

IMPORTANT!!!

This document contains an English language translation of the Bulgarian prospectus prepared in Bulgarian language, pursuant to and in compliance with the Bulgarian law (the "Prospectus"), which Bulgarian Prospectus was filed with the Bulgarian Financial Supervision Commission (FSC) and was approved by the FSC with resolution No . 1459-E/21.11.2017. This document is for information purposes only and should not be relied upon.

This is not an offering circular, information memorandum or any other form of offering document. MONBAT AD (the "Issuer") and ELANA TRADING JSC (the "Investment Intermediary"), make no representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of this English translation, and neither the Issuer nor the Investment Intermediary accept any responsibility or liability whatsoever for any loss or damage however arising from any use of this translation or its contents or arising in connection with it.

This English translation of the Prospectus is not an official translation. This translation is for information purposes only and is not a substitute for the Prospectus. The only official version of the Prospectus is the Bulgarian version which has been approved by the competent body of the Issuer and prepared and published according to Bulgarian law and regulations. Any discrepancies or differences between the Prospectus and this translation are not binding and the Prospectus shall prevail.

The Prospectus can be found in printed form at the head offices of the Issuer and the Investment Intermediary, and in electronic form on the websites of the Issuer (www.monbat.com) and the Investment Intermediary (www.elana.net). The Prospectus should be read in its entirety. This English translation has not been filed or published according to Bulgarian law. Accordingly, any authorised recipient should refer only to the official Bulgarian version of the Prospectus before making an investment decision and seek appropriate professional advice before investing in any securities. This English translation does not contain or constitute, and should not be relied upon as, an offer or invitation to make an offer or to acquire any securities in any jurisdiction. By accessing this document you acknowledge, accept and agree to the foregoing. This translation is not for publication or any distribution, directly or indirectly, in whole or in part, in or into the United States, Canada, Australia or Japan. These materials are not an offer of securities for sale in the United States, Canada, Australia or Japan. Securities may not be offered or sold in the United States in absence of registration with the U.S. Securities and Exchange Commission or an exemption from registration under the U.S. Securities Act of 1933, as amended. MONBAT AD does not intend to register any part of the offering in the United States or to conduct a public offering of securities in the United States.

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MONBAT AD

REGISTRATION DOCUMENT

PART I FROM THE PROSPECTUS FOR AN INITIAL PUBLIC OFFERING OF CONVERTIBLE BONDS

**TYPE OF BONDS OFFERED: ORDINARY, INTEREST-BEARING, CONVERTIBLE, DEMATERIALIZED,
REGISTERED, FREELY TRANSFERABLE, UNSECURED**

**NUMBER OF CONVERTIBLE BONDS OFFERED: UP TO 30,000 BONDS WITH A NOMINAL VALUE OF
EUR 1000 PER BOND**

THE REGISTRATION DOCUMENT CONTAINS THE OVERALL INFORMATION ABOUT MONBAT AD, REQUIRED TO ADOPT AN INVESTMENT DECISION, INCLUDING THE MAIN RISKS FOR THE COMPANY AND ITS ACTIVITIES. IT IS IN THE BEST INTEREST OF ALL INVESTORS TO GET ACQUAINTED WITH THE REGISTRATION DOCUMENT AND THE SECURITIES NOTE PRIOR TO MAKING AN INVESTMENT DECISION. THE REGISTRATION DOCUMENT ALONG WITH THE SECURITIES NOTE AND THE SUMMARY CONSTITUTE THE PROSPECTUS FOR AN INITIAL PUBLIC OFFERING. THE PROSPECTUS CONTAINS ALL THE INFORMATION WHICH, ACCORDING TO THE SPECIFIC FEATURES OF THE ISSUER AND THE SECURITIES OFFERED, IS SUFFICIENT TO ALL INVESTORS TO ACCURATELY ASSESS THE ECONOMIC AND FINANCIAL STATE, ASSETS AND LIABILITIES, FINANCIAL RESULTS, PROSPECTS FOR DEVELOPMENT AND THE RIGHTS ASSOCIATED WITH THE SECURITIES.

ANY INVESTMENT IN SECURITIES IS RELATED TO CERTAIN RISKS. THE MAIN RISKS, RELATED TO MONBAT AD AND ITS ACTIVITIES, ARE DESCRIBED IN THE REGISTRATION DOCUMENT, ITEM 4 "RISK FACTORS".

THE FINANCIAL SUPERVISION COMMISSION HAS APPROVED THE BULGARIAN VERSION OF THE PROSPECTUS WITH ITS DECISION № 1459-E/21.11.2017, BUT IS NOT RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PRESENTED HEREIN.

THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PROCURATOR OF MONBAT AD SHALL BE RESPONSIBLE FOR THE DAMAGES CAUSED BY FALSE, MISLEADING OR INCOMPLETE DATA IN THE REGISTRATION DOCUMENT. THE COMPILER OF THE ANNUAL FINANCIAL STATEMENTS OF MONBAT AD SHALL BEAR JOINT RESPONSIBILITY WITH THE PERSONS UNDER THE PRECEDING SENTENCE FOR DAMAGES CAUSED BY FALSE, MISLEADING OR INCOMPLETE DATA IN THE FINANCIAL STATEMENTS OF MONBAT AD. THE REGISTERED AUDITOR SHALL BE HELD RESPONSIBLE FOR DAMAGES CAUSED BY THE AUDITED FINANCIAL STATEMENTS OF THE ISSUER.

DATE: NOVEMBER 06TH 2017

The Prospectus for the IPO of the convertible bonds of MONBAT AD (“The Issuer”, „The Company”) consists of three parts: a Registration document, containing information about the Issuer (Part I of the Prospectus), Securities Note containing information on the securities subject to the public offering (Part II of the Prospectus) and a Summary (Part III of the Prospectus). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

Investors, interested in the Registration document, can become acquainted with the original document as well as receive a free copy and further information about it from:

ISSUER:	MONBAT AD
1407 Sofia, 32A Cherny Vrah Blvd., floor 4. phone: (02) 962 11 50 fax: (02) 962 11 46 Contact Person: Daniela Peeva, Investor Relations Manager	Web: http://www.monbat.com/ e-mail: investorrelations@monbat.com

AUTHORIZED INVESTMENT INTERMEDIARY:	ELANA TRADING INC.
1756 Sofia 5 Lachezar Stanchev str. Sopharma Business Towers, tower B, fl. 12 phone: (02) 810 00 24, fax: (02) 958 15 23 Contact Person: Tatyana Vasileva	Web: http://www.elana.net/ e-mail: info@elana.net

The abovementioned documents will be available also on the web-sites of MONBAT AD and Elana Trading Inc., shown above.

The content of this document should not be considered as legal, financial, business or tax advice. To receive such advice, each potential investor should consult its own legal, financial, or tax advisor. If you have any doubt about the contents of this document, you should consult a stockbroker, bank manager, lawyer, accountant or other financial advisor. You should be aware that share price may fall as well as rise in value.

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DEFINED TERMS AND ABBREVIATIONS

“**The Issuer**”, „**The Company**” – MONBAT AD

„**Investment Intermediary**“ – Elana Trading AD

„**Prospectus**” – Prospectus for this IPO of 30,000 corporate convertible bonds with nominal value €1,000

“**Registration document**“ – Registration document, containing information about the Issuer (Part I of the Prospectus)

„**Securities Note**“ – Securities Note, containing information on the securities, subject to public offering (Part II of the Prospectus)

„**Resume**“ – Resume (Part III of this Prospectus)

“**FSC**” – **Financial Supervision Commission, Bulgaria**

„**Deputy Chair** “ – Deputy Chair of the FSC and Chairman in charge of Supervision of Investment Activity Division;

“**BSE**” – Bulgarian Stock Exchange – Sofia AD

„**CSD**” – Central Securities Depository AD, Bulgaria

“**NRA**” – National Revenue Agency

„**POSA**” – Public Offering of Securities Act

“**MFIA**” – Markets in Financial Instruments Act;

“**LMAMAFI**” – Law on Measures against the Market Abuse with Financial Instrument;

“**CA**” – Commercial Act

“**Ordinance no. 2**” – Ordinance no. 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 by the public companies and the other issuers of securities;

“**Ordinance no. 38**” – Ordinance no. 38 of July 25, 2007 on the requirements to the activities of the investment intermediaries;

„**EU**“ – European Union

„**EEA**“ – European Economic Area

1. PERSONS RESPONSIBLE

1.1. NAME OF THE PARTIES RESPONSIBLE FOR PREPARING OF THE REGISTRATION DOCUMENT.

MONBAT AD has a one-tier management system – Board of Directors (BoD).

Members of the BoD of MONBAT AD:

- Atanas Bobokov – Chairman of BoD and CEO;
- Florian Huth – member of BoD;
- Stoyan Stalev – member of BoD;
- Nikolay Trenchev – member of BoD;
- Alexander Chaushev – member of BoD;
- Plamen Bobokov – member of BoD;
- Peter Bozadjiev – member of BoD;
- Yordan Karabinov – member of BoD;
- Evelina Slavcheva – member of BoD;

Currently no legal entity has been elected as a member of the BoD of the Company.

As of the date of this Prospectus, the Board of MONBAT AD has authorized Petar Petrov as a procurator of the Company.

The authorized investment intermediary: Elana Trading Inc. (ET) with its registered office in Sofia, 4 Kuzman Shapkarev str., represented by the Chairperson of the Board Radoslava Maslarska and the CEO Momchil Tikov.

The person, who prepared the financial statements of the Company for the period covered by the historical financial information, is *Belnikolov and Partners Ltd*, Unified Identification Code (UIC) 175217702.

Data for the **Auditor** of the Company is stated in Section 2.1. of the Registration document.

The preparation of the Registration document as well as the other parts of the Prospectus are made from the Issuer. **The employee of MONBAT AD, who prepared** the economic and the legal information in the Registration document, is Victor Spiriev, Finance Director of MONBAT AD. Through his signature on the last page of this Document he declares that he has prepared the document with due care and that as far as he knows, all the information contained in the Registration document corresponds to the facts and contains no omission likely to affect the import of the presented information.

The legal representation of ET is performed by any two of the following individuals: Radoslava Maslarska and Momchil Tikov. With their signatures on the last page of the Registration document and as representatives of ET, Radoslava Maslarska and Momchil Tikov declare that to the best of their knowledge, all information contained in the Registration document is not untrue, misleading or incomplete and corresponds to the facts.

The Members of the Board of Directors of MONBAT AD declare with the signing the last page of this document that to the best of his knowledge, the information contained in the Registration document corresponds to the facts and contains no omission likely to affect the import of the presented information. The CEO of the Company with his signature on the last page declares that the Registration document complies with the law.

The compliers of the annual and interim individual and consolidated financial statements for the period covered by the historical financial information are responsible together with the members of the Board of Directors of MONBAT AD for damages caused by false, misleading or incomplete data in the financial statements of MONBAT AD. **The registered auditor** *Deloitte Audit Ltd*, with Reg. number 033 is responsible for any damage caused by the included in the Registration document audited financial statements of the Issuer.

1.2. A DECLARATION BY THOSE RESPONSIBLE FOR THE REGISTRATION DOCUMENT.

Declarations by the members of the Board of Directors of MONBAT AD and Elana Trading Inc., by the auditor, the compiler of the financial statements and the employees of the Company, who prepared the Prospectus, are attached as an integral part of the prospectus.

2. STATUTORY AUDITORS

2.1. NAMES AND ADDRESSES OF THE ISSUER'S AUDITORS FOR THE PERIOD

The auditor of the Issuer is *Deloitte Audit Ltd.*, UIC 121145199, with an address: Sofia, 103 Alexander Stamboliyski bld. *Deloitte Audit Ltd.* is a specialized audit firm, member of the Institute of Certified Public Accountants, Bulgaria, with Reg. number 033.

Deloitte Audit Ltd. through responsible for the audit person Desislava Dinkova (member of ICPA, Bulgaria, with Reg. number 0671), has audited the annual financial statements for 2014, 2015 and 2016.

2.2. IF AUDITORS HAVE RESIGNED, BEEN REMOVED OR NOT BEEN RE-APPOINTED DURING THE PERIOD, INDICATE DETAILS IF MATERIAL

For the period covered by the historical financial information, no auditors have resigned, been removed or not been reappointed.

3. SELECTED FINANCIAL INFORMATION

The presented selected financial data for the Company is based on the audited annual consolidated financial statements as of 31.12.2014, 31.12.2015 and 31.12.2016 and unaudited interim consolidated financial statements as of 31.06.2016 and 31.06.2017.

Table 1: Consolidated financial information from the financial statements for the period 2014-30/06/2017

Indicators (in BGN 000)	2014	2015	2016	Jun-16	Jun-17
Revenues	228 993	245 468	266 167	113 750	152 116
Financial Profit/Loss	(2 505)	(1 851)	(3 112)	(1 227)	(1 416)
Net operating profit/loss after taxes (NOPLAT)	22 591	20 885	24 786	11 977	15 316
NOPLAT per share	0.58	0.536	0.636	0.307	0.393
Assets	268 506	275 660	336 520	304 424	343 925
Equity	174 169	179 479	192 604	179 914	196 668
Share capital	39 000	38 989	38 989	38 989	38 989
Dividends	5 850	10 920	11 032	-	-
DPS (in BGN)	0.15	0.28	0.28	-	-

Source: MONBAT AD

4. RISK FACTORS

INVESTING IN SECURITIES IS ASSOCIATED WITH VARIOUS RISKS. POTENTIAL INVESTORS SHOULD CAREFULLY READ AND CONSIDER THE INFORMATION BELOW, AND ALL INFORMATION IN THE PROSPECTUS BEFORE DECIDING TO ACQUIRE BONDS OF THE COMPANY.

THE WORDS "EXPECTS", "BELIEVES", "INTENDS", AND OTHER SUCH INSTRUCTIONS USED IN THE PROSPECTUS ARE ESTIMATES IN THEIR NATURE AND / OR REFER TO FUTURE UNCERTAIN EVENTS AND CONDITIONS THAT MAY INFLUENCE FUTURE BUSINESS AND FINANCIAL PLANS OF THE COMPANY, RESULTS OF ITS BUSINESS AND FINANCIAL POSITION. WE WOULD LIKE TO WARN POTENTIAL INVESTORS THAT THESE STATEMENTS ARE NOT A GUARANTEE FOR THE FUTURE PERFORMANCE OF THE COMPANY AND ARE SUBJECT TO RISKS AND UNCERTAINTY. ACTUAL FUTURE RESULTS OF THE COMPANY MAY DIFFER SUBSTANTIALLY FROM THE FORECASTED RESULTS AND EXPECTATIONS AS A RESULT OF MANY FACTORS, INCLUDING THE FOLLOWING RISK FACTORS.

THE RISKS, ONE MAY BE EXPOSED TO, BY INVESTING IN SECURITIES CAN BE BROKEN DOWN BY VARIOUS CRITERIA DEPENDING ON THEIR NATURE, MANIFESTATION, FEATURES OF THE COMPANY, CHANGES IN THE CAPITAL OF THE COMPANY AND THE POSSIBILITY WHETHER SOME RISKS COULD BE ELIMINATED OR NOT. THE RISKS COULD BE DIVIDED INTO TWO GROUPS: SYSTEMATIC AND NON-SYSTEMIC RISKS.

4.1. SYSTEMATIC RISKS

General risks arise from changes in the overall economic environment and, in particular, fluctuations in the financial markets. Systematic risks cannot be diversified since all businesses in the country are exposed to them.

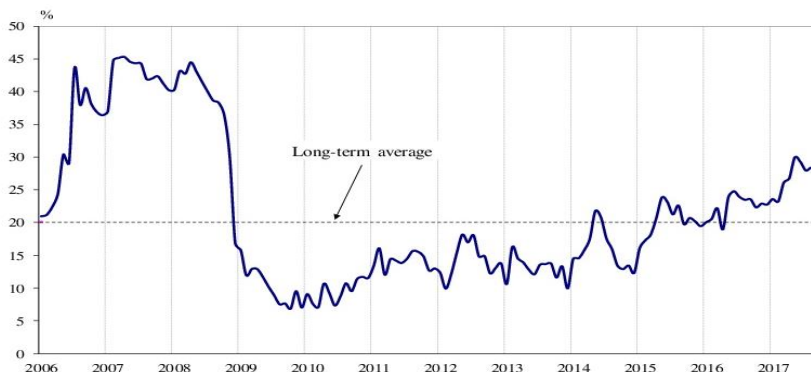
Twenty-seven years after the end of the planned economy, Bulgaria is pursuing a policy of economic reform and stabilization, intended to enforce and operate by the principles of free market economy. As a consequence, business entities in Bulgaria have limited experience and operating history in free market conditions. In this regard Bulgarian companies, compared to companies from Western countries, are characterized by a lack of experience in the market economy and limited capital resources with which to develop their business. In addition to this, Bulgaria also has limited infrastructure to support a free market system.

In Bulgaria, as in most countries in transition, there is a trade and current account deficit. Bulgaria is an importer of crude oil. In this regard, increases in oil prices reduce the competitiveness of the Bulgarian economy and in addition its dependence on oil imports further exposes the economy to foreign exchange risk from adverse changes in the exchange rate of the USD against the BGN. The capital revenues from privatization are expected to gradually decrease with the completion of the privatization program.

4.1.1. General macroeconomic risk

According to National Statistics Institute (NSI) data, in September 2017, the total business climate indicator decreased by 0.8 percentage points compared to August which is due to the more unfavourable business climate in construction, retail trade and service sector.

Figure 1: Change in the business climate indicator for the period 2006-September 2017



Source: NSI

The composite indicator 'business climate in industry' increased by 1.9 percentage points compared to the previous month as a result of the more optimistic industrial entrepreneurs' assessments and expectations about the business situation of the

enterprises. The present production activity is assessed as slightly improving, as the expectations about the activity over the next 3 months remain favourable. The main factors, limiting the enterprises continue to be connected with the uncertain economic environment and the shortage of labour, although in the last month a decrease of the negative impact of the first factor is observed.

According to NSI in September the composite indicator 'business climate in construction' decreased by 1.8 percentage points which is entirely due to the more reserved construction entrepreneurs' expectations about the business situation of the enterprises over the next 6 months. In their opinion there is some increase in the new orders inflow for the last month, but their expectations about the construction activity over the next 3 months have worsened. The uncertain economic environment, competition in the sector and the shortage of labour remain the main problems for the business development.

The composite indicator 'business climate in retail trade' decreased by 3.5 percentage points as result of the shifting of the retailers' assessments and expectations about the business situation of the enterprises from 'good' towards 'satisfactory' (normal for the season). Their forecasts about the volume of sales and orders placed with suppliers over the next 3 months are also more reserved. The most serious problem limiting the activity of the enterprises remains the competition in the sector, followed by the uncertain economic environment and the insufficient demand.

According to NSI, in September the composite indicator 'business climate in service sector' decreased by 2.5 percentage points which is due to the more unfavourable managers' assessments and expectations about the business situation of the enterprises. At the same time certain pessimism is observed in their forecasts about the demand for services over the next 3 months. The main obstacles for the business development continue to be connected with the competition in the sector and the uncertain economic environment, with the negative influence intensifying over the last month.

In August 2017, the total business climate indicator increased by 0.5 percentage points compared to the previous month as a result of the improved business climate in retail trade and service sector, NSI data shows.

The composite indicator 'business climate in industry' decreased by 2.2 percentage points in comparison with July which is due to the more reserved industrial entrepreneurs' assessments and expectations about the business situation of the enterprises. In their opinion, the present production activity is preserved, but their expectations about the activity over the next 3 months are more favourable. The uncertain economic environment continues to be the main problem for the business development. In the second place is the factor 'shortage of labour' which negative impact strengthens in the last month. With regards to the selling prices in the industry, the managers' expectations are for them to remain unchanged over the next 3 months.

