



# REPORT

by DV Invest EAD as  
Representative of Bondholders of  
Monbat AD as at 30.06.2023

September 19, 2023

## **REPORT**

by

DV Invest EAD

as at 30.06.2023

drawn up on September 19, 2023

in the capacity of Representative of Bondholders of Monbat AD



ISIN code: BG2100023170

BSE code: 5MBA

Date of issue: 20.01.2018

Maturity: 20.01.2025

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This report is prepared in compliance with the contractual obligation of DV Invest EAD as the Bondholder Representative on the first issue of corporate bonds with ISIN BG2100023170, issued by Monbat AD on 20.01.2018 traded on BSE from 13.02.2018.

The following documents<sup>1</sup> were used to prepare this report:

- Consolidated audited financial statement and notes of Monbat AD based on IFRS, and other accounting documents as at December 31, 2022.
- Interim consolidated unaudited financial statements and notes of Monbat AD based on IFRS and other accounting documents as at June 30, 2022 and June 30, 2023.
- Forms of financial statements approved by the Financial Supervision Commission of Bulgaria for the consolidated unaudited financial statements of Monbat AD as at June 30, 2022, December 31, 2022 and June 30, 2023.
- Prospectus for initial public offering of convertible corporate bonds of Monbat AD with ISIN BG2100023170.

Eleven interest payments were made on the bond issue so far. The first interest payment for 2018 according to the prospectus was on 20.07.2018 in the amount of EUR 416 771.10. The second payment was on 20.01.2019 in the amount of EUR 423 678.90, the third was on 20.07.2019 in the amount of EUR 416 771.10, the fourth was on 20.01.2020 in the amount of EUR 422 521.31, the fifth was on 20.07.2020 in the amount of EUR 417 928.69, the sixth was on 20.01.2021 in the amount of EUR 423 678.90, the seventh was on 20.07.2021 in the amount of EUR 416 771.10, the eighth was on 20.01.2022 in the amount of EUR 423 678.90, the ninth was on 20.07.2022 in the amount of EUR 416 771.10, the tenth was on 20.01.2023 in the amount of EUR 492 597.34, and the eleventh was on 20.07.2023 in the amount of EUR 655 663.52. The amount of interest payments is calculated on the basis of 6-month EURIBOR plus a margin of 300 basis points (3%) on an annual basis<sup>2</sup>. The amount of the first nine interest payments is calculated on the following basis: interest rate of 3.00% annually, having in mind that the 6-month EURIBOR for the period is negative. (For more detailed description regarding the calculation of the interest and principal payments see [Information about the issuer Monbat AD](#) and [Amortization plan](#) from the current report.)

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<sup>1</sup> In the financial statements as of June 30, 2023 and December 31, 2022, there are a retrospective recalculations or reclassifications of positions for the reporting periods ending on June 30, 2022 and December 31, 2021, which are due to the presentation of the financial result of the release groups as a result from discontinued operations. The changes have been made for the purpose of comparability and are in accordance with IFRS 5. They do not have an impact on the calculation of the ratios in this report.

<sup>2</sup> The value of the 6-month EURIBOR as at 14.07.2023 was 3.941%.  
Source: European Money Markets Institute (EMMI)

## 1. Information about the issuer Monbat AD

The Company was incorporated in the Republic of Bulgaria under the Bulgarian jurisdiction. Monbat AD is a publicly traded joint-stock company. The Company has its headquarters and management address on 32 A Cherni Vrah Blvd., fl. 4, 1407 Sofia, Bulgaria.

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## 2. Compliance with the terms of the bond issue

Monbat AD as the issuer of the current issue of convertible bonds undertakes to observe certain financial conditions on a consolidated basis for the issue period.

The table below shows the financial ratios as of 30.06.2023 according to the requirements of the bond prospectus:

Financial ratios and conditions	Limit	30.06.2023
Interest coverage ratio	Min. 1.20	2.45
Interest-bearing debt to Assets ratio	Max. 0.60	0.41
Total Liabilities to Assets ratio	Max. 0.70	0.55
Cross default		No
Change of control		No

- 1. Interest coverage ratio** – operating profit (EBIT excluding one-off revenues and income such as interest income, profits from sales of stakes in companies or other investment income), increased by interest expense and divided by interest expense, calculated for the last four quarters in accordance with the consolidated financial statement of the Issuer. **Minimum value of the ratio: no less than 120%.**
- 2. Interest-bearing debt to Assets ratio** – the ratio is equal to the total of the short-term and long-term interest-bearing liabilities divided by the assets in the consolidated balance sheet as of a certain date. **Maximum value of the ratio: 0.60.**
- 3. Total Liabilities to Assets ratio** – the ratio is equal to the total of the short-term and long-term liabilities divided by the assets in the consolidated balance sheet as of a certain date. **Maximum value of the ratio: 0.70.**

Detailed description of all terms of the current bond issue can be found in [Financial conditions of the bond issue](#) in the current report.

### 3. Important news and events

#### 3.1. First General Bondholder Meeting

The first General Meeting of Bondholders of Monbat AD-Sofia (5MBA), ISIN BG2100023170, dated February 15, 2018 passed the following resolutions:

a) General Meeting of Bondholders passed the following resolutions:

- Bondholders of Monbat AD decided to be represented by one representative;
- Elected DV Invest EAD, UIC 130999800, represented by Krasimir Dimitrov Petkov, as Representative of the bondholders for the bond issue with ISIN BG2100023170.

b) The General Meeting of the Bondholders adopted a decision for determining the remuneration of the Representative in the amount of BGN 1 000 per month without VAT.

#### 3.2. Registration of financial instruments for trade on Bulgarian Stock Exchange – Sofia AD

On February 13, 2018, the trade in the convertible bonds of Monbat AD was launched on the Bond Segment of the Bulgarian Stock Exchange with BSE code 5MBA and ISIN BG2100023170. The amount of the issue is EUR 28 015 000 and the number of bonds issued is 28 015 with a nominal value of EUR 1 000 for one bond.

One trading lot includes 1 bond of the issue. The cash settlement is made in Bulgarian leva at the exchange rate of the Bulgarian National Bank at the date of conclusion of the transaction. The interest payment period is 6 months, and the date of the first interest payment is 20.07.2018.

The bondholders registered in the book of bondholders kept by the Central Depository AD have the right to interest and principal payments not later than 3 business days before the respective payment date or 5 business days before the date of the last interest and amortization payment which is the same as the maturity date of the issue.

#### 3.3. Refusal to acquire control of “L’Accumulateur Tunisien Assad”

Monbat AD refuses to acquire the Tunisian Assad Group. On 26 September 2018, the company reported that "in the course of the final phase of the due diligence of L'accumulateur Tunisien Assad, there were subsequent factual circumstances that would complicate the achievement of the initially expected value added of the transaction and increase the level of corporate and operational risk for Monbat AD."

#### 3.4. Covid-19 pandemic

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties appeared in the business and economic activity of a number of enterprises and entire economic sectors. On March 11, 2020, the World Health Organization announced the presence of a coronavirus (Covid-19) pandemic. This important event had a significant impact on the business environment in all countries and, accordingly, on the state, activity and prospects of many businesses, incl. to the disruption of the normal economic activity of almost all business entities

in Bulgaria and to various financial and non-financial consequences for the business and the population.

On March 31, 2022, the period of the emergency epidemic situation in the Republic of Bulgaria ended.

In these circumstances, the Group's management has analyzed and assessed the Group's ability to continue as a going concern based on the information available for the foreseeable future and management expects that the Group has sufficient financial resources to continue its operations for the foreseeable future and continues to apply the going concern principle when preparing the financial statements.

Due to the measures taken against the coronavirus, there is no significant effect of the pandemic on the performance of the Group in the first half of 2022.

Measures and actions taken:

In order to prevent possible negative influence and effects of the pandemic on the Group's activities and its financial situation, the management has made an analysis:

- In 2021 and 2022, the Group did not receive state aid to support employment under the 60/40 measure.
- The main customers of the Group have not had financial difficulties. The estimate of the collectability of trade receivables as of June 30, 2022 is good.
- In 2021, there is an increase in the demand for rechargeable batteries. The reduced demand for rechargeable batteries in the first half of 2022 (expressed as a decrease in the number of rechargeable batteries sold) compared to the comparable period is not due to the COVID-19 pandemic, but mainly due to the weather conditions in Europe, where a large part of the group's customers are. Customers have not taken steps to restock goods (rechargeable batteries).
- In 2022, the average price of lead is about 2 269 USD/MT. The selling prices of the products of Monbat AD are indexed depending on the price of lead.
- The actions taken by the Group's management in 2021 and 2022 lead to a gradual improvement in the supply of basic materials.

### 3.5. Criminal investigations against persons exercising control over the parent company

At the end of May 2020, criminal proceedings were instituted by the Specialized Prosecutor's Office of the Republic of Bulgaria against several persons, including Atanas Bobokov, Executive Director and Chairman of the Board of Directors of Monbat AD until 05.10.2020, Plamen Bobokov - member of the Board of Directors of Monbat AD until 05.10.2020 and Vasil Bogdanov - former executive director of Monbat Recycling EAD in the period until July 2019.

In connection with these circumstances the management of the group decides to initiate an independent review of the activity of Monbat AD and the subsidiary Monbat Recycling EAD, managing the waste management and related to the requirements for protection of the environment in the recycling of acids into acid, including an overview of the tax risks accompanying the waste management activities. Wolf Theiss, an international law firm, was selected to verify the

independent review. In view of the findings of the independent business review conducted by Wolf Theiss, which includes a review of the historical relationship between Monbat AD and Monbat Recycling EAD, and respectively regulatory authorities, combining compliance with the requirements of waste management law, as well as with in view of the inspections carried out in 2020 by the RIEW, including inspections carried out in 2021, in which the inspections do not indicate significant administrative violations. In view of the findings of the review, the management of the group assesses the risk of imposing administrative sanctions in connection with the current and historical activity in waste management as insignificant.

