 200 000.

Maturity date: 15.05.2017

Utilized amount as of 31.12.2016 at the amount of EUR 4 138 891 or BGN 8 094 968

Eurobank Bulgaria AD

Contract № 339/07.12.2004

Maturity date: 01.09.2014

Amount borrowed: EUR 2 200 000

Type of credit: Credit line

Interest: 3-month EURIBOR + fixed mark-up

Collateral: Pledge, registered in the Special Pledge Registry

Utilized amount as of 31.12.2016 at the amount of EUR 0 or BGN 0.

There is annex from 29.07.2014 and the loan is transferred from EUR in BGN

Maturity date: 01.09.2017 r.

Amount borrowed: 9 192 401 BGN

Type of credit: Credit line

Interest: 3 M Sofibor + + fixed mark-up

Collateral:: Pledge of assets and inventories owned by Monbat AD
Utilized amount as of 31.12.2016 at the amount of BGN 9 192 401

Eurobank Bulgaria AD

Contract № 100-972/23.11.2010

Maturity date: 29.08.2015

Amount borrowed: EUR 1 000 000

Type of credit: working capital

Interest: 3-month EURIBOR + mark-up

Collateral:

Property 1:1/2 ideal part of property with identification N 48489.282 from the cadaster map of thw town of Montana, approved by Order N RD-18-19-/05.04.2006 of the executive director of AC.

Property 2:1/2 ideal part of property with identification N 48489.282 from the cadaster map of thw town of Montana, approved by Order N RD-18-19-/05.04.2006 of the executive director of AC.

Special pledge:

Pledge 1: machinery, equipment and vehicles located in the production building of Monbat AD in Montana, 72 Industrial Str.

Pledge 2: Autoscales and porter's office with build-up area of 102 sq.m. according to ownership document and inventory number 3000000003.

Pledge 3: Unloading premise with build-up area of 1 980 sq.m. according to ownership document and inventory number 3000000004.

Special pledge of property, plant and equipment and movables.

There is annex from 29.07.2014 and the loan is transfered from EUR in BGN

Maturity date: 01.09.2017

Amount borrowed: 1 955 830 BGN

Type of credit: Credit line

Interest: 3 M Sofibor + fixed mark-up

Collateral: Special pledge on property and inventory ownership of Monbat AD.

Utilized amount as of 31.12.2016 at the amount of BGN 1 946 503

HYPO NOE Gruppe Bank AG

Contract from 16.05.2014

Maturity date: 03.10.2018

Amount borrowed: EUR 10 000 000

Type of credit: Investment loan

Interest: 3 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for all Monbat's shares of Monbat Recycling EAD

Utilized amount as of 31.12.2016 at the amount of EUR 10 000 000 or BGN 19 558 300

DSK Bank EAD

Contract.№1675/16.09.2015

Maturity date: 10.09.2017

Amount borrowed: EUR 2 500 000

Type of credit: For working capital

Interest: 3 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for materials

Utilized amount as of 31.12.2016 at the amount of EUR 2 500 000 or BGN 4 889 575

DSK Bank EAD

Contract.№1674/16.09.2015

Maturity date: 10.09.2017

Amount borrowed: BGN 2 000 000

Type of credit: For working capital

Interest: 1 M SOFIBOR + fixed mark-up

Collateral: Pledge agreement for materials

Utilized amount as of 31.12.2016 at the amount of BGN 1 998 545

SG Expressbank

Contract from 11.07.2016.

Maturity date: 10.07.2017 r.

Amount borrowed: 3 500 000 EUR

Type of credit: For working capital

Interest: 1 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for materials

Utilized amount as of 31.12.2016 at the amount of 3 498 325 EUR or BGN 6 842 130

Raiffeisenbank Bulgaria EAD

Contract from 09.11.2015.

Maturity date: 15.05.2017 r.