In August, the composite indicator 'business climate in construction' remained unchanged from the previous month. The inquiry registers an improvement in the construction entrepreneurs' assessments about the present business situation of the enterprises, while their expectations over the next 6 months have slightly worsened. The main factors limiting the enterprises remain the uncertain economic environment and the competition in the sector. At the same time the unfavourable influence of the factor 'shortage of labour' strengthened over the last month. The managers do not foresee a change in the selling prices in construction over the next 3 months.

The composite indicator 'business climate in retail trade' increased by 4.5 percentage points compared to July which is due to the improved retailers' assessments and expectations about the business situation of the enterprises. Their forecasts about the orders placed with suppliers from both domestic and foreign markets over the next 3 months are also optimistic. The competition in the sector, the uncertain economic environment and the insufficient demand continue to be the main obstacles for the development of the activity. With regards the selling prices, the majority of the retailers expect them to remain unchanged over the next 3 months.

In August, the composite indicator 'business climate in service sector' increased by 1.9 percentage points as result of the improved managers' assessments and expectations about the business situation of the enterprises. However, their forecasts concerning the demand for services over the next 3 months are more unfavourable. The most serious difficulties for the business remain to be connected with the competition in the sector and the uncertain economic environment. Concerning the selling prices in the sector, managers' expectations are for preservation of their level over the next 3 months.

The European Central Bank Governing Council's assessment of the economy and finances as of September 7, 2017 indicates that with the ECB monetary policy measures supporting domestic demand, economic growth in the euro area is sustained and becomes more and more resilient. In the second quarter of 2017, the euro area real GDP grew by 0.6 % on a quarterly basis, after an increase of 0.5 % in the first quarter. Real GDP growth is mainly supported by domestic demand. Private consumption is driven by increased employment, supported by the labour market reforms, and the growing wealth of households. Investments have recovered due to the favourable financing conditions and the improved profitability of companies. Short-term indicators and business observation data confirm the forecast for a significant growth acceleration in the near future.

The September 2017 ECB staff macroeconomic projections for the euro area foresee real GDP growth of 2.2 % in 2017, 1.8% in 2018 and 1.7% in 2019. Compared to the Eurosystem staff macroeconomic projections of June 2017, the expected growth rates are revised upwards for 2017 and remain broadly unchanged afterwards. Risks related to the euro area growth projections remain broadly balanced. On the one hand, the current favourable cyclical momentum increases the chances of a stronger-than-expected economic upturn. On the other hand, there are still risks of overestimation of the projections, mainly related to global factors and the dynamics of foreign exchange markets.

4.1.2. Interest rate risk

Interest rate risk is related to rising interest rates, respectively, interest expense, which is immediately reflected in the profits of operators.

At its monetary policy meeting held on September 7, 2017, the ECB Governing Council made an assessment that although the continuing economic recovery gives confidence that inflation will gradually reach levels that are consistent with the target set, it still has to be seen as a sufficiently strong inflation target. Economic growth, which accelerated more than expected in the first half of 2017, is still stable and spread over a broad range of countries and industries. At the same time, recent exchange rate fluctuations are a source of uncertainty which requires monitoring of its possible impact on the medium-term projections for price stability. Basic inflation measures have risen slightly during the last months but remain at low levels as a whole. Therefore the policy of significant monetary stimulus is still needed to strengthen the pressure to raise base inflation and support the dynamics of overall inflation in the medium term. In this respect, the ECB Governing Council retains its monetary policy position and will decide in the autumn on the exact parameters of its policy instruments after the end of the year.

Table 2: Bulgarian National Bank's base interest rate for the period January- September 2017

Month	BNB basic interest rate
January 2017	0.00 %
February 2017	0.00 %
March 2017	0.00 %
April 2017	0.00 %
May 2017	0.00 %
June 2017	0.00 %
July 2017	0.00 %
August 2017	0.00 %
September 2017.	0.00 %

Source: BNB

4.1.3. Inflation risk

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

According to NSI, the consumer price index in April 2017 compared to March 2017 was 100.7%, i.e. the monthly inflation was 0.7%. The inflation rate since the beginning of the year (April 2017 compared to December 2016) has been 1.5% and the annual inflation in April 2017 compared to April 2016 was 2.6%. The annual average inflation, measured by CPI, in the last 12 months (May 2016 - April 2017) compared to the previous 12 months (May 2015 - April 2016) was 0.2%.

The harmonized index of consumer prices in April 2017 compared to March 2017 was 100.5%, i.e. the monthly inflation was 0.5%. The inflation rate since the beginning of the year (April 2017 compared to December 2016) has been 0.6% and the annual inflation in April 2017 compared to April 2016 was 1.7%. The annual average inflation, measured by HICP, in the last 12 months (May 2016 - April 2017) compared to the previous 12 months (May 2015 - April 2016) was -0.5%.

The consumer price index in May 2017 compared to April 2017 was 99.7%, i.e. the monthly inflation was -0.3%. The inflation rate since the beginning of the year (May 2017 compared to December 2016) has been 1.2% and the annual inflation in May 2017 compared to May 2016 was 2.3%. The annual average inflation, measured by CPI, in the last 12 months (June 2016 - May 2017) compared to the previous 12 months (June 2015 - May 2016) was 0.5%.

The harmonized index of consumer prices in May 2017 compared to April 2017 was 99.8%, i.e. the monthly inflation was -0.2%. The inflation rate since the beginning of the year (May 2017 compared to December 2016) has been 0.4% and the

annual inflation in May 2017 compared to May 2016 was 1.4%. The annual average inflation, measured by HICP, in the last 12 months (June 2016 - May 2017) compared to the previous 12 months (June 2015 - May 2016) was -0.2%.

The consumer price index in June 2017 compared to May 2017 was 99.5%, i.e. the monthly inflation was -0.5%. The inflation rate since the beginning of the year (June 2017 compared to December 2016) has been 0.7% and the annual inflation in June 2017 compared to June 2016 was 1.9%. The annual average inflation, measured by CPI, in the last 12 months (July 2016 - June 2017) compared to the previous 12 months (July 2015 - June 2016) was 0.8%.

The harmonized index of consumer prices in June 2017 compared to May 2017 was 99.8%, i.e. the monthly inflation was -0.2%. The inflation rate since the beginning of the year (June 2017 compared to December 2016) has been 0.3% and the annual inflation in June 2017 compared to June 2016 was 1.1%. The annual average inflation, measured by HICP, in the last 12 months (July 2016 - June 2017) compared to the previous 12 months (July 2015 - June 2016) was 0.1%.

The consumer price index in July 2017 compared to June 2017 was 100.3%, i.e. the monthly inflation was 0.3%. The inflation rate since the beginning of the year (July 2017 compared to December 2016) has been 1.0% and the annual inflation in July 2017 compared to July 2016 was 1.3%. The annual average inflation, measured by CPI, in the last 12 months (August 2016 - July 2017) compared to the previous 12 months (August 2015 - July 2016) was 0.9%.

The harmonized index of consumer prices in July 2017 compared to June 2017 was 100.5%, i.e. the monthly inflation was 0.5%. The inflation rate since the beginning of the year (July 2017 compared to December 2016) has been 0.8% and the annual inflation in July 2017 compared to July 2016 was 0.6%. The annual average inflation, measured by HICP, in the last 12 months (August 2016 - July 2017) compared to the previous 12 months (August 2015 - July 2016) was 0.2%.

The consumer price index in August 2017 compared to July 2017 was 100.1%, i.e. the monthly inflation was 0.1%. The inflation rate since the beginning of the year (August 2017 compared to December 2016) has been 1.1% and the annual inflation in August 2017 compared to August 2016 was 1.4%. The annual average inflation, measured by CPI, in the last 12 months (September 2016 - August 2017) compared to the previous 12 months (September 2015 - August 2016) was 1.1%.

The harmonized index of consumer prices in August 2017 compared to July 2017 was 100.2%, i.e. the monthly inflation was 0.2%. The inflation rate since the beginning of the year (August 2017 compared to December 2016) has been 0.9% and the annual inflation in August 2017 compared to August 2016 was 0.7%. The annual average inflation, measured by HICP, in the last 12 months (September 2016 - August 2017) compared to the previous 12 months (September 2015 - August 2016) was 0.4%.

The consumer price index in September 2017 compared to August 2017 was 100.2%, i.e. the monthly inflation was 0.2%. The inflation rate since the beginning of the year (September 2017 compared to December 2016) has been 1.3% and the annual inflation in September 2017 compared to September 2016 was 2.1%. The annual average inflation, measured by CPI, in the last 12 months (October 2016 - September 2017) compared to the previous 12 months (October 2015 - September 2016) was 1.3%.

The harmonized index of consumer prices in September 2017 compared to August 2017 was 99.8%, i.e. the monthly inflation was -0.2%. The inflation rate since the beginning of the year (September 2017 compared to December 2016) has been 0.7% and the annual inflation in September 2017 compared to September 2016 was 1.3%. The annual average inflation, measured by HICP, in the last 12 months (October 2016 - September 2017) compared to the previous 12 months (October 2015 - September 2016) was 0.6%.

Table 3: Consumer price index, January-September 2017

Month	monthly inflation index
January 2017	1,3 %
February 2017	0.0 %
March 2017	- 0.5 %
April 2017	0.7 %
May 2017	- 0.3 %
June 2017	- 0.5 %
July 2017	0.3%
August 2017	0.1%
September 2017.	0.2%

Source: NSI

4.1.4. Political risk

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

The political risks for Bulgaria in an international aspect are associated with the commitments for implementing significant structural reforms in the country in its capacity of a full-right EU member, enhancing social stability, reducing inefficient expenses, on the 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.

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

Other factors that also influence this risk are possible legislative changes and in particular those concerning the economic and investment climate in the country.

4.1.5. 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. Due to the fact that 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 the latter appears to be unlikely since the Currency Board is expected to be repealed upon adoption of the euro as an official payment unit in Bulgaria.

Theoretically, currency risk could increase when Bulgaria joins 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, and 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 receipts and the type of currency of its potential liabilities.

4.1.6. Credit risk

Credit risk of the country is connected to the state's ability to repay its obligations regularly. In that regard Bulgaria is constantly improving its position in the international debt markets, which facilitates access of the state and economic agents to funding from external sources. The most important effect from improving the credit rating is lower risk premiums on borrowing, leading to more favourable interest rates (under equivalent conditions). For this reason, the potential increase in the country's credit rating would have a favourable impact on the Company and in particular on funding. On the other hand, lowering the credit rating of Bulgaria would have a negative impact on the cost of financing for the Company, unless its loan agreements have fixed rates. Specialized international credit agencies assign and measure this risk.

As of the date of this document, the credit rating of the Republic of Bulgaria is as follows:

- Standard & Poor's – Long-term BB+, short-term B, with a positive outlook in both foreign and local currency;
- Moody's - Long-term Baa2 with a stable outlook for foreign and local currency;
- Fitch Ratings - foreign currency long-term BBB- with a positive outlook.

4.1.7. Risk of unfavourable changes in tax and other laws

Taxes paid by Bulgarian companies include withholding taxes, local taxes, corporate profit tax, value added tax, excise, duties, import and export duties and property taxes. The taxation system in Bulgaria is still developing as a result of which inconsistency may occur as a result of enforcement at both state and local level.

Investors should also take into account that the value of bond investments may be adversely affected by changes in the tax laws, including its interpretation and application. In addition, the tax legislation is not the only thing that can be changed, and this change can negatively affect the business of the Issuer. Although the majority of Bulgarian law has been harmonized with the EU legislation, law enforcement has been criticized by the European partners of Bulgaria. Judicial and administrative practices remain problematic: Bulgarian courts are unable to effectively resolve disputes relating to property rights, breaches of statutory and contractual obligations and other, resulting in a relatively high systematic regulatory risk.

Regardless of the problems in the Bulgarian legal system, the trade legislation is part of the European law and it is relatively modern. The introduction of new regulations in areas such as corporate and securities law as well as fully harmonization with EU regulations are expected to reduce regulatory risk in the near future.

4.1.8. Risk of force majeure

Force majeure events such as natural disasters, sabotage, the outbreak of war, acts of terrorism, and others can lead to unpredictable changes in investors' attitude and interest in the market for any bonds, and in particular the bonds of MONBAT AD. Some force majeure are not subject to insurance.

4.2. NON-SYSTEMATIC RISKS

Non-systematic risks are associated with general investment risks specific to the Company and the industry. Non-systematic risks can be divided into two types: sector risk, uncertainty concerning the development of the industry as a whole and Company risk, arising from the specifics of the particular company.

4.2.1. 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 for military application and locomotive batteries. The main raw materials in the Company's production process are lead and lead alloys, polypropylene, polyethylene separator and sulfuric acid.

During the first six-month period of 2017, lead took up approximately 70% of the cost structure per unit. The risk of price change in the basic raw material – lead is being managed through the development of company's own recycling facilities.

4.2.2. Dependence on distributors, suppliers, customers

There is no substantial customer dependence of MONBAT AD due to the fact that the Company sells its products via a wide distribution network in the country and abroad. Export sales with deferred payments are insured by the Bulgarian Export Insurance Agency (BAEZ) thus the risk of non-payment on the part of the customers is completely eliminated.

MONBAT AD is an export-oriented company with less than 15% of consolidated sales generated on the domestic market.

Table 4: Breakdown of MONBAT AD's the markets on a consolidated basis

Country	Jun-17		Jun-16	
	BGN 000	%	BGN 000	%
France	17 702	13.8%	15 938	15.5%
Other	41 766	32.5%	17 830	17.4%
Spain	5 464	4.3%	9 083	8.8%
Germany	8 959	7.0%	8 162	7.9%
Italy	6 043	4.7%	7 106	6.9%
Romania	5 454	4.2%	6 331	6.2%
Netherlands	7 366	5.7%	6 307	6.1%
United Kingdom	6 633	5.2%	5 143	5.0%
Ukraine	1 542	1.2%	4 945	4.8%
Greece	8 757	6.8%	3 824	3.7%
Belgium	2 032	1.6%	2 533	2.5%
Finland	1 969	1.5%	2 485	2.4%
Serbia	4 913	3.8%	2 269	2.2%
South Africa	1 791	1.4%	2 134	2.1%
Lebanon	2 118	1.6%	2 124	2.1%
Denmark	2 370	1.8%	1 814	1.8%
Cuba	778	0.6%	1 750	1.7%
Czech Republic	1 396	1.1%	1 589	1.5%
Ireland	1 336	1.0%	1 393	1.4%
TOTAL	128 389		102 758	

Source: Interim consolidated report on the activities of MONBAT AD during the first six-month period of 2017

4.2.3. Dependence on the key personnel.

The professional activities and efforts, qualification, motivation and reputation of the members of the corporate board and 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 the corporate board or key executive official would, in the short term, negatively affect the Company's business activities.

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

4.2.4. Risk of change in the demand and introduction of new technologies

This risk is related to demographic, economic and technological changes and is determined by the fact that the demand for the company's products might change over time and as a result of the introduction of new products. With the introduction of new technologies in the automotive industry (hybrid cars and electric vehicles), consistent with environmental protection and carbon dioxide emissions reduction policies, the need for alternative energy sources, such as new generation lead-acid batteries grows. At the same time, the need for a multifunctional product - 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 well-established product as that the former are or at least 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 could be relatively exposed since the principal products of the Company are lead-acid batteries with various applications: starter batteries, stationary batteries for telecommunication application, semi-traction batteries, special batteries for military application and locomotive batteries.

4.2.5. Liquidity risk

Liquidity risk consists of the likelihood that MONBAT AD is not able to repay its current obligations. This risk relates to the Company not having appropriate or sufficient funds to meet all its current obligations. This risk may arise either from a significant delay in debtors' payments or in the case of ineffective cash flows management from the Company.

The cash liquidity ratio expresses the company's ability to meet its short-term liabilities with its cash available. Information and analysis of liquidity ratios can be found in Section 5.1.5 („Any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency“) of this Document.

4.2.6. 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 Company's management considers the activities directed towards pollution prevention or reduction to safeguard human health and the environment as a major priority and a crucial factor in its long-term sustainable development. It is a long standing practice of the Company to provide clear and accurate environmental information about its products, services and activities to customers, suppliers and the general public.

4.2.7. Risks related to the Company structure

4.2.7.1. RISKS RELATED TO STRATEGY SELECTION BY THE MANAGEMENT

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 as well as management teams of its subsidiaries. Choosing an inappropriate marketing strategy or nonfulfillment of the chosen one could lead to material losses and affect the value of the Company on an individual and consolidated basis. The management of MONBAT AD strives to manage strategic risk by means of continuous monitoring of the implementation of the chosen strategy, and those approved by the subsidiaries, with the aim to undertake adequate measures and changes when necessary. Inappropriate or delayed changes in the Company's strategy would have a significant adverse effect on its operations, operating results and financial condition.

4.2.7.2. RISK OF SALE OR CLOSING OF SUBSIDIARIES

The Issuer's organization includes five major groups of companies by economic activity:

- group of producers of lead acid batteries, including MONBAT AD, Start AD and Monbat New Power AD;
- group of recyclers including Monbat D.O.O., Serbia, Monbat Recycling EAD and Monbat Recycling, Romania;
- group of the commercial companies active in lead-acid batteries sales optimization, including Monbat Romania, Energy Batteries Nigeria Limited and U Monbat, Serbia;
- a group of manufacturers and traders of lithium-ion batteries, including Monbat Holding GmbH (Germany), EAS Batteries GmbH (Germany) and Monbat New Power GmbH (Germany);
- one separate entity "Octa Light Bulgaria" JSC which produces LEDs for lighting fixtures. The company is in the process of consolidation due to an indicative investor interest.

The Group's organizational structure allows selling or dissolving any of the subsidiaries in case of resolution of the shareholders or associates of the subsidiary or, when a respective decision has been adopted by the General Meeting of Shareholders, authorizing the managing body of MONBAT AD to execute such transactions. In this respect, potential conflict of interests and disagreement among different shareholders or partners regarding the reasonableness of such decisions may arise.

4.2.8. Risks, related to the activities of MONBAT AD subsidiaries

Due to the specific characteristics and scope of activity of the companies in the Group of MONBAT AD (with the exception of the commercial subsidiaries - MONBAT OOD, Romania, Yu Monbat, Serbia and Energy Batteries Limited, Nigeria) and in view of the fact that the activities of the companies in the Group are closely related to the activities 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.

4.2.9. Credit risk

This is the potential inability of a company to meet its credit obligations on time. Credit risk on bonds is associated with late, partial or complete failure of the Issuer to pay interest and principal on the issued bonds.

Currently, the Company has no overdue liabilities and regularly pays its debt obligations. MONBAT AD generates sufficient cash flows to cover all its liabilities. The indicators of leverage and liquidity show a good trend. By sustaining good liquidity, including significant amounts of cash, the Issuer creates all necessary conditions for regular payment of interest and amortization of this bond.

4.2.10. Interest rate risk

Interest rate risk refers to the potential adverse impact of changes in market interest rates on the profits of MONBAT AD. In the event of a possible increase of the interest rates on the borrowed funds, a reduction in the level of realized net result would be expected. Although interest rate risk is associated with the macroeconomic environment, in the times of high volatility in interest rates, the Company's management may try to limit the impact of expected increase using hedging instruments.

To limit this risk, MONBAT AD actively monitors and manages interest rates on borrowed funds.

4.2.11. Risk of entering into transactions with related parties with terms varying from the market

The Issuer is part of an economic group. The transactions with related parties whose terms vary from market levels pose risks to shareholders and investors, since such deals are likely to increase costs and / or reduce earnings and profits or otherwise damage the Company's property and interest.

As part of its usual business activities, MONBAT AD enters into transactions with related parties under conditions which are not substantially different from standard market practices (the arm's length principle). MONBAT AD does not enter into transactions with related parties outside its usual business activity and at substantially different conditions to the market. All material transactions with financial assets and / or tangible assets between the Issuer and a related party are conducted at market prices as determined by an independent assessors under Art. 5 of the Independent Assessors Act. All related party transactions covering the historical information period up to the date of this Document are described in Section 19 ("*Related party transactions*") of this Document.