In January 2021 a criminal case was discussed against Atanas Bobokov, Executive Director and Chairman of the Board of Directors of Monbat AD until 05.10.2020 and Plamen Bobkov - Member of the Board of Directors of Monbat AD until 05.10.2020. before Specialization of a criminal court. What does not contain accusations regarding the cause of environmental damage, as well as accusations of unregulated treatment and/or management of waste and hazardous waste. The management of the group is faced with the fact that until the emergence of Monbat AD and/or other companies of the Monbat Group were not introduced in the phase of court proceedings against Atanas and Plamen Bobokov, but there is no legal possibility to realize in the phase of criminal proceedings or potential criminal actions against them.

### 3.6. Monbat signs a contract for the purchase of 60% of the shares of Tunisian Company of Batteries NOUR

In 2021, the Group acquired 23.3% of the Tunisian battery manufacturing company Societe Nouvelle de l'accumulateur Nour ("Nour") and accounted for the acquired associated enterprise using the equity method, recognizing BGN 277 thousand profit from the investment in Nour in 2021. In January 2022, the Group acquired additional 20.39% of Nour worth BGN 6 845 thousand (EUR 3 500 thousand) and at the end of March 2022 the Group acquired additional 16.32% worth BGN 5 868 thousand (3 000 thousand euros). Thus, the Group's share in Nour grew to 60%, with total value of the transaction being EUR 10,600 thousand. The acquisition of a majority share was carried out in order to expand the geographical presence of the Group and enter new markets, increase the capacity for the production of lead and lead alloys and provide new sources for the purchase of raw materials.

The effective date of the Group's acquisition of control over Nour is March 31, 2022. As Nour holds a majority stake in four subsidiaries in Tunisia, the Group also acquires control over the following companies: Société Nour Distribution (59.9% ownership share), Société Technique et Ingénierie de Précision (55%), Société Nour des Batteries Industrielles (44.3%) and Société Nour Recycling (30.5%). Each of the four subsidiaries supports Nour's core business.

### 3.7. Military conflict between the Russian Federation and Ukraine

In February 2022, Russia took military actions in neighboring Ukraine. This conflict quickly escalated and is considered the most serious military situation in Europe since the end of World War II, having a significant impact on the world economy in various ways, mainly related to the prices of energy resources and the volatility of world markets, including in the exchange rate of the main world currencies. In response to the actions by the Russian Federation, the European



Union and many other countries and organizations have imposed sanctions and restrictions on the business of and the economic cooperation with Russian and Belarusian individuals and enterprises.

The Group has no net investments, subsidiaries or assets in Russia, Belarus and Ukraine, but trades with companies from these countries.

To address the above-mentioned crises, the Group is taking measures to limit their negative impacts on the 2022 results.

Risk analysis and measures and actions taken:

- 2023 saw an increase in the demand for rechargeable batteries, compared to the period of 2022, after the start of the aforementioned military actions, which contributed to a reduced demand for rechargeable batteries after February 24, 2022, which was mainly due to the unfavorable economic conditions, especially in Europe, and the related inflationary trends, including of all energy carriers and the unfavorable weather conditions in Europe, where the majority of the Group's customers are located (milder winter). During part of the comparison period (January 1 - June 30, 2022) there were no military actions and the demand for batteries was very high (due to the very positive post-Covid effects on the market).
- Sales to Russia represent 0% of the total exports of Monbat AD for the first six months of 2023, those to Ukraine - 4.89% (06.2022: Russia - 3.18%, Ukraine -0.13%).
- In relation to supply chains, the Group is not directly dependent on Russian, Ukrainian or Belarusian suppliers and has not encountered a situation of difficult or interrupted supplies from Russian or Ukrainian counterparties that would lead to interruptions in the production process.
- As a result of inflationary processes and market volatility, in the first six months of 2023 the average exchange price of lead was around 1 970 EUR/MT (2022: 2 074 EUR/MT). Monbat AD addresses this volatility and dependence of the price of lead on stock indices by applying a standard indexation of the selling prices of its production to all its counterparties.
- The Group's main customers have not experienced financial difficulties directly related to the pandemic or the military conflict in Ukraine. The estimate of collectability of trade receivables as of June 30, 2023 is good.
- To ensure the collectability of its receivables from Ukrainian counterparties for which trade receivables insurance is not available, the Group adopted a policy of 100% pre-shipment advance payments on all export sales to Ukraine following the outbreak of military actions in the country. Although at the end of 2022, there are no significant delays in the collectability of receivables from customers, the activity of several specific customers in Russia and Ukraine, where even in previous periods a delay in collectability was noticeable, was further complicated by the military conflict and in this link The Group has recorded impairment costs related to trade receivables from those counterparties in the amount of BGN 260 thousand in 2022. As of June 30, 2023, the Group has trade receivables from Ukrainian and Russian customers (net of impairments) in the amount of BGN 10 067 thousand.

The Group constantly analyzes all possible impacts of the changing micro- and macroeconomic conditions on the future financial position of the Group and the results of its activities. Inflationary processes, expressed in increased costs for direct materials, energy carriers and labor per unit of production, have a significant impact on the Group's activities. The group managed to limit the effect of those negative impacts of the macroeconomic environment by refining the customer and product mix (with a focus on high-margin products and markets) and, where necessary, indexing sales prices to its customers.

### 3.8. Sale of Monbat Immobilien GmbH

As of June 30, 2023, the Group owns an investment property of a specific nature in Austria owned by the subsidiary Monbat Immobilien GmbH. In April 2022, the General Meeting of Shareholders decided to sell Monbat Immobilien GmbH at an appropriate price offer from a potential buyer. In 2022, the Group concluded a contract for the sale of the assets of the Austrian company, the total value of the transaction being EUR 7,200 thousand.

In May 2023, on the basis of an assessment of the fair value of the main asset of the Austrian company – a specific property – prepared by a licensed assessor, the Group recognizes an impairment in the amount of BGN 2 640 thousand, included in the line “Result from discontinued operations”.

As of June 30, 2023, the investment presented as an asset held for sale is worth BGN 9 702 thousand, net of impairments.

As of June 30, 2023, the transaction has not been completed, and there is no change in the Group's intention to sell its investments in Monbat Immobilien GmbH.

### 3.9. Sale of 7.2 % of Cobat s.p.a

In March 2022, the Group sold 7.2% of the Italian innovative technology company Cobat s.p.a. The profit from the transaction is worth BGN 485 thousand. The selling price of the shares is BGN 1 996 thousand (EUR 1,000 thousand).

### 3.10. Sale of Monbat Holding GmbH

In May 2022, the Group (through the parent company Monbat AD and one of its subsidiaries - Monbat Recycling EAD) concluded an agreement for the sale of 100% of the capital of the German-based subsidiary Monbat Holding GmbH. Monbat Holding GmbH is an intermediate holding structure of the Group, owning 100% of EAS Batteries GmbH (EAS) and Monbat New Power GmbH (MNP). EAS is responsible for the operational team and carries out the commercial activities of the Group's lithium-ion division, and MNP owns the plant, equipment and other property, including the patents, licenses and company-developed inventions and know-how. The three subsidiaries of the Group - Monbat Holding (holding structure), EAS Batteries (operating structure) and MNP (asset management structure) form the lithium-ion division of the Group, which, in accordance with IFRS 8, as of December 31, 2021 is reported in the lithium-ion battery production segment. The sale agreement is for 100% of the share capital of Monbat Holding GmbH. The buyer of the shares of Monbat Holding GmbH is the British company Britishvolt, and the value of the transaction is 36 million euros and includes a cash payment, as well as the issuance of ordinary shares from the capital of Britishvolt.

Pursuant to the concluded sale agreement with Britishvolt, the Group received an advance payment of EUR 3,000 thousand in the form of a non-refundable deposit (EUR 2,825 thousand net after deducting legal and consulting fees).

In January 2023, Britishvolt, the company with which the Group has an agreement for the sale of its subsidiary Monbat Holding GmbH, entered a legal process of administration under the Insolvency Act 1986 of the United Kingdom in order to restructure the company's operations, due to insolvency caused by cash flow problems.

In late February 2023, Recharge Industries acquired Britishvolt as part of the administration process.

On March 22, 2023, the Group, through the companies Monbat AD and Monbat Recycling Bulgaria EAD, sent a notification to Britishvolt for termination of the contract for the sale of Monbat Holding GmbH, due to non-fulfillment of the agreed conditions by Britishvolt. As a result of the termination of the sales contract, the Group has recognized income in the amount of BGN 5 868 thousand in the line "Result from discontinued operations" in the Interim Condensed Consolidated Statement of Income. The amount of revenue recognized represents 100% of the amount of the non-refundable deposit received by Britishvolt in 2022.

As of June 30, 2023, the Group's management has not changed its intentions to sell 100% of its investment in Monbat Holding GmbH.

### 3.11. Significant shareholding in "Monbat" AD

The European Bank for Reconstruction and Development and CEECAT Investments Limited announce that on June 23, 2022 the two companies have transferred 100% of the membership rights (shares) to the registered in the Kingdom of the Netherlands Prista Holdco Coöperatief UA (coöperatie met uitgesloten aansprakelijkheidcoöperative). Through the said transfer, the European Bank for Reconstruction and Development and CEECAT Investments Limited have no direct or indirect participation in "Monbat" AD after the transaction.