Amount borrowed: 490 000 EUR

Type of credit: Overdraft

Interest: 1 M SOFIBOR + fixed mark-up

Collateral: No collateral

Utilized amount as of 31.12.2016 at the amount of BGN 488 158

HYPO NOE Gruppe Bank AG

Contract from 21.07.2016

Maturity date: 22.07.2021

Amount borrowed: EUR 3 600 000

Type of credit: Overdraft

Interest: 6 M EURIBOR + fixed mark-up

Collateral: Second pledge agreement for all Monbat's shares of Monbat Recycling EAD

Utilized amount as of 31.12.2016 at the amount of EUR 3 600 000 or BGN 7 040 988

BACB AD

Contract from 20.10.2016 r.

Maturity date: 20.11.2017 r.

Amount borrowed: 5 000 000 BGN

Type of credit: Overdraft

Interest: 3 M SOFIBOR+ fixed mark-up

Collateral: First rank collateral of receivables from third parties. Special pledge of inventories.

Utilized amount as of 31.12.2016 at the amount of BGN 5 000 000.

CiBank EAD

Contract №1317/18.03.2016

Maturity date: 20.07.2018

Amount borrowed: EUR 2 700 000

Type of credit: working capital

Interest: 3-month EURIBOR + fixed mark-up

Collateral: Land with ident. N72624.603.300, including the buildings on it. Land with ident. N72624.603.190, including the buildings on it. Land with ident. N72624.603.191, including the buildings on it. Land with ident. N72624.603.193., including the buildings on it.

Land with ident. N72624.603.196, including the buildings on it.

Special pledge on plant and equipment

Special pledge on receivables in CiBank

Balance as at 31.12.2016 at the amount of EUR 1 499 924 or BGN 2 933 597

CiBank EAD

Contract №1318/18.03.2016

Maturity date: 20.03.2021

Amount borrowed: EUR 5 035 000

Type of credit: investment loans

Interest: 3-month EURIBOR + fixed mark-up

Collateral: Land with ident. N72624.603.300, including the buildings on it. Land with ident. N72624.603.190, including the buildings on it. Land with ident. N72624.603.191, including the buildings on it. Land with ident. N72624.603.193., including the buildings on it. Land with ident. N72624.603.196, including the buildings on it.
 Special pledge on plant and equipment
 Special pledge on receivables in CiBank
 Balance as at 31.12.2016 at the amount of EUR 5 035 000 or BGN 9 847 604

Credi Agricole Bank Romania S.A.

Contract N 019/21/2011
 Maturity date: 05.12.2016
 Amount borrowed: EUR 3 500 000
 Type of credit: Credit line
 Interest rate and commission: 3 M EURIBOR + fixed mark-up
 Collaterals: Corporate guarantee on the name of Monbat AD, as well as reprocessing equipment for the recycling of wastage accumulator batteries – rotational furnace, boiler 5000.
 Balance as at 31.12.2016 at the amount of EUR 3 491 000 or BGN 6 827 802

Raiffeisenbank EAD

Contract dated 15.07.2015
 Maturity date: 30.09.2017
 Amount borrowed: EUR 3 000 000
 Type of credit: Credit line
 Interest rate and commission: 1 M EURIBOR + fixed mark-up
 Collaterals: First rank special pledge of receivables; Third rank special pledge of Engitec line; First rank special pledge of inventories
 Balance as at 31.12.2016 at the amount of EUR 3 000 000 or BGN 5 867 490.