5. INFORMATION ABOUT THE ISSUER

5.1. HISTORY AND DEVELOPMENT OF THE ISSUE

5.1.1. *The legal and commercial name of the Issuer*

The Issuer's name is MONBAT AD. MONBAT AD is registered in the Bulgarian Commercial Register with headquarters and management address: Sofia 1407, 32A Cherny Vrah Blvd., floor 4. The Company's legal name was changed on 16.02.1999 from AKUMIKAR AD to MONBAT AD.

5.1.2. *The place of registration of the issuer and its registration number;*

The Company is entered in the Commercial Register at the Registry Agency under Unified Identification Code (UIC) 111028849.

5.1.3. *The date of incorporation and the length of life of the issuer, except where indefinite*

The Company was incorporated as a stock company with state participation and legal name "Akumikar" AD. It was entered in the Commercial Register at the Montana District Court under Company Case No 1395/1992. Subsequently, MONBAT AD has changed its domicile and entered in the Commercial Register at the Sofia City Court under company file No. 4636/1999.

The Company is not limited by any term or termination condition.

5.1.4. *The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office*

<i>Country of incorporation</i>	Bulgaria
<i>Legislation</i>	Bulgarian
<i>Legal form</i>	Public-listed Company (PLC, in Bulgarian - "AD")
<i>Domicile</i>	Sofia
<i>Registered office</i>	Sofia 1407, 32A Cherny Vrah Blvd., floor 4
<i>Management address</i>	Sofia 1407, 32A Cherny Vrah Blvd., floor 4
<i>Telephone number</i>	+359 (02) 962 11 50
<i>Fax number</i>	+359 (02) 962 11 46
<i>E-mail</i>	investorrelations@monbat.com

The Company has the following scope of business, announced in the Trade Register on 08.07.2009: accumulating batteries, engineering, and introduction activity; production and trading with equipment for the manufacture of batteries; external and domestic trade and making of commercial networks; special shops and offices; establishing, acquiring and selling companies, acquisition, management, evaluation and sale of shares in Bulgarian and foreign companies; evaluation and sale of patents; lease of licenses for using companies' patents, in which MONBAT AD participate; financing companies in which MONBAT AD participate or exercise control over them.

Changes in principal activities:

The following scope of business was announced in the Trade Register on 12.02.2008: accumulating batteries, engineering, and introduction activity; production and trading with equipment for the manufacture of batteries; external and domestic trade and making of commercial networks; special shops and offices.

There have been no changes in the principal activities of MONBAT AD during the last 5 years.

5.1.5. Any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.

As of 30.06.2017, according to the consolidated balance sheet of the Company, its current assets amount to BGN 199,147 thousand (including BGN 9,536 thousand in cash), adequately covering its current liabilities / less than 1 year / amounting to BGN 88,479 thousands. The value of the current ratio indicator shows that the solvency of the Company is good and it is able to pay its liabilities without effort.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \approx 2.25$$

Information about short- and long-term loans from financial institutions of MONBAT AD on a consolidated basis up to the date of the Prospectus is presented in Section 10 ("*Capital resources*") of this Document.

In addition, at the ordinary session of the General Meeting of the Shareholders (GM) of MONBAT AD, held on 26.06.2017 was approved an amendment to the Company's Articles of Association. According to the same resolution of GM, the Board of Directors may pass resolutions for issuance of bonds (common or convertible) in BGN, EUR or any other currency at an aggregate amount of up to BGN 60,000,000 (Sixty million leva). The purpose of such bond issue under the present Art. 19, para.3 of the Articles of Association may be only for: financing the acquisition of quotas and/or shares and/or going concerns of companies with scope of business same or related as the scope of business of the Company. This Prospectus for Public Offering of convertible bonds is based on the mandate of the Board of Directors of MONBAT AD through the ordinary session of the GM. The purpose of this Issue is described in detailed in Section 3.2 ("*Reasons for the offer and use of proceeds*") of the Securities Note.

As of the date of the document, the Issuer and the companies belonging to its economic group according to Section 7 above have no pending governmental, legal or arbitration proceedings. They are not aware of having any of these at the moment or of any threat of having had them in the period of the last 12 months, which would have had significant consequences on the Issuer and the abovementioned companies and/or its or their financial position or profitability in the recent past. The Issuer has no information about any governmental, legal or arbitration proceedings that can be brought upon it and can affect its financial position or profitability in the near future.

5.2. INVESTMENTS

5.2.1. A description of the Issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the Registration document

The principal investments of the Issuer for the covered historical period and up to the date of this Registration Document are shown in the Table below:

Table 5: Investments in tangible assets of MONBAT Group' Subsidiaries for the period covered by the historical financial information up to the date of Prospectus

Subsidiary and type of investment (BGN 000)	2014	2015	2016	At the date of this Prospectus
MONBAT AD	6 440	6 646	10 782	4 249
Assets under construction	6 440	5 741	9 396	2 619
Purchase of new tangible assets	-	906	1 386	1 630
START AD	5 098	4 559	8 009	1 938
Assets under construction	5 098	4 559	7 791	1 436
Purchase of new tangible assets	-	-	217	502
MONBAT RECYCLING EAD	532	919	7 596	1 318
Assets under construction	532	919	6 885	1 222
Purchase of new tangible assets	-	-	712	96
OCTA LIGHT PLC	110	5 616	3 036	616
Assets under construction	110	4 221	3 036	564
Purchase of new tangible assets	-	1 395	-	52
MONBAT RECYCLING ROMANIA	790	449	917	18
Assets under construction	790	-	-	-
Purchase of new tangible assets	-	449	917	18
TOTAL FOR THE GROUP	12 970	18 189	30 339	8 139

Source: MONBAT AD

MONBAT's key investments in 2014 were the reconstruction of a building and the acquisition of a new starter batteries assembly line. The Company also acquired a new stationary batteries forming line as well as a new acid filling station. In 2015, MONBAT AD invested in the casting division (a system for continuous casting of battery grids, a system for casting of lead-tin-calcium containing plates and additional machinery), new Eirich mixer for lead paste production, a new line for lead-acid batteries forming, new stationary batteries forming baths, and etc. In 2016, key investments were finalized in the stationary batteries assembling division (new Batex bridges equipment, new Accurate paste line), a new BARTIN EOS1000 lead powder mill, a new CDR 300/4 rectifying system as well as a plot, adjacent to MONBAT AD current production site, for future production expansion. In 2017, up to the date of this Document, the finalized investments include a warehouse for stationary batteries, main corpus renovations, new factory infrastructure and a waste treatment station as well as a new Aymas milling machine acquisition.

Start AD's main investments in 2014 were focused on lead-acid batteries manufacturing equipment (battery forming modules, lead paste mixers, and etc.) In 2015, Start acquired new pasting line, new forming modules, new paste mixer, new lead powder silo and renovated part of the pasting division. In 2016, the Company invested in plates pasting equipment (a new ConCast constant casting line for negative plates, a MOOJIN pasting line for ConCast plates and a FRIMAX pasting equipment for ConCast plates) as well as in the renovation of the finished good warehouse. In 2017 up to the date of this Document, most investments were predominantly focused in the battery assembly division (new separator and new spot welding equipment, a tester, and etc.).

Monbat Recycling's investments in 2014 were focused on increasing the Company's fleet (e.g. factory forklifts). Investments in 2015 also included fleet renovations (e.g. tugs and trailers). In 2016, the Company commenced the construction of an employee dormitory and a tin extraction facility. The latter construction works continue in 2017 up to the date of this Document together with the enlargement of the materials warehouse.

In 2014, Octa Light Bulgaria's key investments were in LED manufacturing equipment. In 2015, the company acquired a new manufacturing facility (a plot with a corresponding plant) as well as a new robotic assembly line for lights. In 2016 and 2017, up to the date of this Document, the company acquired additional equipment and spare parts, office equipment and transport vehicles as well as renovated the production site.

Monbat Recycling Romania's key investments in 2014 were related with the construction of a lead and lead alloys warehouse as well as separation and crushing lines reconstruction. In 2016, the latter works continued together with the reconstruction of a furnace.

5.2.2. Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.

Apart from the plans presented by MONBAT AD to finance the acquisition related to the scope of business of the Issuer as described in Section 3.2 ("*Reasons for the offer and use of proceeds*") of the Securities Note and as described in published annual consolidated management report for 2016, there are no future investments of the Issuer for which its management bodies have made firm commitments.

In the annual consolidated management report for 2016, Monbat AD has announced its plan to make the following investments during 2017:

Table 6: Investments in progress in MONBAT Group' Subsidiaries

Subsidiary and type of investment (BGN 000)	2017
MONBAT AD	4 288
Business projects	1 467
New product development	184
Infrastructure	1 305
Production efficiency and excellence	1 258
Capacity extension	74
START AD	2 196
Infrastructure	1 294
Production efficiency and excellence	363
Capacity extension	539
MONBAT RECYCLING EAD	8 186
Business projects	7 710
Infrastructure	476
GROUP – WISE	674
Business projects	338
Production efficiency and excellence	336
TOTAL FOR THE GROUP	15 343

Source: MONBAT AD

Considering the date of the Registration Document, part of the investments above, have already been made. For more information, see Section 5.2.1. of this Document.

5.2.3. Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.

The Issuer's management body has not made firm commitments for future investments as of the date of this Document, so there are no sources of funds needed to fulfil commitments referred to them. The Company provides the necessary investment funds from own and / or borrowed ones.

6. BUSINESS OVERVIEW

6.1. PRINCIPAL ACTIVITIES

6.1.1. A description of, and key factors relating to, the nature of the issuer's operations and its principal activities

BUSINESS OVERVIEW

MONBAT AD is a leading manufacturer and distributor of lead-acid batteries used for transport, telecommunication and industrial applications. The company offers a wide range of starter, stationary and special batteries. The Group of MONBAT AD is a vertically integrated structure that has manufacturing and recycling capacities in Bulgaria, Romania and Serbia. This integration minimizes risk of negative changes in the commodity prices and allows higher operating profits compared to competitors in the industry.

The Company sells its starter batteries mainly in the secondary market to companies in the business with replacement and spare parts in more than 60 countries worldwide through a wide distribution network. At the end of 2016 MONBAT AD completed the final stages of its program to expand production capacities, aiming to serve the needs of its customers in key developing markets.

The stationary batteries are mainly sold to major users such as large telecoms and service providers.

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 line-up of starter batteries, featuring the classic "Dynamic", "Maintenance Free", "Premium", "Heavy Duty" and "JIS" product series and the AGM series under the label GEM. The batteries application covers 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 Batteries:



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 of electrical energy. Monolith Power Deep Cycle range is specially designed 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 electro locomotives.

Leisure batteries:



Provided with a special design reliable to demanding charge/discharge cycling conditions particular to recreational and leisure equipment. Perfect for seasonal use. Ideal for motorboats, canal boats, yachts, motorhomes and caravans.

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 maintains, 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 - by means of building its own recycling facilities in Serbia and Romania.

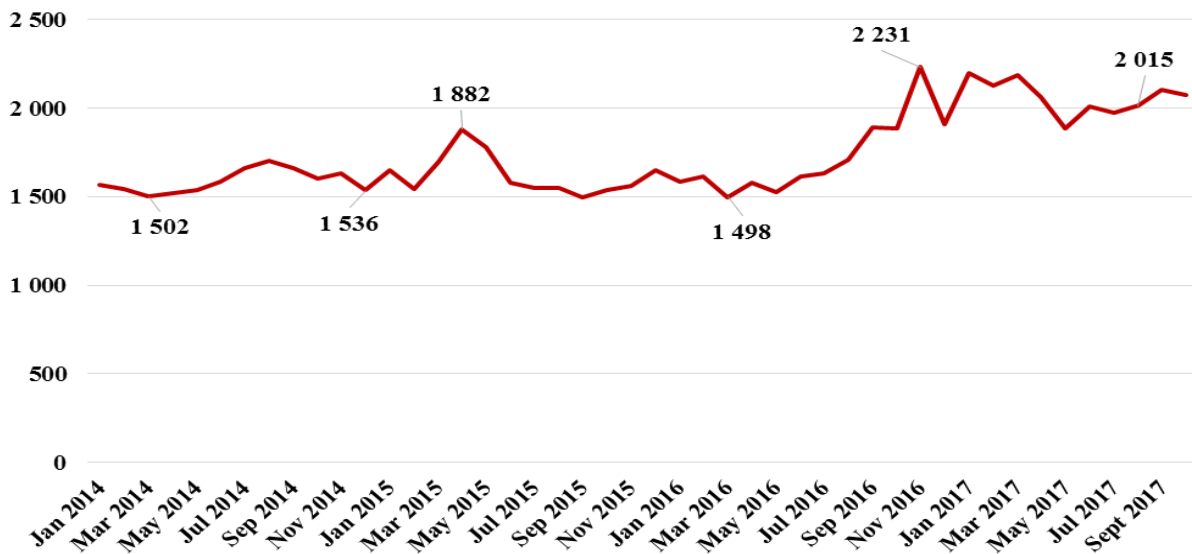
The share of own recycled lead, which MONBAT AD purchases from its subsidiaries, used in the production process in 2014 represented 88% and the share of the own recycled polypropylene - almost 100%.

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

The share of own recycled lead, which MONBAT AD purchases from its subsidiaries, used in the production in 2016 represented 72% and the share of own recycled polypropylene - 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.

Figure 2: The price of the lead for the period covered by the historical financial information up to the end of September 2017 (in EUR)



Source: Bloomberg

Production is also dependent on the prices of electricity and natural gas, which are currently regulated by the state. However, these prices do not have significant impact on the costs as the production of batteries is not energy-intensive - up to 2% of the cost of final output is determined by electricity consumption and just 0.9% - by natural gas consumption.

6.1.2. An indication of any significant new products and/or services

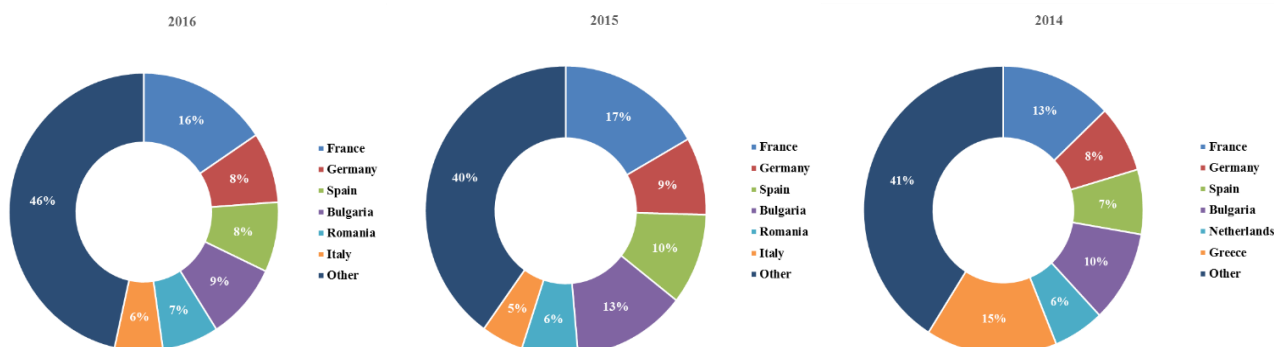
According to MONBAT AD plans, the period 2017 - 2021 will entail a new stage and a new target market approach by the Group through a hybrid growth strategy (production and distribution), as well as the setup of conditions for specialization in three categories: products derived from the recycling activities of the company; adoption of new battery technologies and increase the number of product and technology solutions in the field of energy management.

6.2. PRINCIPAL MARKETS

The marketing channels of MONBAT AD are built primarily on the basis of distribution trading on the domestic and foreign market. The company has granted deferred payment terms for the domestic market of 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 AD 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. Important markets for the Company and its subsidiaries in 2016 are France, Germany, Spain, Romania and Italy.

Figure 3: Main markets by countries in percent of sales of MONBAT AD:



Source: MONBAT AD

MONBAT AD's own lead-acid batteries sales, traded mainly with secondary market spare part dealers in over 60 countries, dominate the Group's main revenue stream via a vast distributors' network. Sales are divided in two main lines - starter batteries for the spare parts market as well as reserve power batteries for industrial use. The Company sells its starter batteries via a large car and spare parts distributors' network. Stationary batteries are sold directly to local and international telecommunication companies. Lead-acid batteries demand is subject to seasonality with a high season in September-March period. MONBAT sells any recycled lead and lead alloys surplus to third parties during the low demand season.

Table 7: Revenues of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	30.6.2017	30.6.2017
Sale of products	216 808	227 571	250 453	107 546	138 953
Others, incl. written-offs liabilities	7 344	5 854	7 350	3 776	7 959
Rendering of services	1 438	2 070	1 950	1 014	1 095
Sale of goods	2 781	9 158	3 163	95	2 689
Financing income	622	815	3 251	1 319	1 420
TOTAL:	228 993	245 468	266 167	113 750	152 116

Source: MONBAT AD

6.3. EXCEPTIONAL FACTORS INFLUENCE

The information in Section 6.1 and 6.2 above is not affected by exceptional factors.

6.4. SUMMARY INFORMATION REGARDING THE EXTENT TO WHICH THE ISSUER IS DEPENDENT, ON PATENTS OR LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR NEW MANUFACTURING PROCESSES

Since the Company's establishment until the date of this Registration document, its activities have not been dependent on patents or licenses, industrial, commercial or financial contracts and new manufacturing processes.

6.5. COMPETITION

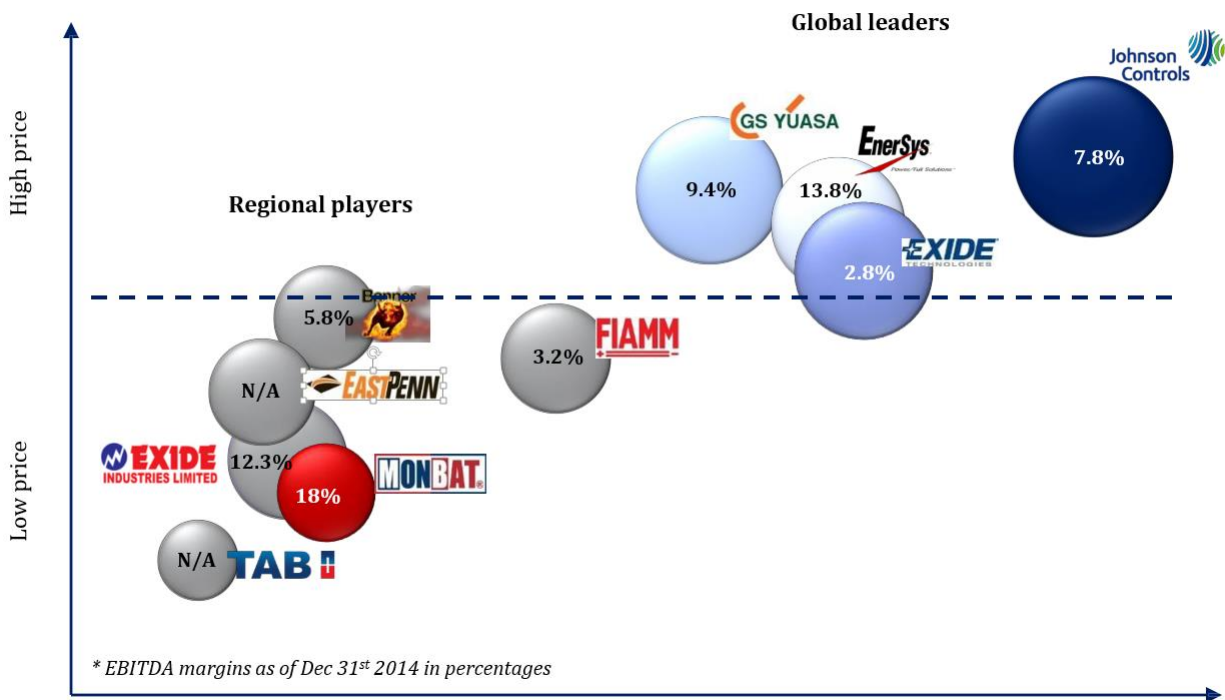
Johnson Controls (JCI) is a global leader with 30% market share on the lead-acid battery market in 2014, according to a Jefferies Research - GS Yuasa Initiation of Coverage. Exide Technologies, GS Yuasa and Enersys served 33% of the market for the same period.