"HOLDCO INVESTMENT" EOOD informs that on June 23, 2022 it acquired 100% of the membership rights (shares) of the registered in the Kingdom of the Netherlands Prista Holdco Coöperatief UA (coöperatie met uitgesloten aansprakelijkheidcoöperative). Through the mentioned acquisition, "HOLDCO INVESTMENT" EOOD also acquired an indirect participation in "Monbat" AD in the amount of 20.779% of the capital and voting rights. HoldCo Investment OOD is indirectly owned by six senior managers of Monbat - Viktor Stanimirov Spiriev, Chavdar Donchev Danev, Petar Hristov Petrov, Petar Nikolov Bozadjiev, Vildiras Voin Kamenov, Bozhidar Borisov Nekeziev - through EKIP Monbat OOD.

### 3.12. Deletion of Monbat Batterien GmbH and Monbat Holding Tunisia B.V.

The companies Monbat Batterien GmbH and Monbat Holding Tunisia B.V. have share capital consisting solely of ordinary shares held directly by the Group. The country of incorporation is also their principal place of business, and the share of ownership of the companies is the same as the share of voting rights held. The companies' shares are not traded on stock exchanges.

The above-mentioned subsidiaries are not consolidated in the Group's financial statements for 2021 due to the immateriality of their operations and at the discretion of the Group's management. The management considers that the above mentioned does not have a material effect on the Group's consolidated financial statements for 2021. As of December 31, 2022, these two companies have been deleted by being deregistered from the commercial registers in the countries where they were established.

### 3.13. Purchase of license rights<sup>3</sup>

In 2019, the Group signed an agreement for the purchase of license rights in connection with the acquisition of technology for the production of rechargeable batteries with bipolar plates. The contract includes an initial payment for the acquisition of the license rights of USD 2,000 thousand, as well as 8 subsequent license fees on a quarterly basis of USD 250 thousand each. The recorded value in relation to the purchased license rights as of December 31, 2022 amounts to BGN 5,814 thousand or USD 3,250 thousand (2021: BGN 4,415 thousand or USD 2,500 thousand). In view of the circumstances due to the Covid-19 pandemic, part of the due quarterly license fees have not been paid.

In 2021, 1 payment worth BGN 420 thousand (USD 250 thousand) was made in December 2021.

In 2022, 3 payments worth BGN 1,399 thousand (USD 750 thousand) were made in April, October and November 2022.

The remaining amount of the contractual commitments for the acquisition of the license rights is in the amount of USD 750 thousand. (3 quarterly payments of USD 250 thousand). The Group intends to make all payments under the contract and has the necessary technical, financial and other resources.

In 2022, the Group signed with the same supplier of licensing rights a contract for the production of prototypes of rechargeable batteries with bipolar plates, which are going to be provided to customers in the process of commercializing the new production. As of December 31, 2022, advance payments of BGN 887 thousand (USD 459 thousand) have been made under this contract. The production of the prototypes should be completed in 2023.

### 3.14. Buyback of shares

In 2022, the Board of Directors of Monbat AD took the decision to repurchase own shares amounting up to 3% of the registered capital or up to 1,170,000 shares at a minimum repurchase price of BGN 4.51 and a maximum repurchase price of BGN 8.75 with initial term September 26, 2022.

In case of exhaustion of the quantity, namely the company buys back up to 1,170,000 shares, before the deadline - 180 calendar days, starting from September 26, 2022, the buyback procedure will be terminated as successfully completed. In the event that the maximum number of shares is not repurchased by the end of the period, the Board of Directors, at its discretion, may either extend the period by a further 180 calendar days with the corresponding application of the provision of the previous sentence, or terminate the procedure regardless of the number of repurchased shares.

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<sup>3</sup> Information from the Annual Consolidated Financial Report of "Monbat" AD for 2022.

During the term of this procedure, depending on the market conditions, the Board of Directors may, at its discretion, change the minimum or maximum repurchase price.

In 2022, 27,000 shares were bought back by the parent company.

In July and August 2023, Monbat AD bought back 6,545 own shares, and the total number of own shares owned by the company at the end of August was 33,545 or 0.086% of the voting rights of Monbat AD.

### 3.15. Additional information in connection with the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018<sup>4</sup>

Monbat AD did not take advantage of the opportunity to buy back the remaining part of the issue at the end of the 60th month after the bond issue date.

The fair value of the bond loan's conversion option at initial recognition was estimated using a valuation model assuming that the Group's share price follows a Brownian motion. The evaluation model uses an iterative Monte Carlo simulation with a large number of trial results to converge to the target solution. The fair value of the conversion option falls within Level 3 of the fair value hierarchy.

Subsequent valuation of the option follows the same model and in 2022 the Group reports income from a change in the fair value of the same in the amount of BGN 589 thousand under the line "Income from financial instruments" (2021: income of BGN 587 thousand).

The fair values of the conversion options at 48, 66 and 78 months after issuance are estimated. The conversion option on the 48th month after the issuance of the bond loan is not exercised in 2022.

The fair value of the conversion option is deducted from the nominal value of the bond obligation, and the residual value of the bond loan obligation is valued at amortized value using the effective interest method.

For the other built-in features (e.g. repurchase option (in relation to the prepayment of the debt) and zero or positive 6M EURIBOR option (in relation to the minimum interest rate level) the Group believes that they are closely related to the underlying contract. The difference between the amortized value of the debt, including the cash flows resulting from the exercise of the repurchase option (at each date for which it is applicable), is assumed to be insignificant compared to the amortized value of the underlying debt contract prior to the exercise of the repurchase option. At the date of initial recognition, the zero or positive 6M EURIBOR option was valued as "out-of-the-money", that is, the exercise price of the option (6M EURIBOR plus 300 b.p.) was valued below the level of the interest rate required for a comparable bond without a conversion option.

The transaction costs of issuing the bond loan, related to the derivative instrument for conversion component in the amount of BGN 47 thousand were recorded as an expense in "Interest expenses" in 2018. The transaction costs in the amount of BGN 353 thousand, related to the debt component

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<sup>4</sup> Information from the Annual Consolidated Financial Report of "Monbat" AD for 2022.



of the Bond, are included in the book value of the debt component. They are amortized over the term of the convertible bond using the effective interest method.

Upon initial recognition of the liability, the calculated and applied effective interest rate on the bond debt component, accounted for at amortized value, is equal to approximately 6% per annum.

The initial time horizon for the calculation of the effective interest rate was equal to 5 years from the issuance of the bond due to the fact that the Group's management expected that the repurchase option on the 5th year of the issued bond loan would be exercised.

On the basis of a prepared business plan, change of cash flows related to the bond loan, and corresponding recalculation of the book value of the bond loan as of December 31, 2021, the Group reports a one-time profit in the amount of BGN 1,737 thousand on the line 'Income from financial instruments'.

In 2022, as a result of a change in market conditions – an increase in the 6M EURIBOR interest rate, the Group calculated the amortized value of the bond debt. The revised effective interest rate from 2022 is around 8% annually. The recalculation of the debt with a revised effective interest rate does not require the reporting of a one-time effect in the Statement of Profit and Loss in 2022.

### 3.16. Delay of first principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018

On January 20, 2023, the first principal payment in the amount of 20% of the nominal value of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD, was to be made. On January 17, 2023, the following notice was published by "Monbat" AD on the X3News financial website:

"According to the terms and conditions of the issue of convertible corporate bonds with ISIN BG2100023170 issued by Monbat AD, the principal amount of the issue is to be repaid in three installments at the end of the 5th, 6th and 7th years, and the amounts of the repayment installments being 20%, 30% and 50% of the nominal amount, respectively. On 20.01.2023 Monbat AD is obliged to repay the first principal instalment of EUR 5 603 000.

The quarterly reports pursuant to Article 100b (8) of the Public Offering of Securities Act (POSA) on compliance with the terms of the bond loan indicate that a substantial part of the proceeds from the bond issue were used to acquire shares in the capital of the entity Monbat Holding Germany GmbH, in the balance sheet of which the lithium-ion division of the Monbat Group is consolidated. On 28.05.2022 Monbat AD announces its intention to sell the shares in the capital of Monbat Holding GmbH to Britishvolt, a pioneer in the battery industry whose activities focus on the development of next-generation lithium-ion battery technologies and related research and solutions. The value of the transaction for the shares of Monbat Holding GmbH is EUR 36 million and includes two components - a cash payment and the acquisition of ordinary shares from a subsequent capital increase of Britishvolt. The expected cash portion to be received by Monbat AD from the transaction significantly exceeds the amount of the obligation for the first principal payment of the convertible bond issue. For this reason, the intention of the management of Monbat AD was to use the cash from the Britishvolt transaction to service this payment.

Due to circumstances outside the control of Monbat AD, the transaction with Britishvolt was not finalized within the planned timeframe. The management of Monbat AD has promptly undertaken a plan to alternatively secure funds for the payment. The expectation was that by the maturity date the necessary funds would be available. Unfortunately, the short time for reaction reflects on the ability of Monbat AD to make the principal payment due on 20 January 2023 in a timely manner.

The principal payment is among the parameters that may be changed by a decision of the general meeting of bondholders in accordance with the procedure detailed in the Securities Offering Document. It provides for an obligation of Monbat AD as the issuer to request a General Meeting of Bondholders to consider this issue. The management of Monbat AD considers that the delay in the receipt of the proceeds needed to cover the first principal payment will be shorter than the time required convening and holding a general meeting of bondholders.

Taking into account the above circumstances, the management of Monbat AD informs the public, investors, the regulated market - BSE AD and the FSC that the repayment installment of the convertible bond issue will be paid not later than 31.01.2023. The interest due as of 20.01.2023 will be paid in due time according to the repayment plan."

Later that day, news was published on [investor.bg](https://investor.bg) that the British start-up for electric vehicle batteries Britishvolt Ltd. has appointed an administrator in bankruptcy. On March 22, 2023, the Group, through the companies Monbat AD and Monbat Recycling Bulgaria EAD, sent a notification to Britishvolt for termination of the sale contract of Monbat Holding GmbH, due to non-fulfillment of the agreed conditions by Britishvolt.