Raiffeisenbank EAD

Contract dated 30.06.2016
 Maturity date: 25.05.2021
 Amount borrowed: EUR 2 200 000
 Type of credit: Credit line
 Interest rate and commission: 1 M EURIBOR + fixed mark-up
 Collaterals: First pledge of receivables
 First rank collateral of assets including Engitec line, oxygen burner BJ
 First pledge of machines
 First rank collateral of inventories
 First pledge of materials
 Balance as at 31.12.2016 at the amount of EUR 1 146 214 or BGN 2 241 800

Piraeus Bank

Contract N 196/2016
 Maturity date: 30.09.2017 г.
 Amount borrowed: EUR 1 500 000
 Type of credit: Working capital
 Interest rate and commission: 3 M EURIBOR + fixed mark-up
 Repayment schedule: Currently paid depending on the available cash and cash equivalents.
 Collaterals: First rank pledge of receivables.
 Balance as at 31.12.2016 at the amount of EUR 1 105 337 or BGN 2 161 852

Investbank AD

Contract N FC1554/27.08.2015
 Maturity date: 26.09.2022 г.
 Amount borrowed: 2 000 000 EUR.
 Type of credit: Investment loan
 Interest rate and commission: 3 M EURIBOR + fixed mark-up

Repayment schedule: On 79 monthly payments

Collaterals: Second pledge on real estate situated in Godech, 19200 sq.m.. Second rank collateral of machinery and equipment owned by IBT. First rank collateral of receivables and proceeds in Investbank account.

Balance as at 31.12.2016 1 796 000 EUR or BGN 3 512 670

Raiffeisenbank EAD

Contract dated 13.07.2016

Maturity date: 25.03.2019

Amount borrowed: BGN 1 100 000

Type of credit: Credit line

Interest rate and commission: 1 M SOFIBOR + fixed mark-up

Collaterals: First rank collateral of receivables. Guarantee from Monbat Recycling EAD and Octagon international.

Balance as at 31.12.2016 BGN 798 067

Raiffeisenbank EAD

Contract N 1/13.07.2016

Maturity date: 25.07.2018

Amount borrowed: BGN 2 000 000

Type of credit: Credit line

Interest rate and commission: 1 M SOFIOR + fixed mark-up

Collaterals: Special pledge on technological equipment for producing of LED by Octa Light Bulgaria AD.

Special pledge on receivables. Guarantee from Monbat Recycling EAD and Octagon international.

Balance as at 31.12.2016 BGN 119 343

Raiffeisenbank EAD

Contract N 2/13.07.2016

Maturity date: 25.07.2018

Amount borrowed: BGN 2 000 000

Type of credit: Credit line

Interest rate and commission: 1 M SOFIBOR + fixed mark-up

Collaterals: Special pledge on technological equipment for producing of LED by Octa Light Bulgaria AD.

First rank special pledge on receivables. Guarantee from Monbat Recycling EAD and Octagon international.

Balance as at 31.12.2016 BGN 2 000 000

10. Information on the use of the funds from a new issue of securities carried out during the reported period

During the reported period the company has not issued a new issue of shares.

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

The Company has not published a Forecast for 2016 on a consolidated basis.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal

The management of the financial resources is subject to the requirement to achieve maximum efficiency with the simultaneous observance of agreed payment terms both with suppliers and customers. This means predominant use of own resources which leads to lower financial costs. A result of such a policy of managing the financial resources is faster reduction of the period for collection of receivables compared to the period for payment of liabilities. This

leads to an effective increase of the cash in the company and to the possibility for the investment costs to be financed without this being always at the expense of resources attracted by banks, which reduces the interest costs. On the other hand, this way a significant reserve of unused credits is preserved that can be used for both current and investment expenditures thus maintaining high liquidity of payments.

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

In 2016 the management of MONBAT AD plans an investment program on a consolidated basis as follow:

INVESTMENTS IN MONBAT AD

Table № 20

Monbat AD	2017
Business projects	750 000
New product development	94 200
Infrastructure	667 061
Production efficiency and excellence	643 164
Capacity extension	37 800
Total in EUR	2 192 225

INVESTMENTS IN START AD

Table № 21

Start AD	2017
Business projects	-
New product development	-
Infrastructure	661 563
Production efficiency and excellence	185 713
Capacity extension	275 400
Total in EUR	1 122 676

INVESTMENTS IN MONBAT RECYCLING EAD

Table № 22

Monbat Recycling EAD	2017
Business projects	3 942 000
New product development	-
Infrastructure	243 400
Production efficiency and excellence	-
Capacity extension	-
Total in EUR	4 185 400

GROUP – WISE

Table № 23

Group – wise	2017
Business projects	172 804
New product development	-

Infrastructure	-
Production efficiency and excellence	171 880
Capacity extension	-
Total in EUR	344 684

14. Information about occurred during the reporting period changes in the basis principles for management of the issuer and its economic group

No change occurred in the base principles for management of the company.

15. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system

The main characteristics and principals of functioning of the internal control and risk management systems in MONBAT AD, described below, are respectively applicable in terms of the companies included in the Group.

The company has a functioning internal control and risk management system /ICRM system/ that guarantees the efficient functioning of reporting and information disclosure systems. The ICRM system was elaborated and functions also with a view to identify risks that pursue the activities of the company and support their efficient management. Senior management has the main responsibility and role in terms of developing the internal control and risk management system. It performs both managing and directing function and also ongoing monitoring.

The ongoing monitoring of controls by senior management is to assess whether the ICRM system is still suitable for the company in a changed environment, whether it acts as expected and whether it is periodically adjusted to changed conditions. Evaluation of selected areas, carried out in this context as a responsibility of the senior management complies with the priorities of the company. Evaluation is also proportionate to the characteristics of the company and the impact of the risks identified.

The senior management reports to the audit committee on the basic characteristics of the ICRM system and also on key issues, including main incidents established and the respectively approved or applied corrective measures.

16. Information on the changes in the Board of Directors in 2016

An extra ordinary session of the General Assembly of the Shareholders of MONBAT AD was held on 08.11.2016 on which a resolution for Kamen Zahariev to be released from his position as a member of the Board of Directors of Monbat AD and Evelina Slavcheva to be elected for new member of the Board of Directors was approved.

The filing of Evelina Slavcheva as new member of the Board of Directors was made on 17.11.2016 in the Commercial Register to the Registry Agency.

17. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or rise from profit distribution, including:

- a) received amounts and non-money remunerations;
- b) contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;

c) amount owed by the issuer or its subsidiaries for payment of pensions, compensations at retiring on a pension or other similar compensations

Table № 24

Name	Position	Netto BG
Atanas Bobokov	Chairperson and Executive member of the Board of Directors	713 640
Plamen Bobokov	Member of the Board of Directors	792 000
Alexandar Chaushev	Member of the Board of Directors	32 000
Nikolay Trenchev	Member of the Board of Directors	32 000
Kamen Zahariev	Member of the Board of Directors since 17.11.2016 r.	0
Florian Huth	Member of the Board of Directors	0
Peter Bozadzhiev	Member of the Board of Directors	32 000
Yordan Karabinov	Member of the Board of Directors	32 000
Evelina Slavcheva	Member of the Board of Directors	5 310.32
Petar Petrov	Procurator	133 670.02

The General Assembly of Shareholders held on 27.06.2016 authorized the Board of Directors of the Company to set additional remuneration for 2016 to the members of the Board of Directors of MONBAT AD in the total amount of up to BGN 1 000 000.

18. Information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options

As of 31.12.2016 the shares of the capital of MONBAT AD hold by members of the Board of Directors are as follows:

- Atanas Stoilov Bobokov – Chairperson of the Board of Directors – 110 shares
- Alexandar Chaushev – Member of the Board of Directors - 8 630 shares

19. Information about the known to the company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder

The management of the company does not have information about known to the company agreements as a result of which changes may occur at a future time in the owned percentage of shares by current shareholders.

20. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at the amount of at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately

There are not any pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at the amount of at least 10 percent of its equity.

XIV. OTHER INFORMATION AT THE COMPANY'S DISCRETION

The Company estimates that there is no other information that has not been publicly disclosed by the company and that would be important for the shareholders and investors in taking a well-grounded investment decision.

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Atanas Bobokov – Executive member of the Board of Directors
02.05.2017