Building on their leading market positions, the latter manufacturers position their products in the premium segment of the market. Monbat competes with some of them (JCI and Exide) in Europe together with less dominating players focused on their local markets likes Banner, Fiamm and TAB. The latter price their products in the same price range as MONBAT's products and account for 37% of the global battery market.

MONBAT's products are lower priced compared to global market leaders, yet the Company delivers above average margins for the industry. This provides MONBAT with a competitive advantage in sales and market share expansion. The latter are also expected to provide MONBAT with a price advantage compared to the rest of the global leaders.

Figure 1: Global leaders positioning

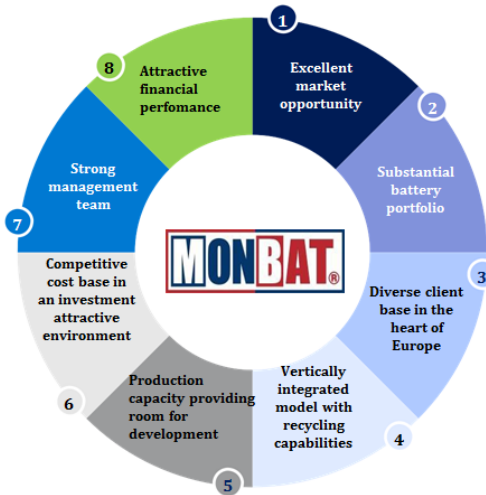
Product price



Source: MONBAT AD data on competitive positioning based on average product prices

MONBAT AD COMPETITIVE ADVANTAGES

MONBAT's key advantages are:



1. **Excellent market opportunity:** The global lead acid battery market is expected to grow at an average pace of 4.5% per year over the 2016-2021 period (Future Market Insights). Lead-acid 12V batteries are expected to remain the only technology possible to satisfy the automotive sector's demand due to both economic and technological reasons.

2. **Substantial lead acid battery portfolio:** MONBAT produces lead-acid batteries used in transportation, renewable energy and in special applications industries such as the telecommunication sector. The Company aims to expand its technological product mix in the EFB and AGM start-stop batteries, batteries for the telecommunication industry and niche applications for the renewable energy industry.

3. **Diverse client base in the heart of Europe:** MONBAT has a diverse client base with clients in over 60 countries. This allows for the Company to limit its dependence on market conditions in a particular country and optimize sales regionally.

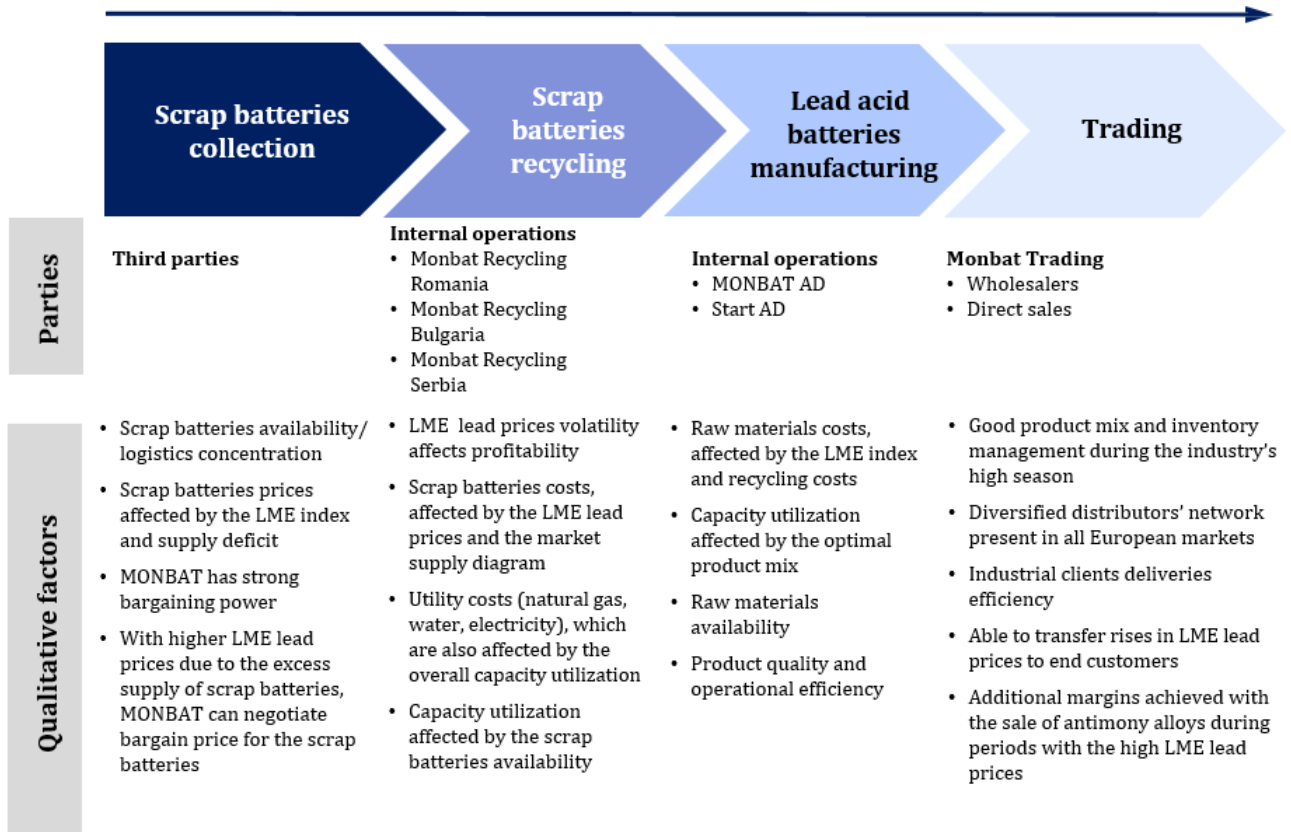
4. **Vertically integrated model with recycling capabilities:**

MONBAT's recycling capacity satisfies the Company's own lead and lead alloys raw materials needs. With the vertical integration MONBAT is better equipped to manage and optimize LME lead market fluctuations, thus allowing to reap better profit margins compared to other lead-acid battery manufacturers that lack recycling capacity.

5. **Production capacity allowing room for development:** In 2016, MONBAT increased its lead-acid battery production capacity by 20% in MONBAT AD and by 80% in Start AD. In 2014, the Company began its Fit-for-Future program aiming to increase its R&D and technological automation as well as improve production efficiency and customer satisfaction.
6. **Competitive cost base in an investment attractive environment:** MONBAT operates in low-cost but with significant investment benefits geographic areas compared to the overall European market and the developed countries in Europe, in particular.
7. **Strong management team:** MONBAT's management team is highly seasoned in the lead-acid battery industry.
8. **Attractive financial performance:** MONBAT's consolidated revenues increased approximately 240% over the last decade (2006: BGN 78 591 thousands; 2016: BGN 266 17 thousands) with the pace expected to be sustained over the 2017-2021 period. Key growth drivers were automotive market growth, production capacity expansion and utilization as well as new clients' acquisition from existing and new markets. In 2016, gross margin and EBITDA margin were 29% and 17%, respectively, compared to 21% and 11% average industry margins over the last 12 months.

MONBAT's vertical integrated model is one the strongest competitive advantages of the Company. The model consists of four comprehensive integrated functions starting from the raw materials supply chain – lead extraction, through all the recycling processes and up to the production and sales of the lead-acid batteries. The model is a distinctive feature which allows MONBAT to minimize any risks and even take advantage of the volatile LME lead prices as well as deliver above average industry operating margins competed to competitors. The Company manages these four functions taking into account external factors such as lead prices and battery market demand so as to deliver better financial results.

Diagram 1: MONBAT's business model



Source: MONBAT AD

6.6. THE BASIS FOR ANY STATEMENTS MADE BY THE ISSUER REGARDING ITS COMPETITIVE POSITION

As far as the text of Section 6.5 above includes statements, made by the Issuer regarding the state of the market on which it operate, the competitors as well as their competitive advantages and disadvantages, apart from the mentioned sources, they are based on MONBAT AD own research and monitoring of markets related to its main products.

7. ORGANIZATIONAL STRUCTURE

7.1. A BRIEF DESCRIPTION OF THE GROUP AND THE ISSUER'S POSITION WITHIN THE GROUP

MONBAT AD is part of the economic group of PRISTA OIL GROUP B.V., a holding company, incorporated in Amsterdam, Netherlands.

The economic group of "PRISTA OIL GROUP" B.V. consists of:

PRISTA OIL HOLDING EAD (Bulgaria)	The company's scope of business is acquisition, management and sale of shares in the capital of Bulgarian and foreign companies; establishment of companies with capital fully owned by the holding company; financing companies in which the holding company participates; independent production and business activity with mineral and synthetic oils and all other petroleum products; internal and international transportation; production and disposal of consistent greases, break liquids, antifreezing materials and additives to oils and fuels, plastics and plastic products; construction and development; franchise of the trade mark; know-how and intellectual property transactions; warehousing; commodity and quality controls of petroleum products; trade agency and brokerage; operating leasing; organizing private security of production and commercial units, events and persons as well as their rights and legal interests from illegal threats and other activities, which do not contradict the law;	100% of the share capital
MONBAT TRADING OOD (Bulgaria)	The company's scope of business is engineering, trading and service activities in the batteries and mineral and synthetic oils technology areas of the transportation and industrial sectors; internal and external trade; development of warehouse and retail network in the country for batteries and synthetic oil product distribution; independent foreign trade, marketing, service and sale activities as well as on a commission basis; agency trades and intermediation for foreign companies in Bulgaria; and other activities, which do not contradict the law;	90% of the share capital
PRISTA OIL YAG SANAYI VE TICARET LIMITED SIRKETI (Turkey)	Manufacturing and trading with industrial / motor oil and lubricants	100% of the share capital

At the same time „PRISTA OIL HOLDING" EAD is a Parent company for the following subsidiaries:

MONBAT AD (Bulgaria)	Production, service and realization of accumulating batteries, engineering, and introduction activity; production and trading with equipment for the manufacture of batteries; external and domestic trade and making of commercial networks; special shops and offices; establishing, acquiring and selling companies, acquisition, management, evaluation and sale of shares in Bulgarian and foreign companies; evaluation and sale of patents; lease of licenses for using companies' patents, in which MONBAT AD participate; financing companies in which MONBAT AD participate or exercise control over them.	42.73% of the share shares
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VERILA LUBRICANTS AD (Bulgaria)	Research, development and innovation; construction and operation of installations for ecological projects; environmental protection patents registry and trade; implementing innovative products, process and technologies in the production; production, marketing, wholesale and retail trade in the country and abroad with synthetic oils, greases, lubricants and antifreezing liquids; and other activities, which do not contradict the law, and are related to and support the main production and trading activity of the company.	75% of the share capital
VERILA RECYCLING EOOD (Bulgaria)	Recycling and disposal of widespread waste; activities including the collection, transportation, temporary storage, pre-treatment, decomposition and transfer of widespread waste for recycling and disposal to licensed plants in Bulgaria and abroad; waste management consulting services; all trade deals allowed by Art.1 (1) of the Commercial Law; organizing private security of production and commercial units, events and persons as well as their rights and legal interests from illegal threats and other activities, which do not contradict the law;	100% of the share capital
PRISTA OIL CZECH SRO (Czech Republic)	Distribution of lubricants and fluids for vehicles	100% of the share capital
PRISTA OIL ALGERIA“ SARL (Algeria),	Distribution of lubricants and fluids for vehicles	49% of the share capital
PRISTA OIL HUNGARY KFT (Hungary)	Distribution of lubricants and fluids for vehicles	100% of the share capital (28% directly and the rest – indirectly through PRISTA OIL CZECH SRO)
PRISTA OIL SLOVAKIA S.R.O. (Slovakia)	Distribution of lubricants and fluids for vehicles	100% of the share capital
PRISTA OIL DOOEL (Macedonia)	Distribution of lubricants and fluids for vehicles	100% of the share capital
PREMIUM LUBRICANTS S.A. (Romania)	Distribution of lubricants and fluids for vehicles	100% of the share capital
PRISTA OIL ROMANIA SA (Romania)	Distribution of lubricants and fluids for vehicles	100% of the share capital indirectly through PREMIUM LUBRICANTS S.A. (Romania)
PRISTA OIL BEOGRAD“ (Serbia)	Distribution of lubricants and fluids for vehicles	99% of the share capital
PRISTA OIL OOO (Ukraine)	Distribution of lubricants and fluids for vehicles	50.1% of the share capital
UZ PRISTA JOINT VENTURE	Distribution of lubricants and fluids for vehicles	50.1% of the share capital

The Issuer is not dependent on entities within the PRISTA OIL Group.

7.2. A LIST OF THE ISSUER'S SIGNIFICANT SUBSIDIARIES

As of the date of this Registration Document, MONBAT AD holds a participation in the following subsidiaries:

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 share capital
MONBAT 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 share capital indirectly through MONBAT RECYCLING EAD – Bulgaria
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 share capital (99.9983% indirectly through MONBAT RECYCLING EAD – Bulgaria and the rest – directly)
OCTA LIGHT BULGARIA AD	<p>Manufacturing of high power light emitting diodes – manufacturing of single colour (white), multicolour (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. Design and manufacturing of specialized lighting fixtures and luminaries for general purpose for street, architectural, stage and accent lighting Design, manufacturing and installation of whole lighting systems, including implementation of energy-efficient lighting solutions, work with municipalities and private corporations. 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). 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> <p>The company is in the process of consolidation due to open investor interest.</p>	50.45% of the share capital

MONBAT ROMANIA OOD	Trade company with scope of activity: trading, service and marketing of accumulator batteries, accumulator, lead, polyethylene and polypropylene scrap.	100% of the share capital (99% directly and 1% indirectly through Monbat Recycling EAD - Bulgaria)
MONBAT NEW POWER AD	Production and trade of batteries. The company is not currently active;	51% of the share capital
ENERGY BATTERIES NIGERIA LIMITED	Trade of batteries and their accessories	100% of the share capital
MONBAT HOLDING GmbH - Germany	A holding company, that owns „EAS BATTERIES“ GmbH and „MONBAT NEW POWER“ GmbH;	100% of the share capital (90% directly and the rest - through MONBAT RECYCLING EAD – Bulgaria)
MONBAT ITALY SRL - Italy	A new established company through which is expected to purchase a company with scope of activity in recycling of accumulator batteries and lead scrap;	100% of the share capital through MONBAT RECYCLING EAD – Bulgaria
EAS BATTERIES GmbH - Germany	Production and trade of lithium-ion batteries;	100% of the share capital through MONBAT HOLDING GmbH - Germany
MONBAT NEW POWER GmbH - Germany	Production and trade of lithium-ion batteries;	100% of the share capital through MONBAT HOLDING GmbH - Germany
U MONBAT - Serbia	Trade company with scope of activity: trading, service and marketing of accumulator batteries, accumulator, lead, polyethylene and polypropylene scrap.	100% of the share capital through MONBAT DOO - Serbia

8. PROPERTY, PLANT AND EQUIPMENT

8.1. INFORMATION REGARDING ANY EXISTING OR PLANNED MATERIAL TANGIBLE FIXED ASSETS, INCLUDING LEASED PROPERTIES, AND ANY MAJOR ENCUMBRANCES THEREON.

The trends of the Issuer's tangible assets for the historical period reviewed are shown in the following table:

Table 8 : Tangible fixed asset of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	Jun-16	Jun-17
Land	8 358	8 481	9 247	8 257	9 247
% change		1.5%	9.0%		12.0%
Buildings	32 330	34 757	36 066	34 677	35 373
% change		7.5%	3.8%		2.0%
Machinery	35 422	42 861	50 873	41 958	47 799
% change		21.0%	18.7%		13.9%
Equipment	25 238	24 873	25 798	24 967	25 352
% change		-1.4%	3.7%		1.5%
Vehicles	4 132	3 993	3 933	3 940	3 659
% change		-3.4%	-1.5%		-7.1%
Business inventory	646	670	916	663	925
% change		3.7%	36.7%		39.5%
Assets under constructions	12 245	10 882	18 859	21 282	20 609
% change		-11.1%	73.3%		-3.2%
TOTAL	118 371	126 517	145 692	135 744	142 964
YoY % change		6.9%	15.2%		5.3%

Source: MONBAT AD

The liabilities to financial institutions of MONBAT AD are secured by pledge on machinery, equipment and vehicles as well as mortgages on land and buildings with carrying amount of BGN 58190 thousands as of the date of Prospectus.

Table 9: Tangible assets of MONBAT AD group, serving as collateral for financial institutions liabilities as of the date of the Prospectus

BGN 000	Monbat	Start	Monbat Recycling	Octa Light Bulgaria	Monbat Recycling Romania	Total
Land	3 588	602	1 932	155		6 277
Buildings	5 882	3 596	4 558	2 060		16 096
Machinery	2 314	1 425	8 470		5 064	17 273
Equipment	9 021	12 458	1 292	980		23 751
Vehicles	39	234				273
Business inventory		155				155
Total	20 844	18 470	16 252	3 195	5 064	63 825

Source: MONBAT AD

Detailed information about the types of collateral of the Issuer's capital resources from financial institutions are described in Section 10.1 ("Information concerning the Issuer's capital resources") of this Registration document.

REPORTING OF PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent measurement of property, plant and equipment, except for assets under construction, is carried at cost, less accumulated depreciation and later losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of the its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Residual value and useful life are estimated by management as of each reporting date.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets.

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated income statement within "Gain on sale of non-current assets".

The recognition threshold adopted by the Group for property, plant and equipment amounts to BGN 700.

REPORTING OF LEASES

In accordance with IAS 17 "Leases" ownership of the asset is transferred to the lessee when the lessee bears substantially all the risks and rewards incidental to ownership of leased asset.

Upon conclusion of a finance lease the asset is recognized in the consolidated statement of financial position of the lessee at the lower of two values- fair value of the leased asset and the present value of minimum lease payments plus incidental payments, if any. The consolidated statement of financial position reflects the corresponding finance lease obligation, whether part of the lease payments are payable in advance upon signing the lease.

Subsequently, the lease payments are separated between finance expense and reduction of outstanding liability under a finance lease.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets".

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are recognized in profit or loss as incurred.

EXISTING FINANCIAL LEASES

The Group acquires under finance lease agreements machinery and production facilities. The assets are included in group "Machinery and equipment" and "Vehicles" from "Property, plant and equipment" in the Consolidated Statement of Financial Positions.

Finance lease liabilities are secured by the related assets held under finance lease arrangements. Future minimum finance lease payments at the end of each reporting period are as follows:

Table 10: Lease payments of MONBAT AD

Indicators (as of December 31, 2016, in BGN 000)	less 1 year	between 1-5 years	over 5 years	Total
Lease payments	620	2 153	-	2 773
Discount	-105	-205	-	-310
Net present value	515	1 948	-	2 463

Source: MONBAT AD

Information concerning the Issuer's principal future investments (if planned) in property, plants and equipment can be found in Section 5.2. ("Investments") of this Registration document.

8.2. A DESCRIPTION OF ANY ENVIRONMENTAL ISSUES THAT MAY AFFECT THE ISSUER'S UTILISATION OF THE TANGIBLE FIXED ASSETS

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 Company management 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 sustainable development. It is the Company's long standing practice to provide clear and accurate environmental information about 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 emissions in the air and water;
- using the best available techniques and best management practices when expanding the production;
- Internal air, water and soil pollution monitoring.