The principal payment due on January 20, 2023 in the amount of EUR 5,603,000 was made on January 27, 2023.

### 3.17. Loans granted to related parties

On March 15, 2023, the Board of Directors of Monbat AD took a decision after receiving a proposal from the debtors to renegotiate the term of the loans granted and due as of December 31, 2022 to Atanas Bobokov, Plamen Bobokov, Torlashka sreshta EOOD and Monbat Eco Projects OOD with a new maturity date of December 31, 2023 and updated interest rates in the amount of 6M EURIBOR plus a margin of 3.5%.

The loans were renewed with the signing of additional agreements on March 15, 2023. The management has reviewed the recoverability of the receivables from related parties, taking into account the specific business development plans of the respective companies, the collateral provided and the Group's historical experience with credit losses from related parties by including predictive information.

### 3.18. Report of the independent auditor on the audit of the Annual Consolidated Financial Statements of "Monbat" AD for 2022

Based on the performed financial audit, in section "Basis for expressing a qualified opinion" of the Independent Auditor's Report on the audit of the Annual Consolidated Financial Statements of "Monbat" AD for 2022, the following issues are described on which the auditor was unable to obtain sufficient and appropriate audit evidence:

"1. As disclosed in note 42 "Risks related to financial instruments" to the consolidated financial statements, the Group has overdue trade receivables from Ukrainian counterparties with a book value of BGN 7,992 thousand as of December 31, 2022, incl. overdue over two years BGN 5,030 thousand and overdue over one year BGN 2,962 thousand. The receivables are not secured and not insured. No payments have been received as of the date of this report. We were unable to obtain sufficient and appropriate audit evidence regarding the collectability of these trade receivables and, accordingly, to what extent an adjustment to the book value of these receivables is required as of December 31, 2022.

2. As disclosed in note 6 "Assets and liabilities held for sale" to the consolidated financial statements, the Group has classified an investment property representing the main asset of the subsidiary Monbat Immobilien GmbH, Austria with a book value of BGN 12,342 thousand as of December 31, 2022 as a non-current asset held for sale. The group has found the book value of the asset to exceed its fair value, less the costs for sell, determined by the terms of a signed sale agreement with an unrelated party and has recognized impairment costs in the amount of BGN 3,169 thousand in 2022, respectively BGN 16,457 thousand in 2021. In view of the uniqueness of this property, the lack of fully comparable market analogues and the lack of a market assessment prepared by a specialist of the fair value of this property, determined in accordance with the requirements of IFRS as of the reporting date, we were unable to satisfy ourselves with a reasonable degree of certainty about the extent of the necessary adjustment to the book value of this property under the requirements of IFRS 5 "Non-current assets held for sale and discontinued operations as at December 31, 2022"

Also, in section "Attention" of the Independent Auditor's Report on the audit of the Annual Consolidated Financial Statements of "Monbat" AD for 2022, the following matter is described, regarding which the auditor's opinion has not been modified:

"We draw attention to note 39 Contingent assets and contingent liabilities from the consolidated financial statements, which describes the possible effects of a completed full tax audit of the subsidiary Monbat Recycling EAD for the period 2014-2019, for which as of December 31, 2022, no provisions have been accrued in the consolidated financial statements. At the beginning of 2021, a tax revision act was issued for BGN 3,233 thousand in connection with the non-recognition of the right to deduct a tax credit, non-recognition of tax expenses under the Corporate Income Tax Act for supplies of lead-containing raw materials and accrued interest for delay. The subsidiary Monbat Recycling EAD has initiated a procedure to suspend the implementation of the tax revision act by appealing to the relevant director of the Directorate "Appeals and Tax Insurance Practice" (ATIP) at the Central Administration of the National Revenue Agency, pursuant to Art. 152(1) of the Tax and Social Insurance Procedure Code. By decision of September 07, 2021, the revision act was canceled and a new order was issued to carry out an audit, but the same was confirmed by the Director of the "ATIP" Directorate - Sofia city at the CA of the NRA with Decision No. 1884/02.12.2022. The company appealed the issued RA before the Administrative Court of Sofia - city with an appeal against the RA to the ACSC on December 20, 2022. In 2023, one court session was held and a forensic technical expertise was appointed. A second session is scheduled for May 31, 2023. Our view has not been modified on this matter."

In section "Key audit issues" of the same report, the most important assessed risk is described - the Group's disclosures regarding the assessment of the recoverability of loans and receivables



from Prista Oil Holding EAD, the auditor's response and important observations in relation to this risk are summarized:

**“Key audit question:**

The Group's activity includes significant transactions and settlements with "Prista Oil Holding" EAD, as described in notes 38 "Transactions with related parties" and 39 "Settlements with related parties at the end of the year".

As of December 31, 2022, the book value of the receivables from and loans granted to "Prista Oil Holding" EAD is BGN 37,993 thousand (or 8% of the Group's total assets). IFRS 9 requires, at each reporting date, the Group to determine expected credit losses from impairment of its financial assets, based on the change, if any, in the credit risk of the financial instrument. As disclosed in note 39 "Settlements with related parties at the end of the year", the Group has determined that an impairment of loans and receivables from “Prista Oil Holding” EAD is not necessary, based on an assessment of recoverability as of December 31, 2022. This assessment is related to a complex analysis and numerous judgments by the Group's management regarding the expected time and amounts of repayments by the related party, based on various scenarios, as well as considerations for the availability of additional non-operating sources of repayment (for example, possible sales of businesses or assets outside the core business). Management's analysis and judgments are focused on a recoverability assessment scenario that includes repayment over a certain period of time and is based on the projected cash flows of the lubricants business of Prista Oil Group for the period 2023 - 2027, as well as on an assessment of Monbat Group's dividend distribution capacity based on its projected cash flows over the same five-year period.

Due to the significance of the balances of loans and receivables from Prista Oil Holding EAD, as well as the annual assessment of their recoverability, involving complex analysis and multiple judgments by the Group's management, we have identified this area as a key audit matter.

**How this key audit question was addressed in our audit:**

In this area, our audit procedures included, among others:

- analysis of the contractual agreements of the Group with related parties, as well as of specific facts and circumstances, in order to identify the nature of the transactions and their effect on the financial condition and results of the Group's activities;
- receipt of letters confirming balances and transactions with related parties, as well as statements from management, which we analyzed in the context of the available documentation for these transactions;
- analysis of documents and records determined by us in order to identify relationships and transactions with related parties, which were not previously identified or disclosed by the management;
- we focused on evaluating the presentation and disclosure of transactions and balances with related parties with respect to their consistency with our understanding of the Group's business model and the results of our audit procedures in other relevant areas;

- regarding management's assessment of the recoverability of loans and receivables from related parties outside the Monbat Group, we included our internal expert assessors in the audit procedures, which were focused on:

- gaining an understanding of the different scenarios considered by the management in their recovery analysis and assessing the applicability of the methods used, in particular, discounted cash flows in the scenario that involves repayment over a certain period of time;

- an analysis of the forecasted cash flows for the period 2023 - 2027 of the lubricants business of Prista Oil Group by reviewing for reasonableness of key assumptions such as revenues, expenses, profitability of earnings before interest, taxes and depreciation compared to historical data and data from the industry. We also performed a relevance test of the recoverability of Prista Oil Group's loans and receivables using an assessment of Prista Oil Group's equity value through the use of market analogues and net asset value methods, as well as analysis of the sensitivity of Prista Oil Group's ability to repay amounts with respect to assumptions of adverse effects on its operating activities. Also, we considered the presence of additional non-operating sources of repayment (e.g. possible sales of businesses or assets outside the core business), which are included as other considerations in management's recoverability analysis;

- assessment of Monbat Group's dividend distribution capacity, based on forecasted cash flows for the period 2023-2027, by analyzing the reasonableness of key assumptions such as revenues, expenses, profitability of earnings before interest, taxes and depreciation compared to historical data and industry data. We also considered Monbat Group's dividend distribution history and dividend policy;

- procedures for verifying the adequacy of the Group's disclosures in the consolidated financial statements regarding related parties, including the assessment of the recoverability of loans and receivables from them."

### 3.19. Non-compliance with the terms of signed contracts<sup>5</sup>

According to the agreements concluded with DSK Bank EAD under contract No. 1674/16.09.2015 and Raiffeisenbank Bulgaria EAD under the contract dated February 25, 2014, the Group should maintain a financial indicator, which is calculated as a ratio of the consolidated net debt of Monbat Group to EBITDA and should be lower than 3. The Group is in breach of this covenant. The loan is short-term and this does not affect the classification in the consolidated financial statements. Based on historical experience and in view of the long-term business relations with the banks, the Group does not consider that such non-compliance would lead to significant consequences.

### 3.20. Loan agreement with an interested person

On April 28, 2023, Monbat AD informed of a concluded loan agreement between Monbat AD - Lender - and Black Star International AD with UIC: 206893902 - Borrower - interested person within the meaning of Art. 114, para. 7, point 1 of the POSA. The amount of the monetary loan is EUR 500,000, the amount of the remunerative interest is 6-month EURIBOR plus 5.5% on an

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<sup>5</sup> The information is available in the consolidated financial statements of the Group as of June 30, 2023, December 31, 2022 and December 31, 2021.

annual basis, and the maturity date is December 31, 2023. The loan is provided without collateral and its purpose is to fund part of the operational expenses related of Black Star International AD until third-party financing is secured (under negotiation).

#### 4. Information about the bond issue

<b>Issuer:</b>	<b>Monbat AD</b>
<b>Issue:</b>	Interest-bearing, convertible, freely transferable and unsecured bonds, ordinary
<b>Amount of the issue:</b>	EUR 28 015 (twenty eight million and fifteen thousand)
<b>Number of Bonds:</b>	28 015
<b>Nominal Value per Bond:</b>	EUR 1 000 (one thousand)
<b>Issue Price per Bond:</b>	EUR 1 000 (one thousand)
<b>Issuing date:</b>	20.01.2018
<b>Maturity of the bond loan:</b>	7 (seven) years (84 months) as of the date of the issue
<b>Maturity date:</b>	20.01.2025
<b>Currency:</b>	EUR
<b>Interest rate:</b>	6-month EURIBOR + 300 bps, min. 300 bps on an annual basis
<b>Interest Payments:</b>	6-month coupon interest payment
<b>Method of interest payment:</b>	For each separate 6-month period, the interest (coupon) payments are calculated on the nominal value of each bond on the basis of the simple interest rate based on the day-count convention "actual/actual".
<b>Date of determination of 6-month EURIBOR:</b>	Three business days before the date of the interest payment. Applies to the next interest period.
<b>Date of determination of bondholders with right for interest payment:</b>	The right to interest & amortisation payment shall be entitled to all bondholders registered as such not later than three /3/ business days prior to the payment date, respectively five /5/ business days prior to the date of the last interest & amortisation payment that coincides with the issue's maturity date.
<b>Principal Payment:</b>	Principal will be paid in three instalments in the end of the 5th, the 6th, and the 7th year of the life of the bond; the respective instalments will amount to 20%, 30% and 50% of the nominal value. In the event of conversion the principal payments will be made on the basis of the outstanding nominal value of the issue at the date of the respective payment. In this event the last instalment at the end of the 7th year will be pay the whole outstanding nominal value of the bonds (if any).

<b>Date of determination of bondholders with right for principal payment:</b>	The right to interest & amortisation payment shall be entitled to all bondholders registered as such not later than three /3/ business days prior to the payment date respectively five /5/ business days prior to the date of the last interest & amortisation payment that coincides with the issue's maturity date.
<b>Call option:</b>	The Issuer has the option to call 80% of the nominal value of the bond together with the corresponding interest payment at the end of the 5th year at a price of 101%. In the event of a prior conversion, the call option shall be for the current outstanding remaining part of the bond after the corresponding principal payment
<b>Conversion option:</b>	Each bondholder will have the right to replace (convert) the bonds into such number of shares that corresponds to the current conversion ratio at the time of the replacement (conversion). This right will be available to bondholders: <ul style="list-style-type: none"> <li>– on the 48th month (20.01.2022) for 100% of the outstanding nominal value of the bonds;</li> <li>– on the 66th month (20.07.2023) for 80% of the outstanding nominal value of the bonds;</li> <li>– on the 78th month (20.07.2024) for 50% of the outstanding nominal value of the bonds.</li> </ul>
<b>Minimum conversion threshold:</b>	The total amount of the bonds submitted for conversion may not be less than 5% of the outstanding nominal value. These minimum amounts apply to all conversion dates.
<b>Conversion ratio:</b>	By means of filing a request under the procedure described below, each bondholder may request the conversion of the bonds he/she holds according to their outstanding nominal amount. This amount will be converted against shares issued by the Issuer at a price equal to 90% of the weighted average price per one share of MONBAT AD during the last six months of trading preceding the conversion date. The conversion coefficient is equal to the nominal value of each bond divided by 90% of the weighted average price per share of MONBAT AD during the last six months of trading preceding the conversion date).

#### 4.1. First conversion option of bonds into shares

On the 20.01.2022 the first conversion option of bonds into shares for 100% of the outstanding nominal value of the bond has expired. The option was not exercised by the bondholders.

#### 4.2. First principal payment of the bond loan

The first principal payment of the bond loan in the amount of 20% of the nominal value of the issue was to be made on January 20, 2023. On January 17, 2023, the management of "Monbat" AD notified that there will be a delay in the payment due to unsuccessful finalization of a transaction within the stipulated terms, the funds from which the Company planned to use to service this payment. On January 27, 2023, the first payment of the principal of the bond loan was made in the amount of EUR 5,603,000. (For detailed information, see section [Delay of first principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018](#) of this report.)

#### 4.3. Second conversion option of bonds into shares

On the 20.07.2023 the second conversion option of bonds into shares for 80% of the outstanding nominal value of the bond has expired. The option was not exercised by the bondholders.

### 5. Purpose of the bond issue

The purpose of the current bond issue is to finance:

**a) The acquisition of controlling interest in the lead-acid batteries scrap recycling factory in Italy** – Piombifera Italiana, thus providing the synergetic growth of the Group's margins. Piombifera Italiana is one of the three largest recycling companies in Italy. Its recycling facility is situated in a lead-acid-batteries-scrap rich region which provides for a strong market position. The company is licensed to process a significant volume of scrap batteries and it is part of the international association of recycling companies – COBAT. COBAT's membership allows the company to a sufficient annual scrap batteries allowance. This acquisition will benefit to a large extend MONBAT Group's recycling operations in Bulgaria, Romania and Serbia.

**b) The acquisition of controlling interest (pending on positive due diligence outcome) in L'Accumulateur Tunisien Assad (ASSAD)**. ASSAD is a vertically integrated group producing lead-acid batteries operating in North Africa with high profitability margins. The company's 2017 financial results forecasts are as follows: EUR 7.4m in EBITDA, EUR 39.8m in revenues and 19% EBITDA margin. ASSAD's production facilities are located in Tunisia and Algeria with 1.5 million batteries per annum capacity. The company has a major market share with its own brand on the Tunisian market – 41% and a considerable potential in penetrating the markets in Algeria and Libya with 12 commercial affiliates in the region.

**c) The acquisition of a company with the purpose of a focused product diversification and production of Li-Ion batteries.** This will be executed via control over GAIA Akkumulatorenwerke (GAIA) and EAS Germany (EAS) entities. GAIA was established in 1996 and is one of the leading German companies in Li-Ion technologies. EAS was established in 2011 as a joint venture between GAIA and Enersys/Hawker GmbH. The company is specialized in cell production and the development of high quality technologies; heavy-duty, high power cylindrical cells for hybrid electric trains as well as heavy and defence industries applications.

As at June 30, 2023, the company has spent the full amount, EUR 28,015,000, raised through the bond issue 2018 ISIN code BG2100023170 of which EUR 13.03 million for the acquisition of shares in the capital of Monbat Holding Germany AD (parent company of EAS Germany GmbH), EUR 8 million acquisition of shares of the capital of Monbat Recycling EAD (parent company of Monbat Italy OOD), EUR 1.58 million for the acquisition of 66.66% of the shares of STC S.r.l through effective payment of EUR 1,340,533 and deferred payment of EUR 236,529 and EUR 5.41 million for the acquisition of 23.30% of the shares of “Societe Nouvelle des Accumulateurs Nour”.

## 6. Amortization plan

The nominal interest rate of the current issue of convertible bonds is floating with a 6-month EURIBOR plus a margin of 300 basis points (3%) on an annual basis. Under the terms of this bond issue, the nominal interest rate may not be lower than 3% if the 6-month EURIBOR has a negative value for the life of the bond. Interest payments on all bonds will be executed every 6 (six) months after the issue date of the current bond issue on the day of the expiration of the relevant 6-month period. If the date of the interest payment is on a non-working day, the payment will be made on the first subsequent business day. Interest payments are calculated on a straightforward basis over the six-month period on the nominal value of each bond at an interest rate convention Real number of days in the period on Real number of days per year. The calculations for future payments below are made based on the current value of the interest rate, respectively 6.941% (6-month EURIBOR, which as of July 14, 2023 is 3.941%, plus 300 basis points), without conversion and redemption of the bond.



Date of interest payment	Month	Number of days in the interest period	Number of days in the year	Interest rate	Interest payment (EUR)	Type of payment	Principal payment (EUR)	Total payment (EUR)	Outstanding (EUR)	Actual payment (EUR)
20.7.2018	6	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	Yes
20.1.2019	12	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	Yes
20.7.2019	18	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	Yes
20.1.2020	24	184	366	3.00%	422 521.31	Interest		422 521.31	28 015 000	Yes
20.7.2020	30	182	366	3.00%	417 928.69	Interest		417 928.69	28 015 000	Yes
20.1.2021	36	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	Yes
20.7.2021	42	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	Yes
20.1.2022	48	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	Yes
20.7.2022	54	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	Yes
20.1.2023	60	184	365	3.49% <sup>6</sup>	492 597.34	Interest + 20% principal	5 603 000 <sup>7</sup>	6 095 597.34	22 412 000	Yes
20.7.2023	66	181	365	5.84%	655 663.52	Interest		655 663.52 <sup>8</sup>	22 412 000	Yes
20.1.2024	72	184	366	6.94%	782 058.78	Interest + 30% principal	8 404 500	9 186 558.78	14 007 500	–
20.7.2024	78	182	366	6.94%	483 473.84	Interest		483 473.84	14 007 500	–
20.1.2025	84	184	365	6.94%	490 125.88	Interest + 50% principal	14 007 500	14 497 625.88	0	–
<b>Total</b>					<b>6 682 490.45</b>		<b>28 015 000</b>	<b>34 697 490.45</b>		

<sup>6</sup> According to the terms of this bond issue, the interest rate for the period ending on January 20, 2023 should be 3.448% (6-month EURIBOR with a value of 0.448% as of July 14, 2022 plus 300 basis points), and the interest payment in amount of EUR 486,948.29. Monbat AD informed that as a result of a technical error, an interest payment in the amount of EUR 492,597.34 (calculated on the basis of an interest rate of 3.488%) was made, which will not affect the upcoming interest payments.