The companies in MONBAT AD's group have complex environmental permits for its manufacturing operations issued by the Ministry of Environment and Water. The permits encompass all activities related to the construction and operation of a non-ferrous metals recycling installation from scrap batteries as well as the operation of lead-acid rechargeable batteries manufacturing installation. The permits aim to control and prevent any pollution from the installations that the companies operate. Meeting all permits conditions guarantees the protection of human health and the environment.

Each complex permit contains a couple of key elements, like the following:

- Controls and limits for fuels and energy usage, wastewater and air emissions, raw materials and supplements management; waste management, noise controls, groundwater and soil pollution, accident prevention control;
- Requirements for good environmental protection practices allowing a systematic and detailed approach to environmental problem solving;
- Best available technologies requirement for all installations thus allowing operators to use best international practices available in their industry taking into account costs and other local conditions.

Additionally, MONBAT AD employs a self-control system - the 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.

Based on the a current 2H2/2013 complex environmental permit, MONBAT has prepared a set of instructions to compare permitted and actual levels of water, electric and heat power, raw materials and fuels used in the production process as well as the waste allowed and produced:

Air:

Lead dust and aerosols air pollution comes from the melting processes in the batteries recycling operations, the lead power and lead paste production, the lead components castings as well as the mechanical processing of the plates for the lead-acid batteries in the Cutting and Assembly divisions.

Sulfuric acid aerosols are emitted when the batteries are charged with electrolytes.

Sulphur and nitrogen oxides are emitted during the primary lead production process in the Rolling furnace for Recycled batteries as well as from all the natural gas burning processes. Using natural gas for energy lowers the harmful emissions from all the burning processes.

All waste treatment equipment is working under optimal technical parameters to optimize the operation process.

MONBAT conducts two own periodic measurements annually using a licensed laboratory for testing and calibration of dust-gas emissions and emissions operated by Pehlivanov Engineering Ltd. The latter is located in Sofia with an accreditation expiring in 2021.

All emissions coming from the waste treatment installation chimneys are within environmental limits. All data is monitored by the REIW-Montana in its inspection protocols.

All waste treatment equipment is being monitored weekly with glitter installations serviced based on preliminary instructions. All monitored data is kept in special logs.

Special controls are applied to monitor and minimize any unorganized emissions as well as intensive smelling substances emissions.

Waters:

The waste water generated by the Company includes mostly lead compounds and Sulfuric acid. Accordingly, all waste waters are being treated together in a single stream and a single treatment installation.

All chemically compromised waters from MONBAT's production facility are collected in a common sewage network and treated for purification in a Local Waste Water Treatment Plant (LWWTP). All waste water undergoes a preliminary sediment treatment in three respective reservoirs (Technologic lead waste treatment installation) before being discharged into the common sewage. The latter equipment allows for two main goals to be achieved:

- no lead waste to be discharged into the LWWTP;
- technical lead waste to be reused in the recycling operations of Monbat Recycling Bulgaria for the production; of lead and lead alloys.

All waste waters undergo quality checks twice a year.

Waste:

All lead waste from battery manufacturing is recycled to generate new lead alloys. The end waste materials from the manufacturing process are lead slag and polyethylene separator which are sold to specialized companies. Storing, transportation and recycling of these products are being periodically tested. All storage sites are monitored monthly.

Pursuant to the requirements of the Law on Health and Safe Labour 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 ensure the necessary materials, equipment and resources for effective prevention of the consequences from 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 used 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 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.

Considering the environmental policy and the active pollution prevention and control activities applied by the companies in MONBAT's group, the management does not identify any ecological issues which may affect the assets of the Issuer.

9. OPERATING AND FINANCIAL REVIEW

9.1. FINANCIAL CONDITION

Audited consolidated financial reports for the last three financial years – 2014, 2015 and 2016 and unaudited consolidated interim financial reports as of June 30th 2016 and June 30th 2017 have been used to analyse MONBAT's financial condition.

No major changes in the Company's financial or trade position have occurred after the publication of the last consolidated financial report (June 30th 2017).

9.1.1. Revenues, Expenses and Profit

Table 11 : Income statement of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	% change 2015/2014	% change 2016/2015
Sales revenue	228 371	244 653	262 916	7.13%	7.46%
Other revenue	622	815	3 251	31.03%	298.90%
Costs of materials	(154 380)	(149 163)	(179 095)	-3.38%	20.07%
Hired services expenses	(17 669)	(19 436)	(23 140)	10.00%	19.06%
Employee benefits expense	(16 022)	(18 314)	(23 179)	14.31%	26.56%
Depreciation and amortization of non-financial assets	(11 193)	(11 532)	(12 822)	3.03%	11.19%
Cost of goods sold and other current assets	(7 328)	(12 140)	(8 234)	65.67%	-32.17%
Changes in finished goods and work in progress	10 212	(1 884)	19 333	-118.45%	-1126.17%
Gain from sale of non-current assets	44	3	3	-93.18%	0.00%
Other expenses	(4 625)	(7 030)	(7 471)	52.00%	6.27%
Operating profit	28 032	25 972	31 562	-7.35%	21.52%
Net financial gains	(2 505)	(1 851)	(3 112)	-26.11%	68.13%
Finance costs	(3 653)	(3 047)	(3 301)	-16.59%	8.34%
Finance income	1 353	1 307	1 095	-3.40%	-16.22%
Other financial items	(205)	(111)	(906)	-45.85%	716.22%
Profit before tax	25 527	24 121	28 450	-5.51%	17.95%
Tax expense	(2 936)	(3 236)	(3 664)	10.22%	13.23%
Profit for the year	22 591	20 885	24 786	-7.55%	18.68%
Other comprehensive income					
Currency translation differences from foreign operations	(365)	(850)	-361	132.88%	-57.53%
Other comprehensive income for the year	22 226	20 035	24 425	-9.86%	21.91%

Source: MONBAT AD

Consolidated sales revenues registered 7% CAGR over the last three year to BGN 262 916 thousands as of 31.12.2016 г. Lead acid batteries volumes growth is the key revenues growth driver for the period (2014: 2 282 652 pieces sold; 2015: 2 565 681 pieces sold; 2016: 2 906 299 pieces sold). Batteries sales alone in 2014, 2015 and 2016 were BGN 194m, BGN 213.2m и BGN 235.1m, respectively. The rest are revenues from the sale of lead and lead alloys, secondary recycled products like sodium sulphate and reglanulate, transport and other services as well as revenues from the resale of materials, goods and lighting fixtures.

Other revenues increased as well in 2016. Scrap batteries recycling subsidies from the Serbian state contributed the most for the rise in other revenues. The subsidies received in 2016 amounted to BGN 2 087 thousands. The state subsidy in Serbia is paid per every scrap battery ton recycled to the entity with a recycling license.

Consolidated raw material costs and changes in finished goods and work in progress amounted to BGN 144 166 thousands in 2014; BGN 151 047 thousands in 2015 and BGN 159 762 thousands in 2016. The latter costs are relatively constant (2014: 63%, 2015: 62% and 2016: 61% of sales) registering a small drop as a percentage share in sales.

Hired service costs outpaced revenue growth and increased from BGN 17 669 thousands in 2014 г. to BGN 23 140 thousands in 2016, increasing their share in sales from 8% to 9%.

Labour costs registered double digit growth from BGN 16 022 thousands in 2014 to BGN 23 179 thousands in 2016 with their share in sales advancing from 7% to 9%, respectively. Key labour costs growth driver is the rise in the number of employees rising due to the expansion in capacity in both the battery manufacturing and recycling divisions.

Depreciation expense rose slightly over the period reviewed in line with assets growth.

Costs of goods and other current assets sold initially rose in 2015 to BGN 12 140 thousands and later declined to BGN 8 234 thousands in 2016. They are advancing in line with revenues from the sale of goods and materials.

Other expenses are related to donations, receivables and inventory impairments (related to Octa Light Bulgaria's operations), business trips and representative costs. They rise from BGN 4 625 thousands in 2014 to BGN 7 471 thousands in 2016.

After declining 10% y/y in 2015, in 2016 consolidated net profit rose 19% y/y. It is even above 2014 level. Earnings before interest, taxes, depreciation and amortization (EBITDA) is up from BGN 39 225 thousands in 2014 to BGN 44 384 thousands in 2016 or 17% EBITDA margin.

Table 12: Interim income statement of MONBAT AD

Indicators (in BGN 000)	Jun-16	Jun-17	% change
Sales revenue	112 431	150 696	34.03%
Other revenue	1 319	1 420	7.66%
Costs of materials	(83 679)	(98 926)	18.22%
Hired services expences	(9 869)	(10 477)	6.16%
Emplyee benefits expense	(10 443)	(12 430)	19.03%
Depreciation and amortization of non-financial assets	(6 170)	(7 005)	13.53%
Cost of goods sold and other current assets	(2 003)	(7 119)	255.42%
Changes in finished goods and work in prograss	15 340	5 194	-66.14%
Gain from sale of non-current assets	25	24	-4.00%
Other expences	(2 156)	(2 700)	25.23%
Operating profit	14 795	18 677	26.24%
Net financial gains	(1 227)	(1 416)	15.40%
Finance costs	(1 369)	(2 047)	49.53%
Finance income	461	487	5.64%
Other financial items	(319)	144	-145.14%
Profit before tax	13 568	17 261	27.22%
Tax expense	(1 591)	(1 945)	22.25%
Profit for the year	11 977	15 316	27.88%
Other comprehensive income			
Currency translation differences from foreign operations			
Other comprehensive income for the year	11 977	15 316	27.88%

Source: MONBAT AD

Consolidated results as of June 30th 2017 register accelerated revenue growth to 34% y/y. Sales revenues rose from BGN 122 431 thousands as of June 30th 2016 to BGN 150 696 thousands as of June 30th 2017. The latter growth acceleration is due to the rise in lead prices as measured by the London Metal Exchange lead index. This translated into higher prices of both lead-acid batteries and lead and lead alloys sold as well as into higher lead and alloys volumes sold to third parties outside MONBAT's group.

All costs advance in line with revenues as of June 30th 2017.

Raw materials costs and changes in finished good and work in progress rose 37% y/y (30.06.2016: BGN 68 339 thousands; 30.06.2017: BGN 93 732 thousands). Their share in sales was 61% and 62% as of June 30th 2016 and June 30th 2017, respectively.

With the exception of hired service cost which rose 6% y/y as of June 30th 2017, labour costs and depreciation expense registered double digit growth for the period.

Costs of goods and other current assets sold also advanced in line with revenues from the sales of materials.

Consolidated net income for the first half of 2017 is up 28% y/y to BGN 15 316 thousands. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose from BGN 20 965 thousands to BGN 25 682 thousands or 17% EBITDA margin for the period.

9.1.2. Assets, Liabilities and Equity

All balance sheet accounts rose in line with the income statement in each of the last three financial years 2014, 2015 and 2016. Total assets rose from BGN 268 506 thousands in 2014 to BGN 336 520 thousands in 2016 or 25% rise for the period. Inventories rose the most with almost 50% while account receivables advanced with more than 32%. Property, plant and equipment added 23% for the period. The latter balance sheet accounts grew in line with MONBAT's business activity expansion for the period which required more working capital as well as new production and warehousing capacity. Total equity is up more than 10% for the three year period due to the rise in retained earnings.

Short- and long-term debt grew the most among the current and non-current liabilities, respectively. Total debt was BGN 72 727 thousands as of 31.12.2014 г., BGN 61 056 thousands as of 31.12.2015 г. and BGN 104 799 thousands as of 31.12.2016 г. (or a 44% cumulative increase from 31.12.2014 to 31.12.2016). The rise in interest bearing liabilities to banks is due to the additional working capital needs for the period as well as the rise in the investment financing for MONBAT AD's and Start AD's production capacity expansion projects.

Account payables among the current liabilities rose 73% y/y from 2014 to 2015 and 13% y/y from 2015 to 2016 due to MONBAT's business activity expansion.

Table 13: Consolidated statements of financial positions of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	% change 2015/2014	% change 2016/2015
Other intangible assets	1 606	905	1 228	-43.65%	35.69%
Property, plant and equipment	118 371	126 517	145 692	6.88%	15.16%
Receivables from trade loans	455	455	455	0.00%	0.00%
Goodwill			237		
Long-term financial assets	8	8	8	0.00%	0.00%
Non-current assets	120 440	127 885	147 620	6.18%	15.43%
Inventories	59 084	52 547	87 970	-11.06%	67.41%
Receivables from trade loans	35	547	10	1462.86%	-98.17%
Trade receivables	39 889	40 523	52 766	1.59%	30.21%
Related party receivables	23 532	31 427	30 995	33.55%	-1.37%
Tax receivables	3 803	6 325	8 182	66.32%	29.36%
Short-term financial assets		50	50		0.00%
Other receivables	1 185	1 124	3 377	-5.15%	200.44%
Cash and cash equivalents	20 538	15 232	5 550	-25.84%	-63.56%
Current assets	148 066	147 775	188 900	-0.20%	27.83%
Total assets	268 506	275 660	336 520	2.66%	22.08%
Share capital	39 000	38 989	38 989	-0.03%	0.00%
Share premium	28 611	28 538	28 538	-0.26%	0.00%
General reserves	74 525	64 993	64 993	-12.79%	0.00%
Foreign currency translation reserve	138	(712)	(1 073)	-615.94%	50.70%
Retained earnings	34 556	51 498	67 571	49.03%	31.21%
Equity attributable to the owners of the parents	176 830	183 306	199 018	3.66%	8.57%
Non-controlling interests	(2 661)	(3 827)	(6 414)	43.82%	67.60%
Total equity	174 169	179 479	192 604	3.05%	7.31%
Long-term borrowings	34 635	12 610	46 626	-63.59%	269.75%
Finance lease liabilities	366	1 266	1 948	245.90%	53.87%
Long-term related party payables	7	7	7	0.00%	0.00%
Grants received	2 386	4 999	4 183	109.51%	-16.32%
Deferred tax liabilities, net	1 282	1 238	1 308	-3.43%	5.65%
Non-current liabilities	38 676	20 120	54 072	-47.98%	168.75%
Guarantee provisions	532	462	183	-13.16%	-60.39%
Pension and other employee obligations	1 093	1 286	1 528	17.66%	18.82%
Short-term borrowings	38 092	48 446	58 173	27.18%	20.08%
Finance lease liabilities	470	427	515	-9.15%	20.61%
Trade payables	11 001	19 035	21 492	73.03%	12.91%
Short-term related party payables	15	305	1 244	1933.33%	307.87%
Tax liabilities	1 654	2 141	2 319	29.44%	8.31%
Short-term grants	456	806	806	76.75%	0.00%
Other liabilities	2 348	3 153	3 584	34.28%	13.67%
Current liabilities	55 661	76 061	89 844	36.65%	18.12%
Total equity and liabilities	268 506	275 660	336 520	2.66%	22.08%

Source: MONBAT AD

Table 14: Consolidated interim statements of financial positions of MONBAT AD

Indicators (in BGN 000)	Jun-16	Jun-17	% change 2016/2015
Other intangible assets	842	1 114	32.30%
Property, plant and equipment	135 744	142 964	5.32%
Receivables from trade loans	455	455	0.00%
Goodwill	208	237	13.94%
Long-term financial assets	8	8	0.00%
Non-current assets	137 257	144 778	5.48%
Inventories	79 939	83 436	4.37%
Receivables from trade loans	531	10	-98.12%
Trade receivables	39 209	47 847	22.03%
Related party receivables	30 388	44 843	47.57%
Tax receivables	10 593	9 675	-8.67%
Short-term financial assets	50	50	0.00%
Other receivables	2 040	3 750	83.82%
Cash and cash equivalents	4 417	9 536	115.89%
Current assets	167 167	199 147	19.13%
Total assets	304 424	343 925	12.98%
Share capital	38 989	38 989	0.00%
Share premium	28 538	28 538	0.00%
General reserves	64 993	64 993	0.00%
Foreign currency translation reserve	(954)	(1 293)	35.53%
Retained earnings	53 553	71 690	33.87%
Equity attributable to the owners of the parents	185 119	202 917	9.61%
Non-controlling interests	(5 205)	(6 249)	20.06%
Total equity	179 914	196 668	9.31%
Long-term borrowings	21 097	52 005	146.50%
Finance lease liabilities	1 697	1 606	-5.36%
Long-term related party payables	7	7	0.00%
Grants received	4 592	3 773	-17.84%
Deferred tax liabilities, net	1 259	1 387	10.17%
Non-current liabilities	28 652	58 778	105.14%
Guarantee provisions	462	183	-60.39%
Pension and other employee obligations	1 245	1 716	37.83%
Short-term borrowings	58 519	51 029	-12.80%
Finance lease liabilities	544	502	-7.72%
Trade payables	19 826	17 105	-13.72%
Short-term related party payables	5 568	6 909	24.08%
Tax liabilities	1 590	2 173	36.67%
Short-term grants	806	806	0.00%
Other liabilities	7 298	8 056	10.39%
Current liabilities	95 858	88 479	-7.70%
Total equity and liabilities	304 424	343 925	12.98%

Source: MONBAT AD

MONBAT's financial performance for the first halves of 2016 and 2017 are in line with the trend over the last three financial years reviewed. Receivables from related parties advanced the most among the key balance sheet accounts with 47% rise for the period. Account receivables from the Current Assets account and Property, plant and equipment from the Non-current account rose 22.03% and 5.32%, respectively, as for June 30th, 2017. Total Assets added almost 13% y/y from BGN 304 424 thousands to BGN 343 925 thousands as of June 30th 2017.

Total Equity rose 9% y/y as of June 30th 2017 again due to the rise in Retained earnings with almost 34%.

Total short- and long-term debt rose 23% y/y to BGN 103 034 thousands as of June 30th 2017. Compared to Dec 31st 2016 the account declined 2%.

9.1.3. Financial ratios

MONBAT's financial ratios improved for the three financial year period in 2014, 2015 and 2016 as well as for the first half of 2017 in line with the income statement and balance sheet accounts improvement for the period. The Company's financial ratios testify for strong financial position with MONBAT having enough resources to cover both its current and non-current liabilities. Liquidity ratios signal strong liquid position. Accordingly, MONBAT is not overleveraged and delivers good return on assets and equity.