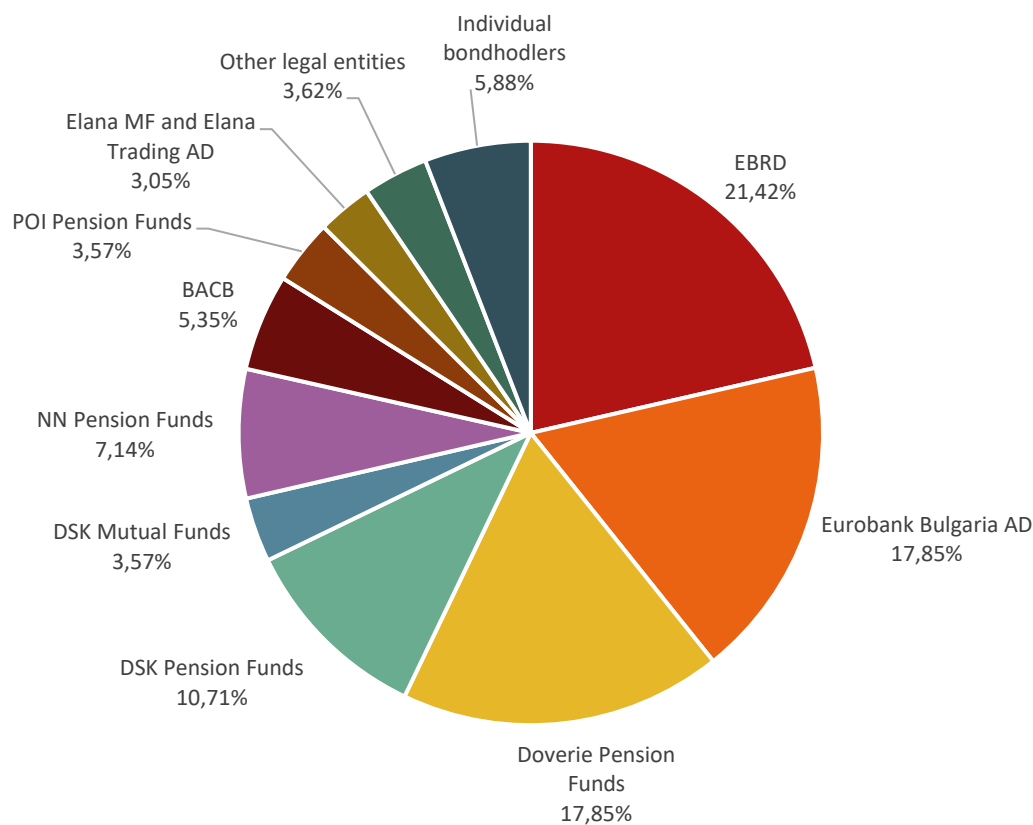
<sup>7</sup> Delayed principal payment (For detailed information, see section [Delay of first principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018](#) of this report.)

<sup>8</sup> The interest for the first 7 days of the interest period ending on 20.07.2023 was calculated on the basis of 100% of the principal amount of the bond loan (EUR 28,015,000), due to the delayed principal payment due on 20.01.2023 in the amount of EUR 5,603,000, which was carried out on 27.01.2023.

## 7. Bondholder structure

Main bondholders as of January 20, 2018	Stake
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	21.42%
EUROBANK BULGARIA AD	17.85%
DOVERIE PENSION FUNDS	17.85%
DSK PENSION FUNDS	10.71%
DSK MUTUAL FUNDS	3.57%
NN PENSION FUNDS	7.14%
BULGARIAN AMERICAN CREDIT BANK AD	5.35%
POI PENSION FUNDS	3.57%
ELANA MUTUAL FUNDS AND ELANA TRADING AD	3.05%
OTHER LEGAL ENTITIES	3.62%
INDIVIDUAL BONDHOLDERS	5.88%

Bondholder structure

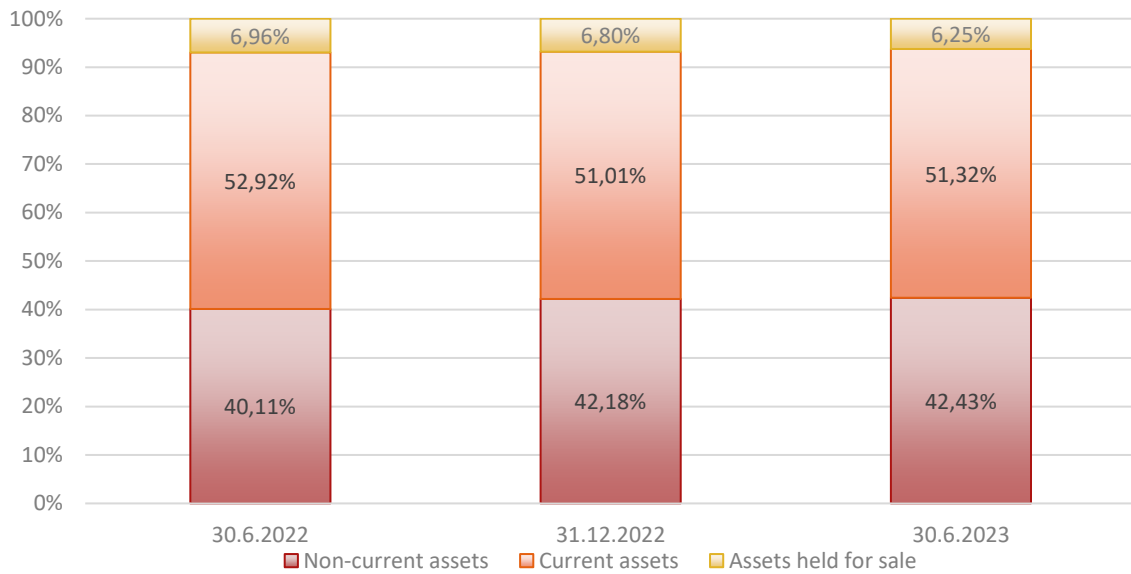




## 8. Structure of assets and liabilities

The graphics below shows the assets and liabilities structure of the Issuer.

Structure of assets



Structure of liabilities and equity (% of total assets)



Balance sheet (in BGN '000)	30.06.2022	31.12.2022	30.06.2023
Non-current assets	194 086	208 475	211 387
Current assets	256 045	252 104	255 684
Assets held for sale	33 694	33 618	31 137
<b>Total assets</b>	<b>483 825</b>	<b>494 197</b>	<b>498 208</b>
<b>Total equity</b>	<b>217 918</b>	<b>222 006</b>	<b>221 965</b>
Non-current liabilities	81 671	87 251	68 841
Current liabilities	181 792	182 695	204 773
Current liabilities related to assets held for sale	2 444	2 245	2 629
<b>Total liabilities</b>	<b>265 907</b>	<b>272 191</b>	<b>276 243</b>
<b>Total liabilities and Equity</b>	<b>483 825</b>	<b>494 197</b>	<b>498 208</b>

## 9. Profitability analysis

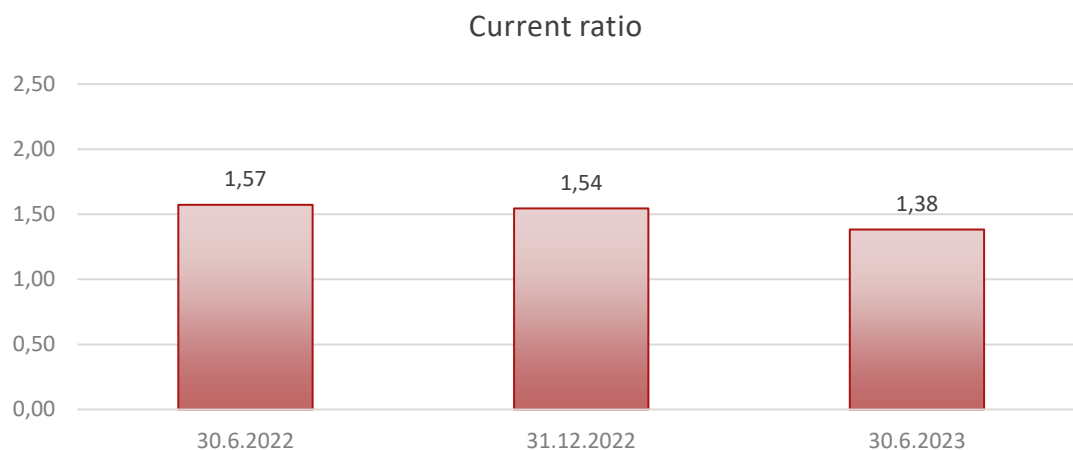
Profitability ratios are a measure of the company's ability to achieve positive results and are calculated on sales, equity and assets.

Profitability ratios (in BGN '000)	30.06.2022	31.12.2022	30.06.2023
Net sales (continuing operations)	191 563	389 419	198 292
Adjusted EBITDA from continuing operations	17 586	35 091	18 069
<b>EBITDA margin (continuing operations)</b>	<b>9.18%</b>	<b>9.01%</b>	<b>9.11%</b>
Net sales (continuing and discontinued operations)	193 449	397 212	207 119
Adjusted EBITDA from continuing and discontinued operations	16 277	36 612	17 319
<b>EBITDA margin (continuing and discontinued operations)</b>	<b>8.41%</b>	<b>9.22%</b>	<b>8.36%</b>
Depreciation and impairment of non-financial assets (continuing operations)	-8 434	-20 250	-10 820
Impairment of financial assets and advances (continuing operations)	0	-481	0
Impairment (discontinued operations)	0	-3 169	-2 640
Depreciation (discontinued operations)	-889	-889	0
Sale of asset held for sale (discontinued operations)	0	-413	0
<b>Recognized revenue on non-refundable deposit (discontinued operations)</b>	<b>0</b>	<b>0</b>	<b>5 868</b>
EBIT from continuing operations	9 152	14 360	7 249
<b>EBIT margin (continuing operations)</b>	<b>4.78%</b>	<b>3.69%</b>	<b>3.66%</b>

EBIT from continuing and discontinued operations	6 954	11 410	9 727
<b>EBIT margin (continuing and discontinued operations)</b>	<b>3.59%</b>	<b>2.87%</b>	<b>4.70%</b>
Net income from continuing operations	6 852	6 580	2 676
<b>Net income margin (continuing operations)</b>	<b>3.58%</b>	<b>1.69%</b>	<b>1.35%</b>
Net income from continuing and discontinued operations	4 671	3 951	4 879
<b>Net income margin (continuing and discontinued operations)</b>	<b>2.41%</b>	<b>0.99%</b>	<b>2.36%</b>
Total Assets	483 825	494 197	498 208
Total Equity	217 918	222 006	221 965
<b>ROE (continuing operations)</b>	<b>6.26%</b>	<b>3.05%</b>	<b>1.09%</b>
<b>ROA (continuing operations)</b>	<b>2.89%</b>	<b>1.38%</b>	<b>0.49%</b>
<b>ROE (continuing and discontinued operations)</b>	<b>-1.69%</b>	<b>1.83%</b>	<b>1.89%</b>
<b>ROA (continuing and discontinued operations)</b>	<b>-0.78%</b>	<b>0.83%</b>	<b>0.85%</b>

## 10. Liquidity analysis

Liquidity ratios characterize active/passive relations in the company's balance sheet. They indicate the company's ability to pay its current liabilities with short-term assets or cash.



Liquidity ratios	30.06.2022	31.12.2022	30.06.2023
Current ratio	1.57	1.54	1.38
Quick ratio	0.95	0.98	0.86
Immediate ratio	0.08	0.04	0.04
Cash ratio	0.08	0.04	0.04
Net working capital (in BGN '000)	105 503	100 782	79 419

**Current ratio** – the current ratio is a liquidity ratio that measures a company's ability to meet its short-term obligations. It is highly recommendable the ratio to be above 1.

**Quick ratio** – the quick ratio is an indicator of a company's short-term liquidity, and measures a company's ability to meet its short-term obligations with its most liquid assets.

**Immediate ratio** – the immediate ratio measures a company's ability to meet its short-term obligations with its short-term investments and cash and cash equivalents.

**Cash ratio** – the cash ratio is the ratio of a company's total cash and cash equivalents to its current liabilities. The metric calculates a company's ability to repay its short-term debt.

**Net working capital** - shows the portion of current assets funded through long-term capital sources. For a good level of liquidity, the NWC is considered a positive value. Indicator of insolvency is the negative NWC, as part of the Company's fixed assets are funded with current liabilities. However, fixed assets are very slowly liquid, the ability at a certain point for the company to have no means to pay off its obligations is completely real.

## 11. Financial conditions of the bond issue (covenants)

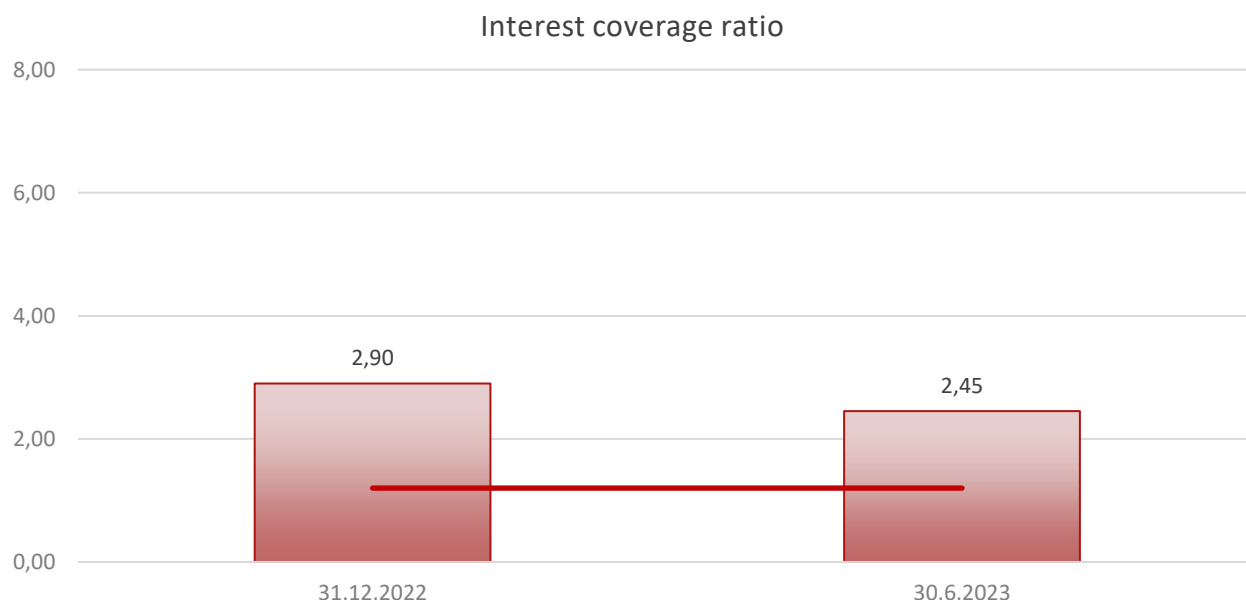
The Issuer assumes the following obligations and commitments for the life of the bonds, calculated on a consolidated basis. The financial ratios are shown below.

### 11.1. Interest coverage ratio

**Interest coverage ratio** – operating profit (EBIT excluding one-off revenues and income such as interest income, profits from sales of stakes in companies or other investment income), increased by interest expense and divided by interest expense, calculated for the last four quarters in accordance with the consolidated financial statement of the Issuer. Minimum value of the ratio: no less than 120%.

Interest coverage ratio	31.12.2022	30.06.2023
<b>Interest coverage ratio</b>	<b>2.90</b>	<b>2.45</b>
Minimum required level	1.20	1.20
Does it meet the requirements	YES	YES

**Conclusion:** Interest coverage ratio is above the required minimum level of 120% and the Issuer meets the requirements of the issue terms. (For more detailed information Section [Appendix 1](#)).



## 11.2. Interest-bearing debt to asset ratio<sup>9</sup>

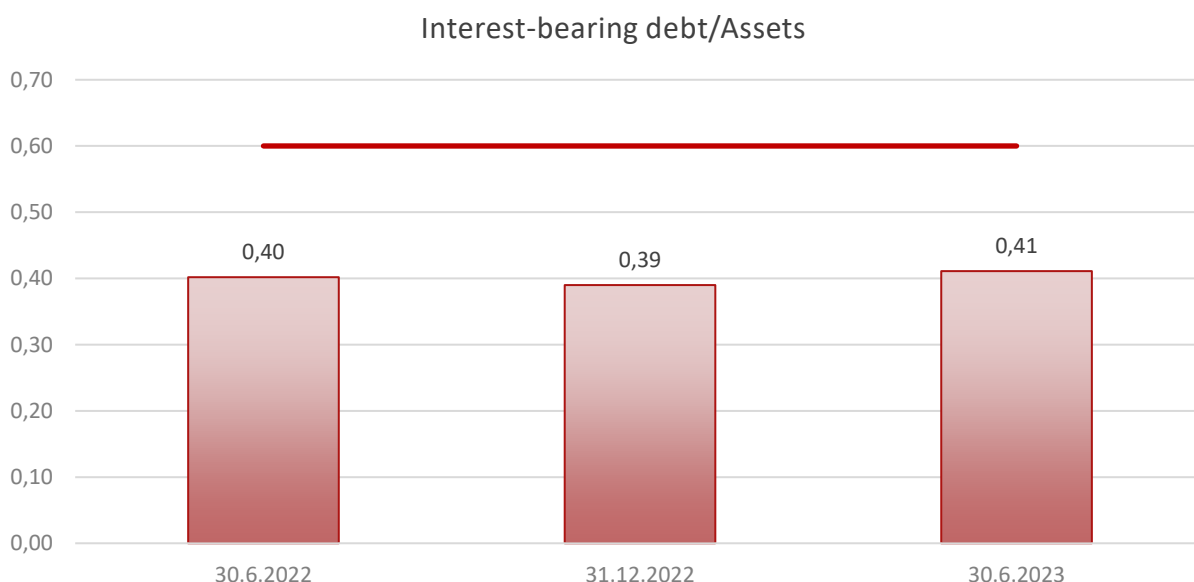
**Interest-bearing debt to Assets ratio** – the ratio is equal to the total of the short-term and long-term interest-bearing liabilities divided by the assets in the consolidated balance sheet as of a certain date. Maximim value of the ratio: 0.60.

Interest-bearing debt/Assets	30.06.2022	31.12.2022	30.06.2023
Short-term interest-bearing debt (1) (in BGN '000)	125 928	119 279	148 419
Long-term interest-bearing debt (2)	68 489	73 430	56 347
Interest-bearing debt discontinued operation			
Interest-bearing debt	194 417	192 709	204 766
Total assets	483 825	494 197	498 208
<b>Interest-bearing debt/Assets</b>	<b>0.40</b>	<b>0.39</b>	<b>0.41</b>
Maximum required level	0.6	0.6	0.6
Does it meet the requirements	YES	YES	YES

(1) Includes short-term bank loans, short-term financial lease obligations and short-term bond liabilities

(2) Includes long-term bank loans, long-term financial lease obligations and long-term bond liabilities

**Conclusion:** Interest-bearing debt to Asset ratio is below the maximum level of 0.60 and the Issuer meets the requirements of the issue terms.