Table 15: Financial ratios of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	Jun-17	Jun-17
1 Sales revenue	228 371	244 653	262 916	112 431	150 696
2 Other profit /loss from operations	622	815	3 251	1 319	1 420
3 Changes in finished goods and work in progress	10 212	(1 884)	19 333	15 340	5 194
4 Operating expenses	(211 173)	(217 612)	(253 938)	(114 295)	(138 633)
5 Operating profit / loss	28 032	25 972	31 562	14 795	18 677
6 Finance income	1 353	1 307	1 095	461	487
7 Finance cost	(3 858)	(3 158)	(4 207)	(1 688)	(1 903)
8 Profit / loss before taxes	25 527	24 121	28 450	13 568	17 261
9 Tax expenses	(2 936)	(3 236)	(3 664)	(1 591)	(1 945)
10 Net profit / loss	22 591	20 885	24 786	11 977	15 316
11 Dividends	5 588	10 151	11 032	-	-
12 Cash and cash equivalents	20 538	15 232	5 550	4 417	9 536
13 Inventories	59 084	52 547	87 970	79 939	83 436
14 Short-term assets	148 066	147 775	188 900	167 167	199 147
15 Total assets	268 506	275 660	336 520	304 424	343 925
16 Short-term liabilities	55 661	76 061	89 844	95 858	88 479
17 Debt	73 563	62 749	107 262	81 857	105 142
18 Total liabilities	94 337	96 181	143 916	124 510	147 257
19 Equity	174 169	179 479	192 604	179 914	196 668
20 Net working capital (NWC)	92 405	71 714	99 056	71 309	110 668
21 Weighted average number of outstanding shares	39 000	38 997	38 997	38 997	38 997
Return ratios					
22 Operating profit margin (5/1)	0.12	0.11	0.12	0.13	0.12
23 Net profit margin (10/1)	0.10	0.09	0.09	0.11	0.10
24 Return on assets ROA (10/15)	0.08	0.08	0.07	0.04	0.04
25 Return on equity ROE (10/19)	0.13	0.12	0.13	0.07	0.08
Liquidity and turnover ratios					
26 Total assets turnover (1/15)	0.85	0.89	0.78	0.37	0.44
27 NWC turnover (1/20)	2.47	3.41	2.65	1.58	1.36
28 Current ratio (14/16)	2.66	1.94	2.10	1.74	2.25
29 Quick ratio ((14-13)/16)	1.60	1.25	1.12	0.91	1.31
30 Cash ratio (12/16)	0.37	0.20	0.06	0.05	0.11
Per share data					
31 Sales per share (1/21)	5.86	6.27	6.74	2.88	3.86
32 Earning per share (10/21)	0.58	0.54	0.64	0.31	0.39
33 Book value per share (19/21)	4.47	4.60	4.94	4.61	5.04
Dividend ratios					
34 Dividend payout ratio (11/10)	0.247	0.486	0.445	n/a	n/a
35 Retention ratio (1'-34)	0.753	0.514	0.555	n/a	n/a
36 Dividend per share (11/21)	0.143	0.260	0.283	n/a	n/a
Growth ratios					
37 Sales growth, %	-	7.13%	7.46%	n/a	34.03%
38 Gross Margin growth, %	-	-7.35%	21.52%	n/a	-66.14%
39 Assets growth, %	-	2.66%	22.08%	n/a	12.98%
Leverage ratios					
40 Debt to Assets ratio (17/15)	0.27	0.23	0.32	0.27	0.31
41 Debt to Capital ratio (17/(17+19))	0.30	0.26	0.36	0.31	0.35
42 Debt to Equity ratio (17/19)	0.42	0.35	0.56	0.45	0.53
43 Assets to Equity ratio (15/19)	1.54	1.54	1.75	1.69	1.75
Market ratios					
44 Price / Sales ratio (47/31)	1.46	1.27	1.43	2.56	3.07
45 Price / Earning ratio (47/32)	14.76	14.93	15.20	24.03	30.17
46 Price / Book value ratio (47/33)	1.91	1.74	1.96	1.60	2.35
47 Market price of one share	8.550	7.998	9.660	7.380	11.850
48 as of date	30-Dec-14	28-Dec-15	30-Dec-16	27-Jun-16	30-Jun-17

Source: MONBAT AD

9.2. OPERATING RESULTS

9.2.1. Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations.

Due to the Issuer's main activity, its revenues include:

- Sale of products;
- Sales of materials and other sales;
- Rendering of services;
- Sale of goods;
- Other incomes (incl. financing).

Information about revenues earned in these categories and the trends for the historical period is presented in the following tables:

Table 16: Annual revenues of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	% change 2015/2014	% change 2016/2015
Sale of products	216 808	227 571	250 453	5.0%	10.1%
Others, incl. written-offs liabilities	7 344	5 854	7 350	-20.3%	25.6%
Rendering of services	1 438	2 070	1 950	43.9%	-5.8%
Sale of goods	2 781	9 158	3 163	229.3%	-65.5%
Financing income	622	815	3 251	31.0%	298.9%
TOTAL:	228 993	245 468	266 167	7.2%	8.4%

Source: MONBAT AD

Table 17: Interim revenues of MONBAT AD

Indicators (in BGN 000)	Jun-16	Jun-17	% change 2017/2016
Sale of products	107 546	138 953	29.2%
Others, incl. written-offs liabilities	3 776	7 959	110.8%
Rendering of services	1 014	1 095	8.0%
Sale of goods	95	2 689	2730.5%
Financing income	1 319	1 420	7.7%
TOTAL:	113 750	152 116	33.7%

Source: MONBAT AD

According to Management activity reports for the historical period, there are no noteworthy factors, including unusual or infrequent events or new developments, which had a substantial effect on the operating revenues of the Issuer.

9.2.2. Where the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes.

With the exception of the steady growth, there are no other variations in the net sales and revenues of the Issuer described in the income statements for the relevant period. The company expects to maintain this steady growth in its future development as well.

9.2.3. Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

No government, economic, tax, monetary or political factors have had a significant influence on the company's activities during the relevant period.

The main factors, which can influence the Issuer's activities and the way it manages risk, are illustrated in Section 4 ("Risk Factors") of the present document.

10. CAPITAL RESOURCES

10.1. INFORMATION CONCERNING THE ISSUER'S CAPITAL RESOURCES (BOTH SHORT AND LONG TERM)

The Issuer operates its business both with its equity and borrowed funds. As of the date of this Document, the registered and paid-in share capital of MONBAT AD amounts to BGN 39,000,000. Information on the sources of financing and the liquidity ratios of the Issuer are presented in the following table.

Table 18: Main indicators of MONBAT AD for the period 2014 – 30/06/2017

Indicators (in BGN 000)	2014	2015	2016	Jun-16	Jun-17
Equity	174 169	179 479	192 604	179 914	196 668
Interest bearing loans	73 563	62 749	107 262	81 857	105 142
Net working capital (NWC)	92 405	71 714	99 056	71 309	110 668
Change in NWC	-	(20 691)	27 342	-	39 359
Ratios					
Total assets turnover	0.85	0.89	0.78	0.37	0.44
NWC turnover	2.47	3.41	2.65	1.58	1.36
Current ratio	2.66	1.94	2.10	1.74	2.25
Quick ratio	1.60	1.25	1.12	0.91	1.31
Cash Ratio	0.37	0.20	0.06	0.05	0.11

Source: MONBAT AD

The Issuer has loans to financial institutions. Information about all loans of the MONBAT AD Group, together with their utilized amount, maturity date, interest and collateral are shown below:

LOANS OF MONBAT AD

1. 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

Utilized amount as of the date of the Prospectus - EUR 810,909 or BGN 1,586,000

9. 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 Industrialna str. owned by Monbat AD and Monbat Recycling EAD.

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

First rank collateral on receivables in Raiffeisenbank EAD

First rank collateral of receivables

With Annex from 30.06.2017 the amount is increased up to EUR 9 200 000.

Maturity date: 15.05.2019

Utilized amount as of the date of the Prospectus - EUR 9,138,891 or BGN 17,874,118

3. 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

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

Maturity date: 01.09.2017 г.

Amount borrowed: 9 192 401 BGN

Type of credit: Credit line

Interest: 3-month SOFIBOR + fixed mark-up

Collateral: Pledge of assets and inventories owned by Monbat AD

With Annex from 16.06.2016 the amount is increased up to BGN 18 971 401

Maturity date: 18.08.2019

Utilized amount as of the date of the Prospectus – BGN 18,971,401

4. 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 the 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 the 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: Auto scales 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.

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

Maturity date: 01.09.2018

Amount borrowed: 1 955 830 BGN

Type of credit: Credit line

Interest: 3-month SOFIBOR + fixed mark-up

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

Utilized amount as of the date of the Prospectus – BGN 1,906,896

5. HYPO NOE Gruppe Bank AG

Contract from 03.10.2014

Maturity date: 03.10.2018

Amount borrowed: EUR 10 000 000

Type of credit: working capital

Interest: 3- month EURIBOR + fixed mark-up

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

Utilized amount as of the date of the Prospectus - EUR 10,000,000 or BGN 19,558,300

6. DSK Bank EAD

Contract №1675/16.09.2015
Maturity date: 10.11.2017
Amount borrowed: EUR 2 500 000
Type of credit: working capital
Interest: 3monthEURIBOR + fixed mark-up
Collateral: Pledge agreement for materials
Utilized amount as of the date of the Prospectus - EUR 2,500,000 or BGN 4,889,575

7. DSK Bank EAD

Contract №1674/16.09.2015
Maturity date: 10.11.2017
Amount borrowed: BGN 2 000 000
Type of credit: working capital
Interest: 1-monthSOFIBOR + fixed mark-up
Collateral: Pledge agreement for materials
Utilized amount as of the date of the Prospectus - BGN 1,997,883

8. Raiffeisenbank Bulgaria EAD

Contract from 09.11.2015
Maturity date: 15.05.2017
Amount borrowed: 490 000 EUR
Type of credit: Overdraft
Interest: 1-monthSOFIBOR + fixed mark-up
Collateral: No collateral
Utilized amount as of the date of the Prospectus - BGN 488,542

9. 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-monthEURIBOR + fixed mark-up
Collateral: Second pledge agreement for all Monbat's shares of Monbat Recycling EAD
Utilized amount as of the date of the Prospectus - EUR 3,600 000 or BGN 7,040,988

10. BACB AD

Contract from 20.10.2016
Maturity date: 20.11.2017
Amount borrowed: 5 000 000 BGN
Type of credit: Overdraft
Interest: 3-monthSOFIBOR+ fixed mark-up
Collateral: First rank collateral of receivables from third parties. Special pledge of inventories.
Utilized amount as of the date of the Prospectus - BGN 5,000,000.

LOANS OF START AD

11. CIBank EAD

Contract №1317/18.03.2016
Maturity date: 30.12.2017
Amount borrowed: EUR 2 700 000
Type of credit: working capital
Interest: 3-month EURIBOR + fixed mark-up
Collateral: Land with identification N 72624.603.300, including the buildings on it. Land with identification N72624.603.190, including the buildings on it. Land with identification N 72624.603.191, including the buildings on it. Land with identification N 72624.603.193., including the buildings on it. Land with identification N 72624.603.196, including the buildings on it.
Special pledge on plant and equipment

Special pledge on receivables in CIBank

Utilized amount as of the date of the Prospectus - EUR 1,498,866 or BGN 2,931,597

12. 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 identification N 72624.603.300, including the buildings on it. Land with identification N 72624.603.190, including the buildings on it. Land with identification N 72624.603.191, including the buildings on it. Land with identification N 72624.603.193., including the buildings on it.

Land with identification N 72624.603.196, including the buildings on it.

Special pledge on plant and equipment

Special pledge on receivables in CIBank

Utilized amount as of the date of the Prospectus - EUR 4,301,796 EUR or BGN 8,413,482

LOANS OF MONBAT RECYCLING ROMANIA

13. Credit Agricole Bank Romania S.A.

Contract 19/21/2011

Maturity date: 04.12.2017

Amount borrowed: EUR 3 500 000

Type of credit: Credit line

Interest rate and commission: 3-month EURIBOR + fixed mark-up

Collaterals: Corporate guarantee on the name of Monbat AD, as well as reprocessing equipment for the recycling of waste accumulator batteries – rotational furnace, boiler 5000.

Utilized amount as of the date of the Prospectus - EUR 3,491,000 or BGN 6,827,802

LOANS OF MONBAT RECYCLING BULGARIA

14. Raiffeisenbank EAD

Contract dated 15.07.2015

Maturity date: 30.09.2018

Amount borrowed: EUR 3 000 000

Type of credit: Credit line

Interest rate and commission: 1-month EURIBOR + fixed mark-up

Collaterals: First rank special pledge of receivables;

Third rank special pledge of Engitec line;

First rank special pledge of inventories

Utilized amount as of the date of the Prospectus - EUR 3,000,000 or BGN 5,867,490.

15. 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-month 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

Utilized amount as of the date of the Prospectus - EUR 1,485,839 or BGN 2,241,800

16. Piraeus Bank

Contract N 196/2016

Maturity date: 30.09.2018 г.

Amount borrowed: EUR 1 500 000

Type of credit: working capital

Interest rate and commission: 3-month EURIBOR + fixed mark-up

Repayment schedule: Currently paid depending on the available cash and cash equivalents.

Collaterals: First rank pledge of receivables from System Sunlight.

Utilized amount as of the date of the Prospectus - EUR 1,058,533 or BGN 2,070,311

LOANS OF OCTA LIGHT BULGARIA AD

17. 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-month 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.

Utilized amount as of the date of the Prospectus – 1,515,500 EUR or BGN 2,964,060

18. Raiffeisenbank EAD

Contract dated 13.07.2016

Maturity date: 25.02.2019

Amount borrowed: BGN 1 100 000

Type of credit: Credit line

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

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

Utilized amount as of the date of the Prospectus - BGN 502,487

19. 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-month 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.

Utilized amount as of the date of the Prospectus - BGN 281,202

20. 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-month 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.

Utilized amount as of the date of the Prospectus - BGN 2,000,000

10.2. AN EXPLANATION OF THE SOURCES AND AMOUNTS OF AND A NARRATIVE DESCRIPTION OF THE ISSUER'S CASH FLOWS;

The issuer has no liquidity problems and operates successfully with available resources maintaining a low level of indebtedness over the reviewing period. Traditionally, the biggest weight in positive flows has been customer receipts, while the negative flows are mainly payments to suppliers and wages and social security contributions.

According to the consolidated financial statements of MONBAT AD and particularly cash flows statements, the following changes have been observed for the reviewing period:

Table 19: Consolidated statements of cash flows of MONBAT AD

Indicators (in BGN 000)	2014	2015	2016	Jun-16	Jun-17
Cash receipts from customers	225 465	237 310	246 628	112 993	150 720
Cash paid to suppliers	(189 575)	(191 320)	(240 342)	(116 662)	(117 415)
Cash paid to employees and social security institutions	(14 349)	(16 478)	(21 531)	(9 909)	(11 327)
Income tax for individuals paid	(1 111)	(1 071)	(1 487)	-	-
Tax income/expense	6 462	(1 161)	7 102	(190)	(1 566)
Other payments for operating activities	(1 944)	(1 240)	(1 373)	(484)	2 308
Net cash flow from operating activities	24 948	26 040	(11 003)	(14 252)	22 720
Purchase of property, plant and equipment, net	(12 487)	(16 588)	(29 796)	(14 826)	(3 557)
Loans granted	(3 219)	(3 168)	(779)	(676)	(10 987)
Loan repayments received	132	193	2 233	2 152	-
Acquisition of subsidiaries and non-controlling interest		-	(606)	(582)	-
Grants received		3 680	-	-	-
Other payment of investing activities		(50)	-	-	-
Net cash flow used in investing activities	(15 574)	(15 933)	(28 948)	(13 932)	(14 544)
Received borrowings	51 825	10 632	66 093	33 795	7 195
Payments on borrowings	(39 553)	(16 525)	(21 178)	(14 248)	(8 960)
Proceeds from issue of share capital for non-controlling interest		-	24	-	-
Payments on finance leases	(664)	(847)	(675)	(366)	(346)
Payments for redemption of shares	-	(84)	-	-	-
Interest paid	(2 010)	(1 818)	(2 310)	(965)	(1 540)
Dividends paid	(4 684)	(5 588)	(10 151)	(185)	(7)
Other payments for financial activities	(1 040)	(687)	(817)	(314)	(335)
Net cash flow from /used in) financing activities	3 874	(14 917)	30 986	17 717	(3 993)
Net change in cash and cash equivalents	13 248	(4 810)	(8 965)	(10 467)	4 183
<i>Cash and cash equivalents, beginning of year</i>	7 673	20 538	15 232	15 232	5 550
Losses on foreign currency translation	(383)	(496)	(717)	(348)	(197)
<i>Cash and cash equivalents, year end</i>	20 538	15 232	5 550	4 417	9 536

Source: MONBAT AD

10.3. INFORMATION ON THE BORROWING REQUIREMENTS AND FUNDING STRUCTURE OF THE ISSUER

With the exception of this corporate convertible bond issue and possible additional working capital financing needed for the Company's usual and growing activity, MONBAT AD and its subsidiaries do not plan significant changes in the use of external borrowed funds for the moment. These funds will be mainly short-term bank loans for working capital and targeted financing for investment activities.

MONBAT AD supports the efforts of its subsidiaries to attract bank resources for investments and overdraft loans for their operating activities. The volumes of these borrowed funds are maintained at certain levels and are approved by management after all projects pass the cost-effective analysis.

10.4. INFORMATION REGARDING ANY RESTRICTIONS ON THE USE OF CAPITAL RESOURCES THAT HAVE MATERIALLY AFFECTED, OR COULD MATERIALLY AFFECT, DIRECTLY OR INDIRECTLY, THE ISSUER'S OPERATIONS

As of the date of this Document, there are no restrictions regarding the use of the Issuer's capital resources.

10.5. INFORMATION REGARDING THE ANTICIPATED SOURCES OF FUNDS NEEDED TO FULFIL COMMITMENTS REFERRED TO IN ITEMS 5.2.3. AND 8.1.

Outside plans submitted by MONBAT AD to finance fixed asset acquisitions related to its core business, as described in Section 3.2. („Reasons for the offer and use of proceeds”) of the Securities Note, the management of the Issuer has not made any binding commitments for future investments up to the date of this Document. The Company will use its own funds to finance investments, described in point 5.2.2 (*Information concerning the Issuer's principal future investments on which its management have already made firm commitments*) of this Document.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

The management of MONBAT AD highly appreciates the importance of continuous development by developing new technologies and continuously investing 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 has its own research and development laboratory – STARBAT, which is equipped with modern, specialized devices.

The highly qualified staff of both MONBAT and STARBAT ensures the Company's ongoing technological and innovative growth. At the laboratory, the Company conducts all kinds of chemical, physical and electrical tests required under the internationally recognized standards for lead-acid batteries.

MONBAT's 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 2014 – 2016 period is part of the overall remuneration expenses for the experts in the separate departments - Marketing and Trade Department, Technical Department, Production Department and Testing Laboratory. Investments in research and development activities are part of the overall investment expenses of the Company for the respective periods. With this regard the same cannot be separated.

12. TREND INFORMATION

12.1. THE MOST SIGNIFICANT RECENT TRENDS IN PRODUCTION, SALES AND INVENTORY, AND COSTS AND SELLING PRICES SINCE THE END OF THE LAST FINANCIAL YEAR TO THE DATE OF THE REGISTRATION DOCUMENT

No major unfavourable changes have occurred for the Company and its subsidiaries from the date of the last published audited consolidated financial report as of Dec 31st 2016 and the last published interim unaudited consolidated report as of June 30th 2017 until the date of the Registration document.

Key trends in MONBAT's operations and sales from the end of the last financial year until the date of the current document are as follows:

1. A drop in volumes of batteries sold with approx. 12% y/y from the start of the year until the date of the current document compared to the same period of the previous year.

Table 20: Volumes sold by key product type for the comparable periods in 2016 and 2017

Sales in volume in January-October 2016 (number of batteries)

Manufacturer	Type of production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Jan-Oct.2016
MONBAT AD	Starter and Special Batteries	202 650	183 282	166 021	99 925	130 082	131 063	167 446	191 956	214 673	244 683	1 731 781
MONBAT AD	Deep cycle batteries	6 420	11 425	18 968	15 874	12 963	14 062	14 104	12 698	7 031	10 221	123 766
START AD	Starter and Special Batteries	35 944	35 668	32 386	20 050	21 073	24 262	21 358	36 998	36 008	34 645	298 392
START AD	Deep cycle batteries	2 258	1 958	6 817	4 359	3 825	2 437	2 567	2 231	1 390	4 157	31 999
MONBAT AD	Stationary Batteries	10 435	9 743	11 203	9 504	9 269	11 222	8 927	11 349	6 735	11 196	99 583
	Total	257 707	242 076	235 395	149 712	177 212	183 046	214 402	255 232	265 837	304 902	2 285 521

Sales in volume in January-October 2017 (number of batteries)

Manufacturer	Type of production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Jan-Oct.2017
MONBAT AD	Starter and Special Batteries	191 284	142 438	95 750	89 125	78 546	133 673	127 212	172 458	219 055	270 692	1 520 233
	% change YoY	-5.61%	-22.28%	-42.33%	-10.81%	-39.62%	1.99%	-24.03%	-10.16%	2.04%	10.63%	-12.22%
MONBAT AD	Deep cycle batteries	12 090	9 752	13 270	12 330	9 532	12 867	15 466	8 791	17 238	8 700	120 036
	% change YoY	88.32%	-14.64%	-30.04%	-22.33%	-26.47%	-8.50%	9.66%	-30.77%	145.17%	-14.88%	-3.01%
START AD	Starter and Special Batteries	32 674	18 676	15 631	17 942	15 820	20 169	26 164	25 042	32 341	36 290	240 749
	% change YoY	-9.10%	-47.64%	-51.74%	-10.51%	-24.93%	-16.87%	22.50%	-32.32%	-10.18%	4.75%	-19.32%
START AD	Deep cycle batteries	2 973	2 389	3 519	3 437	1 942	1 933	3 027	2 705	3 095	1 652	26 672
	% change YoY	31.67%	22.01%	-48.38%	-21.15%	-49.23%	-20.68%	17.92%	21.25%	122.66%	-60.26%	-16.65%
MONBAT AD	Stationary Batteries	7 486	7 022	8 985	7 578	8 096	8 842	10 941	12 034	12 436	13 026	96 446
	% change YoY	-28.26%	-27.93%	-19.80%	-20.27%	-12.66%	-21.21%	22.56%	6.04%	84.65%	16.35%	-3.15%
	Total	246 507	180 277	137 155	130 412	113 936	177 484	182 810	221 030	284 165	330 360	2 004 136
	% change YoY	-4.35%	-25.53%	-41.73%	-12.89%	-35.71%	-3.04%	-14.73%	-13.40%	6.89%	8.35%	-12.31%

Source: MONBAT AD

The main reason for the drop in volumes was the considerable rise in the London Metal Exchange lead index from the start of 2016 until mid-2017 as discussed in 6.1 ("Principal Activities") of this document.

Lead-acid battery producers tend to transfer the cost of the batteries to the end clients by indexing batteries prices. Accordingly, the sharp rise in lead prices affected negatively the demand for batteries during the first six months of 2017. MONBAT sells its batteries on the secondary market to a large dealer network. However, the latter were well stocked during the discussed period and accordingly refrained from additional purchases at the end of winter (February and March 2017 which is part of the high season for this business) and during the low season in April-August 2017.

As lead prices remained relatively unchanged from the end of 2016 until the beginning of 2017, MONBAT's management believes the new battery prices have already been taken by the market. The rise in volumes in the September-October 2017 period compared to the same period a year ago is a partial evidence of the latter.

Still, the drop in battery volumes has been almost entirely offset by the rise in the product end prices which led to only 2% y/y drop in sales revenues for the period reviewed.

Table 21: Sales revenues by product type for the comparable periods 2016 and 2017

Sales in BGN 000 in January-October 2016

Manufacturer	Type of production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Jan-Oct.2016
MONBAT AD	Starter and Special Batteries	11 476	10 327	9 777	6 000	7 325	7 555	9 601	11 138	12 633	14 247	100 079
MONBAT AD	Deep cycle batteries	757	1 415	2 350	2 218	1 618	1 848	1 618	1 594	912	1 395	15 725
START AD	Starter and Special Batteries	4 970	5 101	4 956	2 970	2 992	3 405	3 004	5 469	5 313	5 200	43 380
START AD	Deep cycle batteries	397	347	1 003	725	601	405	433	387	250	713	5 261
MONBAT AD	Stationary Batteries	2 626	2 409	2 804	2 499	2 355	2 753	2 309	2 924	1 669	2 592	24 940
	Total	20 226	19 599	20 890	14 412	14 891	15 966	16 965	21 512	20 777	24 147	189 385

Sales in BGN 000 in January-October 2017

Manufacturer	Type of production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Jan-Oct.2017
MONBAT AD	Starter and Special Batteries	12 059	9 133	6 408	6 169	5 433	8 630	8 087	10 682	13 924	17 023	97 548
	% change YoY	5.08%	-11.56%	-34.46%	2.82%	-25.83%	14.23%	-15.77%	-4.09%	10.22%	19.48%	-2.53%
MONBAT AD	Deep cycle batteries	1 818	1 421	2 124	1 812	1 436	1 970	1 956	1 234	2 217	1 446	17 434
	% change YoY	140.16%	0.42%	-9.62%	-18.30%	-11.25%	6.60%	20.89%	-22.58%	143.09%	3.66%	10.87%
START AD	Starter and Special Batteries	5 530	3 162	2 699	3 055	2 610	3 311	4 116	4 128	5 465	6 078	40 154
	% change YoY	11.27%	-38.01%	-45.54%	2.86%	-12.77%	-2.76%	37.02%	-24.52%	2.86%	16.88%	-7.44%
START AD	Deep cycle batteries	642	394	698	678	364	373	523	477	538	323	5 010
	% change YoY	61.71%	13.54%	-30.41%	-6.48%	-39.43%	-7.90%	20.79%	23.26%	115.20%	-54.70%	-4.77%
MONBAT AD	Stationary Batteries	1 864	1 868	2 284	2 194	2 301	2 441	2 972	3 130	3 338	3 508	25 900
	% change YoY	-29.02%	-22.46%	-18.54%	-12.20%	-2.29%	-11.33%	28.71%	7.05%	100.00%	35.34%	3.85%
	Total	21 913	15 978	14 213	13 908	12 144	16 725	17 654	19 651	25 482	28 378	186 046
	% change YoY	8.34%	-18.48%	-31.96%	-3.50%	-18.45%	4.75%	4.06%	-8.65%	22.65%	17.52%	-1.76%

Source: MONBAT AD

The latter volumes drop led to decline in Earnings before interest, taxes, depreciation and amortization (EBITDA) and net income on an unconsolidated level in 2017 vs. 2016. Additionally, Start AD sells its products to MONBAT at cost plus a fixed mark-up which in the current higher lead prices period reflected in higher EBITDA and net income for Start AD at the expense of MONBAT's individual results.

2. The abovementioned negative trend in battery volumes sold and the corresponding deterioration of gross profit and EBITDA in MONBAT's lead-acid battery manufacturing division was fully offset by the positive results of the recycling division. Three main factors contributed to the recycling division's positive performance:
 - a. Considerable rise in the recycled lead and lead alloys volumes sold to third parties outside the MONBAT group – approx. 10 000 tons sold in 2017 up to the date of the current document compared to only 500 tons sold during the comparable period in 2016.
 - b. The higher the LME lead index level, the higher the recycling division's gross profit per ton of lead and lead alloys recycled and sold. The raw materials (scrap batteries) for the latter trade at a percentage of the LME reference price, while lead and lead alloys trade at LME plus a mark-up reference price.
 - c. The recycling division manufactures lead out of scrap batteries. Accordingly, at any point in time all recycling subsidiaries maintain a lead-containing Inventories which at times of rising LME lead index are at a lower reference cost compared to end products reference price.
3. Consolidated inventories declined 11.5% from the end of 2016 until the date of the current document despite the higher LME lead index levels for the same period. This is due to MONBAT's stricter inventory policy in 2017 with regards to new lead, lead alloys and lead-containing materials and semi products purchases.
4. Raw materials costs as well as cost of goods sold, key costs for the Company, rose 35% for Jan-Sept. 2017 period due to higher lead prices as well as higher lead and lead alloys volumes sold for the period.
5. Consolidated operating expenses rose 5% y/y for the period of 2017 up to the date of this document due to higher other operating expenses related to the Monbat Nigeria and Monbat Recycling Serbia which were less active in 2016 vs. 2017. Labour costs advanced as well on higher wages paid to employees in MONBAT AD and Start AD which is due to the higher personnel headcount in 2017 compared to 2016.

12.2. INFORMATION ON ANY KNOWN TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS THAT ARE REASONABLY LIKELY TO HAVE A MATERIAL EFFECT ON THE ISSUER'S PROSPECTS FOR AT LEAST THE CURRENT FINANCIAL YEAR

There are no known to the Issuer trends, uncertainties, demands, commitments or events that will have a material effect on the Issuer's prospects for the current financial year.

The period 2017 - 2021 will entail a new stage and a new target market approach by the Group through a hybrid growth strategy (production and distribution), as well as the setup of conditions for specialization in three categories: products derived from the recycling activities of the company; adoption of new battery technologies and increase the number of product and technology solutions in the field of energy management.

The group of MONBAT AD 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.

13. PROFIT FORECASTS OR ESTIMATES

UNDER REGULATION NO 809/2004 MONBAT AD DECIDED NOT TO PROVIDE INFORMATION ABOUT ITS FORECASTS AND ESTIMATED PROFITS.

14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1. INFORMATION ABOUT THE MEMBERS OF BOARD OF DIRECTORS AND THE PROCURATOR OF THE ISSUER

MONBAT AD has a one-tier management system in the form of Board of Directors (Body). Its members are as follows:

- Atanas Bobokov – Chairman and 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

The Board of MONBAT AD has authorized Petar Petrov as a procurator of the Company, since Oct. 1st 2015, when he is registered in the Bulgarian Commercial Register.

The names of all the companies and partnerships of which the BoD members have been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, including details of relevant management expertise and experience are as follow:

Atanas Stoilov Bobokov – Chairman of the Board of Directors and Executive Director, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

Names of all the companies and partnerships of which Mr. Atanas Bobokov has been a partner at any time in the previous five years:

- a. He has not participated in companies and partnerships as an unlimited liability partner;
- b. He holds more than 25% of the shares of the following companies:
 - Partner with 36% in LUBRICO TRADING LTD, UIC: 130343881, 9 Laos Kashrut Str., 1606 Sofia;
 - Managing partner with 40% in *MONBAT ECO PROJECTS LTD*, UIC: 204021314, 66A Tsar Asen Str., 1463 Sofia;
 - Manager and owner in TORLASHKA SRESTA LTD. UIC: 200280522, 74A Asen Balkanski Str., Chuprene;
 - Owner of MONBAT TRADE LTD. UIC: 203736851, 32A Cherny Vrah Blvd., 1407 Sofia;
 - Partner with 50% in LEVENTA LTD., UIC: 117632621, 73 Borisova Str., 7012 Rousse;
 - Partner with 50% in *MIX OIL LTD*, UIC:831015922, 1 Han Kubrat Sqr., 7000 Rousse;

Information of all the companies and partnerships of which Mr. Atanas Bobokov has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Member of the BoD of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;
- Managing partner of MONBAT ECO PROJECTS LTD, UIC: 204021314, 66A Tsar Asen Str., 1463 Sofia;
- Manager and owner of TORLASHKA SRESTA LTD. UIC: 200280522, 74A Asen Balkanski Str., Chuprene;
- Managing Director of MONBAT TRADING LTD., UIC: 130137657, 9 Laos Kashrut Str., 1606 Sofia;
- Executive Member of the BoD of PRISTA REAL ESTATES AD, UIC: 175021319, 9 Laos Kashrut Str., 1606, Sofia;
- Member of the BoD of START AD, UIC: 124712007, 4 Golo Burdo Str., Sofia;
- Member of the BoD of OCTA LIGHT BULGARIA AD, UIC: 201133233, 22 Veslets Str., 1000 Sofia;
- Member of the BoD of MONBAT RECYCLING EAD, UIC: 200801562, 4 Golo Burdo Str., Sofia;
- Member of the BoD of VUELTA EUROPE AD, UIC: 117546396, 106 Lipnik Str., 7013 Rousse;
- Member of the BoD of WINERY HOUSE RUSE AD, UIC: 117630264, 73 Borisova Str., 7012 Rousse.

- Member of the BoD of MONBAT NEW POWER AD, UIC: 204333335; 32A Cherny Vrah Blvd., Sofia;
- Member of the BoD and Executive Director of PRISTA INVEST AD, UIC: 204082281, 20 Zlaten Rog Str., Sofia;

Details of any bankruptcies, receiverships or liquidations with which Mr. Atanas Bobokov has been related acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Atanas Bobokov declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by a court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Atanas Bobokov graduated with a Master`s degree in Economics in 1985 from the Higher Institute of Economics "Karl Marx" – Sofia. In the last 15 years, Mr. Bobokov has been a member of the management and supervisory bodies of many companies.

Mr. Atanas Bobokov is a brother of Mr. Plamen Bobokov, who is also a Member of BoD of MONBAT AD.

Plamen Stoilov Bobokov – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., fl. 4.

Names of all the companies and partnerships in which Mr. Plamen Bobokov has been a partner at any time in the previous five years:

- a. He has not participated in companies and partnerships as an unlimited liability partner;
- b. He holds more than 25% of the shares of the following companies:
 - Managing partner with 50% in MIX OIL LTD, UIC:831015922, 1 Han Kubrat Sqr., 7000 Rousse;
 - Managing partner with 50% in LEVENTA LTD., UIC: 117632621, 73 Borisova Str., 7012 Rousse;
 - Partner with 36% in LUBRICO TRADING LTD, UIC: 130343881, 9 Laos Kashrut Str., 1606 Sofia;

Information of all the companies and partnerships of which Mr. Plamen Bobokov has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Member of the BoD of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;
- Managing partner in MIX OIL LTD, UIC:831015922, 1 Han Kubrat Sqr., 7000 Rousse;
- Managing partner in LEVENTA LTD., UIC: 117632621, 73 Borisova Str., 7012 Rousse;
- Managing Director of MONBAT TRADING LTD., UIC: 130137657, 9 Laos Kashrut Str., 1606 Sofia;
- Member of the BoD of PRISTA REAL ESTATES AD, UIC: 175021319, 9 Laos Kashrut Str., 1606, Sofia;
- Member of the BoD of VUELTA EUROPE AD, UIC: 117546396, 106 Lipnik Str., 7013 Rousse;
- Member of the BoD of WINERY HOUSE RUSE AD, UIC: 117630264, 73 Borisova Str., 7012 Rousse.

Details of any bankruptcies, receiverships or liquidations with which Mr. Plamen Bobokov has been related acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Plamen Bobokov declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);

- deprived by a court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Plamen Bobokov graduated with a Master`s degree in Law in 1993 from the Sofia University "St. Kliment Ohridski". In the last 15 years, Mr. Bobokov has been a member of the management and supervisory bodies of many companies.

Mr. Plamen Bobokov is a brother of Mr. Atanas Bobokov, who is a Chairman and Executive Member of BoD of MONBAT AD.

Stoyan Zhivkov Stalev – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., fl. 4.

In the previous five years, Mr. Stalev:

- a. Has not participated in companies and partnerships as an unlimited liability partner;
- b. Did not hold more than 25% of the shares of any companies;
- c. Has not been a member of the administrative, management or supervisory bodies and /or other senior manager:

Details of any bankruptcies, receiverships or liquidations with which Mr. Stalev has been related acting in a capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Stalev declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Stoyan Stalev has graduated with a Master`s degree in Law in 1978 from the Sofia University "St. Kliment Ohridski". In the 1980-1991 period, he was a research fellow and senior research fellow /docent/ at the Law Institute of the Bulgarian Academy of Sciences. In 1985 he received a Ph. D in Legal Sciences. In 1990-1991, Mr. Stalev was a legal advisor to the President of the Republic of Bulgaria Mr. Zhelyo Zhelev (1990-1997). From 1991 until 1998 Mr. Stalev was Bulgarian Ambassador to Germany. In 1997, he was appointed Minister of Exterior Affairs in the Stefan Sofiyanski Cabinet. From 1998 until 2006 he was Bulgarian Ambassador to Turkey. From 2006 until 2010 Mr. Stoyan Stalev was an Executive Director of the Bulgarian Investment Agency.

Mr. Stalev declares that he has no family relations with other members of MONBAT`s Board of Directors.

Alexander Viktorov Chaushev – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

Names of all the companies and partnerships of which Mr. Chaushev has been a partner at any time in the previous five years:

- a. He has not participated in companies and partnerships as an unlimited liability partner;
- b. He holds more than 25% of the shares of the following companies:
 - Partner with 78 % in SOFSERVICE LTD., UIC: 131407109, 339, Tsar Boris III Blvd.,1618 Sofia;

Information of all the companies and partnerships of which Mr. Chaushev has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Member of the BoD of SOPHARMA AD, UIC: 831902088, 16 Iliensko Shose, 1220 Sofia.
- Member of the BoD of MANAGEMENT AND ADVERTIZING AGENCY IN SPORTS EAD, UIC: 130969084, 42, Todor Alexandrov Blvd., 1303 Sofia;
- Member of the BoD of DK – DOMOSTROENE AD, UIC: 102148397, 8000 Burgas.

Details of any bankruptcies, receiverships or liquidations with which Mr. Chaushev acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Chaushev declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Chaushev has graduated the Moscow State Institute of International Relations with higher economic education. In 1993 he began his professional career as an expert in the Ministry of Trade afterwards transferred to the private sector. For the last 15 years, Mr. Chaushev has been a member of the management and supervisory bodies of many companies.

Mr. Chaushev declares that he has no family relations with other members of MONBAT's Board of Directors.

Nikolay Georgiev Trenchev – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

Names of all the companies and partnerships of which Mr. Trenchev has been a partner at any time in the previous five years:

- a. He has not participated in companies and partnerships as an unlimited liability partner;
- b. He holds more than 25% of the shares of the following companies:
 - Partner with 75% in EKOTEH LTD., UIC: 125026751, 39 Tsar Osvoboditel Str., 7700 Turgovishte;
- c. Has not been a member of the administrative, management or supervisory bodies and /or other senior manager;

Details of any bankruptcies, receiverships or liquidations with which Mr. Trenchev has been related with acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Trenchev declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Nikolay Trenchev has graduated with a Masters' degree in Law from the Sofia University "St. Kliment Ohridski" in 1976. He has been registered as a lawyer at the Sofia Bar Association since 1976. From 1992 until now he is a partner at the Malchev, Trenchev and Partners legal office. In the 1992-1996 period, Mr. Trenchev has been a legal advisor in numerous Bulgarian and international companies, including a legal advisor in privatization transactions.

Mr. Trenchev declares that he has no family relations with other members of the MONBAT's Board of Directors.

Florian Huth – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

In the previous five years Mr. Huth:

- a. Has not participated in companies and partnerships as an unlimited liability partner;
- b. Has not held more than 25% of the shares of any companies;

Information of all the companies and partnerships of which Mr. Huth has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Member of the BoD of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;
- Member of the BoD of SETCAR HOLDINGS LTD, Cyprus;
- Member of the BoD of AND GNG EAST UKRAINE LTD, BVI.

Details of any bankruptcies, receiverships or liquidations with which Mr. Huth has been related with acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Huth declares the lack of legally defined circumstances, namely, that in the last five years he is not:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Florian Huth holds a Master's Degree in Business Administration, is a CFA charter holder and is certified public accountant. For the last ten years, he has participated in the management of numerous international companies in Russia, Ukraine and Turkey.

Mr. Huth declares that he has no family relations with other members of MONBAT's Board of Directors.

Petar Bozadzhiev – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

In the previous five years Mr. Bozadzhiev:

- a. Has not participated in companies and partnerships as an unlimited liability partner;
- b. Has not held more than 25% of the shares of any companies;

Information of all the companies and partnerships of which Mr. Bozadzhiev has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Member of the BoD of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;
- Member of the BoD of MONBAT NEW POWER AD, UIC: 204333335; 32A Cherny Vrah Blvd., Sofia;

Details of any bankruptcies, receiverships or liquidations with which Mr. Bozadzhiev has been related with acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Bozadzhiev declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Petar Bozadzhiev has graduate from the University of Portsmouth, UK with a degree in Business Administration. Before joining MONBAT's team, he held positions as a Senior Manager at PwC Serbia and Senior Manager at PwC Bulgaria. He was also a Finance Director at PO GROUP BV.

Mr. Bozadzhiev declares that he has no family relations with other members of MONBAT's Board of Directors.