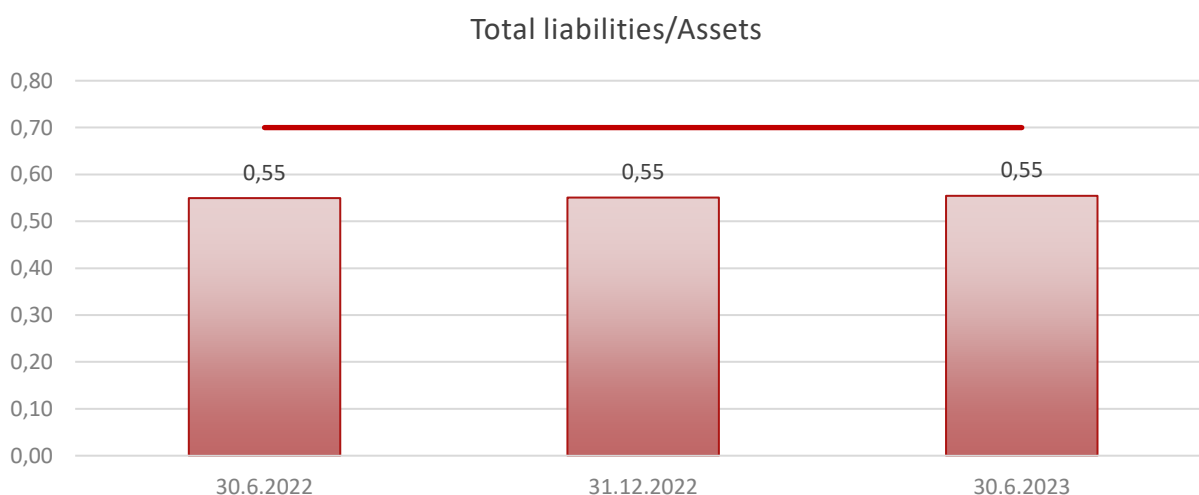
<sup>9</sup> Lease obligations are excluded from the value of interest-bearing debt, as these are obligations related to right-of-use assets, calculated in accordance with IFRS 16. The data as of December 31, 2022 and June 30, 2022 in this report have been adjusted respectively.

### 11.3. Total Liabilities to Asset ratio

**Total Liabilities to Assets ratio** – the ratio is equal to the total of the short-term and long-term liabilities divided by the assets in the consolidated balance sheet as of a certain date. Maximum value of the ratio: 0.70.

Total Liabilities/Assets	30.06.2022	31.12.2022	30.06.2023
Total Liabilities (in BGN '000)	265 907	272 191	276 243
Total Assets (in BGN '000)	483 825	494 197	498 208
<b>Total Liabilities/ Total Assets</b>	<b>0.55</b>	<b>0.55</b>	<b>0.55</b>
Maximum required level	0.7	0.7	0.7
Does it meet the requirements	YES	YES	YES

**Conclusion:** Total Liabilities to Asset ratio is below the required maximum of 0.70 and the Issuer meets the requirements of the issue terms.



### 11.4. Cross default

In the event of default on any future secured obligation of the Issuer during the life of the bonds which exceeds two months, the Issuer shall undertake actions to pay all of its obligations unpaid and/or in default within 6 (six) months. If the Issuer fails to pay, the bondholders may require the early payment of the principal and the accrued interest for the period.

**Conclusion:** There is no delay or failure for payment of secured liabilities and the Issuer meets the requirements of the issue terms.

## 11.5. Change of control

In the event of change of control of Monbat AD the bondholders by the date of the change may require the early payment of the principal and the accrued interest for the period. The decision to require early payment shall be adopted by the General Meeting of Bondholders by a quorum of 2/3 of the bonds issued and by a majority of 3/4 of the bonds represented at the meeting; the early payment shall become due after the expiration of 30 (thirty) days of the date of the general meeting. In the event of a mandatory takeover bid under art. 149 of POSA, the bond issue shall become due within the same 30-day time limit.

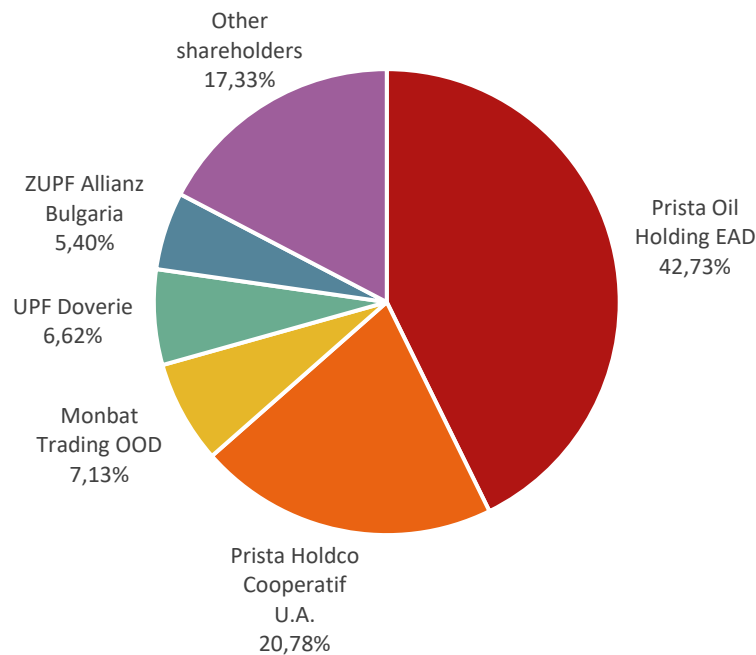
**Conclusion:** There was no change of control and the Issuer meets the requirements of the issue terms.

<b>Shareholder structure as at 30.06.2023</b>			
<b>Shareholders</b>	<b>Share count</b>	<b>Stake</b>	<b>Δ Q/Q</b>
Prista Oil Holding EAD	16 666 371	42.73%	0.0%
Prista Holdco Cooperatif U.A.	8 103 758	20.78%	0.0%
Monbat Trading OOD	2 782 020	7.13%	0.1%
UPF Doverie	2 582 864	6.62%	0.0%
ZUPF Allianz Bulgaria	2 105 403	5.40%	0.0%
Other shareholders	6 759 584	17.33%	-0.1%
<b>Total</b>	<b>39 000 000</b>	<b>100.00%</b>	
Purchased own shares <b>from other legal entities and individuals</b>	(37 946)	(0.10%)	0.0%
<b>Total</b>	<b>38 962 054</b>	<b>99.90%</b>	

As of June 30, 2023, one legal entity exercises control over the public company “Monbat” AD – “Prista Oil Holding” EAD, Sofia. “Prista Oil Holding” EAD controls another shareholder with a significant participation, namely “Monbat Trading” OOD. The total number of voting shares owned directly and through related parties by “Prista Oil Holding” EAD is 19,448,391 or 49.9%.



### Shareholder structure



### 11.6. Cases of breaching the financial ratios of the Bond issue

If the Issuer breaches the defined financial ratios, the Issuer undertakes to take actions that will bring the ratios in accordance with the above requirements within 6 (six) months. Within this period, the Issuer is obliged to bring the Interest coverage ratio and the Cross default into values / indices according to its obligation in the prospectus of the issue. In the event that the Issuer fails to do so, bondholders holding bonds of this issue have the right to demand the early redemption of the nominal value and the accumulated interest on the bonds. The decision for early redemption of the bond loan shall be taken by the General Meeting of Bondholders with a quorum of more than two thirds of the issued bonds and acceptance of the resolution by a majority of more than three quarters of the submitted bonds and in this case the bonds become due and payable within 30 (thirty) days from the date of the decision of the General Meeting of the Bondholders.

If, within these 6 (six) months, the Issuer succeeds in bringing the interest coverage ratio and the Cross default into eligible limits, but fails to bring the Interest-bearing debt to Assets ratio or Total Liabilities to Assets ratio within such limits, then has another 6 (six) months to achieve this. If after the expiration of the second 6 (six) months the Issuer has any of the abovementioned obligations outside the admissible limits, the bondholders holding bonds of the present issue have the right to demand the early redemption of the nominal value and the accumulated interest on the bonds. The decision for early redemption of the bond loan shall be taken in accordance with the paragraph above.

## Conclusion

The analysis of the financial condition of the Issuer and the financial ratios on the bond issue with ISIN BG2100023170 indicates that the Issuer meets the requirements of the issue terms.

## Appendix 1: Calculation of Interest coverage ratio

Interest coverage ratio (in BGN '000)	30.06.2022	31.12.2022	30.06.2023
Profit from continuing and discontinued operations (EBIT)	6 954	11 410	9 727
Impairment	0	-3 650	-2 640
Sale of asset held for sale	0	-413	0
<b>Recognized revenue on non-refundable deposit</b>	0	0	5 868
Adjusted operating profit (Adjusted EBIT)	6 954	15 473	6 499
Interest expenses	2 868	8 145	5 074
Adjusted operating profit (Adjusted EBIT) + Interest expenses	9 822	23 618	11 573
<b>Twelve months</b>			
Profit from continuing and discontinued operations (EBIT)	-875	11 410	14 183
Impairment	-16 457	-3 650	-6 290
Sale of asset held for sale	0	-413	-413
Recognized revenue on non-refundable deposit	0	0	5 868
Adjusted operating profit (Adjusted EBIT)	16 862	15 473	15 018
Interest expenses	6 695	8 145	10 351
Adjusted operating profit (Adjusted EBIT) + Interest expenses	23 557	23 618	25 369
<b>Interest coverage ratio</b>	<b>3.52</b>	<b>2.90</b>	<b>2.45</b>
Minimum required level	1.2	1.2	1.2
Does it meet the requirements	YES	YES	YES