Yordan Karabinov – Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

Names of all the companies and partnerships of which Mr. Karabinov has been a partner at any time in the previous five years:

- a. He has not participated in companies and partnerships as an unlimited liability partner;
- b. He holds more than 25% of the shares of the following companies:
 - Managing partner with 80% in CONTROL LTD, UIC: 201971539, 4 Budilnik Str., Sofia;
 - Manager and owner in J&K PARTNERS LTD, UIC: 175277788, 4 Budilnik Str., Sofia;
 - Manager and owner in KRAIMORIE BEACH, UIC: 201642757, 70B Ivan Ivanov, 1303 Sofia;

Information of all the companies and partnerships of which Mr. Karabinov has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Chairman of the Bulgarian Institute of Internal Auditors;
- Managing partner in CONTROL LTD, UIC: 201971539, 4 Budilnik Str., Sofia;
- Manager and owner in J&K PARTNERS LTD, UIC: 175277788, 4 Budilnik Str., Sofia;
- Manager and owner in KRAIMORIE BEACH, UIC: 201642757, 70B Ivan Ivanov, 1303 Sofia;

Details of any bankruptcies, receiverships or liquidations with which Mr. Karabinov has been related with acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Karabinov declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Yordan Karabinov has a MBA from IMD's International Institute of Management Development in Switzerland as well as a Bachelor's degree in Business Administration from the American University in Bulgaria. Mr. Karabinov is a member of the ACCA as well as a CIA (Certified Internal Auditor) charter holder. He is the Chairman of the Governing Board of the Institute of Internal Auditors in Bulgaria.

Mr. Karabinov declares that he has no family relations with other members of MONBAT's Board of Directors.

Evelina Slavcheva - Member of the Board of Directors, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

Names of all the companies and partnerships of which Mrs. Slavcheva has been a partner at any time in the previous five years:

- a. She has not participated in companies and partnerships as an unlimited liability partner;
- b. She holds more than 25% of the shares of the following companies:
 - Managing partner with 50% in ELHIM ENERGY, UIC: 200171341, 12 Ivan Milanov Str., 1505 Sofia;

Information of all companies and partnerships of which Mrs. Slavcheva has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Managing partner in ELHIM ENERGY, UIC: 200171341, 12 Ivan Milanov Str., 1505 Sofia;

Details of any bankruptcies, receiverships or liquidations with which Mrs. Slavcheva has been related with acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mrs. Slavcheva declares the lack of legally defined circumstances, namely, that in the last five years she has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

From 1986 Mrs. Evelina Slavcheva has been a graduate engineer in Chemistry with a Masters' degree in Electrochemical Manufacturing and Current Sources from the University of Chemical Technology and Metallurgy in Sofia. In 1990, Mrs. Slavcheva received a Ph.D. in Electrochemistry from the University of Chemical Technology and Metallurgy in Sofia. In 2010, Mrs. Slavcheva has been granted a Doctor's degree in Chemical Sciences from the Institute of Electrochemistry and Energy Systems of the Bulgarian Academy of Sciences. During the period of 1995-2000, Mrs. Slavcheva has undergone a number of specialized trainings at the Institute of Physics and Theoretical Chemistry at the University of Bonn in Germany, the National Physical Laboratory in Teddington, UK and the Institute of Applied Sciences in Iserlohn, Germany. Mrs. Slavcheva is a professor at the Institute of Electrochemistry and Energy Systems at the Bulgarian Academy of Sciences since 2012.

Mrs. Slavcheva declares that she has no family relations with other members of MONBAT's Board of Directors.

According to the requirements of Art. 116a, para. 2 of POSA, at least one third of the members of the board of directors or the supervisory board of a public company must be independent. An independent member of the board may not be:

1. an employee of the Issuer;
2. a shareholder who owns directly or through related parties at least 25% of the votes in the General Meeting or is associated with the Issuer person;
3. a person who has sustained commercial relations with the Issuer;
4. a member of the management or supervisory body, procurator or employee of a company or other legal entity under point 2 and 3 above;
5. a person connected with another member of management or supervisory body of the Issuer.

The function of independent members of MONBAT AD's BoD is performed by Evelina Slavcheva, Alexander Chaushev, Yordan Karabinov, Nikolay Trenchev, and Stoyan Stalev, all eligible under the abovementioned conditions. This function is performed by these members of the BoD of the Company since the date of their registration as such in the Commercial Register.

Petar Hristov Petrov – Procurator of MONBAT AD, business address: Sofia, 32A Cherny Vrah blvd., floor 4.

Names of all the companies and partnerships of which Mr. Petrov has been a partner at any time in the previous five years:

- a. He has not participated in companies and partnerships as an unlimited liability partner;
- b. He holds more than 25% of the shares of the following companies:
 - Managing partner with 25% in BELNIKOLOV AND PARTNERS LTD, UIC 175217702, 4 Golo Burdo Str.1407, Sofia;
 - Manager and owner in LOPUSHANSKA SECVOIA LTD, UIC: 200280522, 76 Industrialna Str., Montana;

Information of all companies and partnerships of which Mr. Petrov has been a member of the administrative, management or supervisory bodies and /or other senior manager at any time in the previous five years:

- Managing partner in BELNIKOLOV AND PARTNERS LTD, UIC 175217702, 4 Golo Bardo Str.1407, Sofia;
- Manager and owner in LOPUSHANSKA SECVOIA LTD, UIC: 200280522, 76 Industrialna Str., Montana;

Details of any bankruptcies, receiverships or liquidations with which Mr. Petrov has been related with acting in the capacity of a member of the administrative, management or supervisory bodies and /or other senior manager was associated for at least the previous five years – none.

Through his signature on the last page of this Registration Document, Mr. Petrov declares the lack of legally defined circumstances, namely, that in the last five years he has not been:

- convicted of fraud;
- associated with any bankruptcies, receiverships or liquidations in his capacity of a member of the administrative, management or supervisory bodies and /or other senior manager;
- officially and publicly incriminated and / or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- deprived by the court of law to be a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Mr. Petrov has not been subject to coercive administrative measures or administrative penalties in connection with his activities in the last five years.

In 1989, Mr. Petrov graduated from the Higher Institute of Finance and Economics in Svishtov with a Masters' degree in Accounting. From 2008 until 2015, Mr. Petrov has been an Executive Officer of MONBAT AD. From Feb. 2008 until Aug. 2008 he was Chief Accountant of MONBAT AD. From Sept. 1996 until Feb. 1998 he was procurator and chief accountant at Postbank, Montana Branch.

Mr. Petrov declares that he has no family relations with other members of MONBAT's Board of Directors.

The Company has appointed an Investor Relations Director – Mrs. Daniela Peeva, whose contacts are listed on page 2 of this Document.

14.2. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT CONFLICTS OF INTERESTS

The following are absent for the administrative, management and supervisory bodies of the Company:

- potential conflict of interest between the duties of members of the BoD of the Company and their private interests or other duties;
- agreements between major shareholders, clients and others, based on which one of the members of the BoD was elected member;
- There are no other restrictions on disposal within a certain period of assets in securities of the Issuer's shareholders, members of the administrative, management and supervisory bodies and senior management.

15. REMUNERATION AND BENEFITS

The amount of remuneration, rewards and / or benefits of each member of the management and supervisory bodies for the financial year paid by the Issuer and its subsidiaries, whether or not they had been included in the costs or had been the result of a distribution of profits, including:

- a) the amount of remuneration paid and in kind granted benefits;
- b) any contingent or deferred compensation, incurred during the year, even if the remuneration is due at a later stage;
- c) the total amounts set aside or accrued by the Issuer or its subsidiaries to provide pension, retirement or similar benefits.

Table 22: Remunerations of the members of the BoD and the procurator of the Issuer for 2016.

Name	Positions	Net annual amount/BGN
Atanas Bobokov	chairman and executive director	713 640
Plamen Bobokov	Member	792 000
Aleksandar Chaushev	Member	32 000
Nikolay Trenchev	Member	32 000
Kamen Zahariev	Member before 17/11/2016 r.	-
Florian Huth	Member	-
Petar Bozadjiev	Member	32 000
Jordan Karabinov	Member	32 000
Evelina Slavcheva	Member	5 310
Petar Petrov	Procurator	133 670

Source: MONBAT AD

The General Meeting of Shareholders held on 27.06.2016 authorized the Board of Directors of the Company to set aside 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. The additional remuneration was paid to Mr. Atanas Bobokov and Mr. Plamen Bobokov – BGN 500,000 for each one of them. The other members of BoD as well as the procurator of MONBAT AD had not received additional remuneration.

The members of the BoD of the Issuer and the procurator did not receive any remuneration in kind from MONBAT AD and / or its subsidiaries.

In the activity of the Issuer and the companies of its economic group no amounts for pensions, other retirement benefits or similar benefits are accrued or paid.

16. BOARD PRACTICES

16.1. DATE OF EXPIRATION OF THE CURRENT TERM OF OFFICE

According to the Articles of Association of the Company, the members of the BoD are elected for a term of up to five years and may be re-elected without limitation. After the expiration of its mandate, BoD members continue to perform their functions until the election of a new BoD from the General Meeting, unless released or deleted.

The members of BoD Atanas Bobokov, Plamen Bobokov, Alexander Chaushev, Stoyan Stalev, Nikolay Trenchev and Florian Huth have been elected to the Board by General Meeting on 26/06/2012, Petar Bozadjiev and Jordan Karabinov have been elected to the Board by General Meeting on 07/12/2015, and Evelina Slavcheva has been elected to the Board by General Meeting on 08/11/2016.

16.2. INFORMATION ABOUT MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES' SERVICE CONTRACTS WITH THE ISSUER OR ANY OF ITS SUBSIDIARIES PROVIDING FOR BENEFITS UPON TERMINATION OF EMPLOYMENT, OR AN APPROPRIATE NEGATIVE STATEMENT

According to BoD Remuneration Policy, the Company does not owe compensation to BoD members upon termination of contract in the following cases:

- due to contract expiry without mandate renewal;
- due to early contract termination not by fault of the Company;
- due to failure to comply with the early termination notice;
- due to failure to comply with the non-compete clause of the contract.

16.3. INFORMATION ABOUT THE ISSUER'S AUDIT COMMITTEE

The Company's Audit Committee was elected by the General Meeting on June 26th 2017 consisting of Georgi Stoyanov Trenchev, Aneliya Petkova Angelova – Tumbeva and Yordan Karabinov. Aneliya Petkova Angelova – Tumbeva serves as the Audit Committee Chairman. Georgi Stoyanov Trenchev and Aneliya Petkova Angelova – Tumbeva are independent members of the Audit Committee.

Audit Committee members are elected and discharged by the General Meeting of the Company upon MONBAT's BoD proposal. The Audit Committee is elected for a term of one year.

All three members of the Audit Committee comply with the Independent Financial Audit Act (IFAA) provisions – they have the necessary educational and professional requirements as well as background in MONBAT's field of business. All of them have Master degree in Finance or Accounting and more than five years of relevant practical professional experience in accounting or auditing.

The Audit Committee performs the following functions, according to the Audit Committee's statute approved by the General Meeting on June 26th 2017:

FUNCTIONS, RIGHTS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE WITH REGARDS TO FINANCIAL AUDIT

MONBAT'S Audit Committee:

- Oversees the independent financial audit of the annual financial reports carried out by the elected registered auditor by taking into account any findings or conclusions of the Commission for Public Oversight of Statutory Auditors (CPOSA) referring to Art. 12, paragraph 6 of Regulation (EC) No 537/2014;
- reviews and monitors the independence of the registered auditors in accordance with the requirements of Chapters Six and Seven of IFAA as well as with Art. 6 of Regulation (EC) No 537/2014, including the appropriateness of the provision of non-audit services to the audited entity in accordance with Art. 5 of that Regulation;
- demands from the registered auditor immediate information in writing about any circumstances that have impaired or might impair the registered auditor's independence in performing an accepted audit engagement, according to Art. 31, paragraph 2, p.1 of IFAA;

- demands from the registered auditor immediate information in writing about any identified or potential material breaches of the effective legislation, of entity's instruments of incorporation or other internal acts, of which the registered auditor has become aware in performing the audit engagement;
- demands explanation about the nature and the basis for modifying auditor's opinion in the audit report, as well as the emphasis of matter paragraphs and other matter paragraphs which have not modified the auditor's opinion;
- demands a copy of the compulsory professional indemnity insurance of the statutory registered auditor;
- receives additional report to the audit report as stipulated in Art. 59 and Art. 60 of IFAA;
- oversees compliance with all legal and supervision provisions when appointing a registered auditor, including conducting all necessary reviews for independence, qualification and reputation of the latter as well as for the quality of the audit services, and makes a recommendation to the General Meeting for the registered auditor to be appointed;
- is responsible for the procedure for the selection of registered auditor according to the following sample eligibility criteria: audit approach; audit expertise and experience in the respective economic sector; use of IT solutions; internal quality control; communication strategy; internal quality control score by CPOSA and the Institute of Certified Public Accountants (ICPA) for the registered audit entity and any single person, partnering for the audit engagement; insurance coverage; price based on the economically most advantages offer;
- reviews the proposed audit scope and approach by the registered auditor and coordinates the financial audit process within the internal audit department;
- monitors compliance with the registered auditor's remuneration provisions, according to Art. 6 of IFAA as well as informs CPOSA and BoD for all particular decisions, according to Art. 6, paragraph 3 of IFAA in seven days after the date of the decision;
- oversees the registered auditor's rotation principle is applied;
- monitors and oversees if the registered auditor performs "prohibited services" as stipulated by IFAA and Regulation (EC) No 534/2014;
- permits "prohibited services" as stipulated by IFAA and Regulation (EC) No 534/2014 according to an approved procedure allowing carrying out "prohibited services" outside the statutory financial audit and after an evaluation of the potential threats to the auditor's independence together with all precautionary measures taken; informs CPOSA seven days after the date of the approval;
- reviews and discusses all written communication between the Company's management and the registered auditor, including the representation letter signed by the management body, the list with all substantial and non-substantial uncorrected issues established during the audit, and etc.;
- periodically discusses all substantial accounting policies and practices with the registered auditor as well as all important alternative financial information treatment according to the acknowledged and applied accounting standards;
- monitors at least once a year the internal control system of the registered auditor as well as all relationships between the registered auditor and the Company;
- performs individual meetings with the registered auditor to discuss issues preserved the Committee and the registered auditor as confidential;
- must be informed for all obstacles created by the corporate management which impede the registered auditor's ability to carry out an independent financial audit, including limiting the scope of the registered auditor's work;
- performs all other functions and rights as stipulated by the current provisions in the national and European regulations.

FUNCTIONS, RIGHTS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE IN TERMS OF INTERNATL CONTROL AND INTERNAL AUDIT

MONBAT's Audit Committee:

- supervises the financial reporting process, reviews the financial reporting thoroughness and makes recommendations and propositions to guarantee its effectiveness;
- periodically reviews the Company's internal control adequacy and effectiveness when it comes to financial reporting, including any substantial changes in the internal control system;
- periodically reviews internal control system's effectiveness in managing risks and the internal audit function in relation to the financial reporting of the Company and makes recommendations to improve their effectiveness;
- reviews all applicable accounting standards and Company's policies changes and their effects on financial statements preparation, respectively preparing and implementing new and adequate internal control functions;

- reviews all regulatory requirements related to the structure of the financial information and the financial statements content and any other complement information;
- reviews all related party transactions and their compliance with relevant legal provisions for their approval, reporting and disclosure;
- prepares and controls a system for violations and omissions signals in the financial reporting, internal control system and independent audit processes, including anonymous signals for material accounting and audit issues, respectively in cases of potential misconduct or fraud in the Company;
- reviews all reports to management concerning substantial omissions and recommendations related to the internal and external audit review of the internal control system in the Company;
- takes part in the consulting process for the selection and release of the internal audit chairperson in the Company in case such exists;
- reviews the structure and functions of the internal audit department in the Company, including its members' qualifications and approves the annual audit plan and all its changes;
- annually reviews and recommends changes in the statute of the internal audit department of the Company;
- periodically reviews together with chairperson of the internal audit department, all substantial difficulties and disagreements with management as well as all imposed restrictions on the internal audit department's ability to perform its activities;
- periodically reviews and updates the Company's code of ethics, including the internal system monitoring compliance with ethical and legal provisions;
- reviews the risk assessment policy related to the risk management part of the Company's financial reporting process and recommends improvements.

16.4. A STATEMENT AS TO WHETHER OR NOT THE ISSUER COMPLIES WITH ITS COUNTRY'S OF INCORPORATION CORPORATE GOVERNANCE REGIME(S).

MONBAT AD prepares a Corporate Governance Declaration according to the requirements of Art. 100m, para. 8 of POSA as part of its individual and consolidated annual statements.

The Corporate Governance Declaration is disclosed, in accordance with the requirements of Art. 100t of POSA, and is an integral part of Issuer's annual individual and consolidated statements as at 31.12.2016.

MONBAT AD abides as appropriate by the National Corporate Governance Code and operates in full compliance with the principles and provisions of the Code.

In addition to the National Corporate Governance Code, MONBAT AD applies the following corporate governance practices: Recommendations of the UN Global Compact. MONBAT AD is a member of the Global Compact and prepares an annual Progress Communication Report.

The Company's Corporate Governance Declarations are published in Bulgarian and English on the Issuer's website (www.monbat.com) and are disclosed through the websites of Investor.bg, Infostock.bg and X3News.com.

17. EMPLOYEES

17.1. THE NUMBER OF EMPLOYEES

Table 22: The number of employees in the Group of MONBAT AD for each financial year for the period covered by the historical financial information up to the date of the Registration document

	2014			2015			2016			At the date of this Prospectus		
	Manufacturing	Admin. and sales	Total	Manufacturing	Admin. and sales	Total	Manufacturing	Admin. and sales	Total	Manufacturing	Admin. and sales	Total
MONBAT AD	277	39	316	270	40	310	316	51	367	337	72	409
Start AD	81	20	101	93	24	117	135	31	166	113	41	154
Monbat Recycling EAD	62	40	102	65	40	105	55	32	87	60	38	98
SC Monbat Recycling Srl – Romania	67	16	67	65	15	80	64	16	80	68	20	88
Monbat Recycling Serbia	9	8	17	6	8	14	16	9	25	34	25	59
Octa Light Bulgaria AD	69	30	99	89	37	126	107	41	148	100	42	142
YU Monbat		11	11		11	11		10	10		10	10
Monbat Romania		5	5		4	4		4	4		4	4
Energy Batteries Nigeria Limited								3	3		6	6
EAS Batteries, Germany			0			0			0	19	6	25
Monbat New Power			0			0			0		1	1
Monbat Holding GmbH, Germany			0			0			0		1	1
Total for the Group	565	153	718	588	179	767	693	197	890	731	266	997

Source: MONBAT AD

For the period covered by the historical financial information up to the date of the Registration document MONBAT AD and its subsidiaries have not hired a significant number of employees on temporary contracts.

17.2. SHAREHOLDINGS AND STOCK OPTIONS

As of the date of this Registration Document, the following members of the BoD of MONBAT AD possess shares in its share capital:

- Atanas Bobokov – Chairman and CEO – 110 shares
- Alexandar Chaushev – 8 630 shares

The other Board members of MONBAT AD, the procurator of MONBAT AD as well as the members of boards of the Company's subsidiaries do not hold shares of the Issuer,

As of the date of this Document, there are no available options for additional shares acquisition for any member of the BoD of MONBAT AD. The current Remuneration Policy for the BoD of MONBAT AD provides granting of stock options, shares of MONBAT AD or other shares based motivation schemes for the members of the senior management, (including the procurator), but none have been paid or given.

17.3. DESCRIPTION OF ANY ARRANGEMENTS FOR INVOLVING THE EMPLOYEES IN THE CAPITAL OF THE ISSUER.

There are no arrangements for involving the employees in the capital of the Issuer.

18. MAJOR SHAREHOLDERS

18.1. INFORMATION ABOUT MAJOR SHAREHOLDERS

As of the date of this Document, these persons are not the members of the BoD of the Issuer and own directly over 5% of its share capital:

Name of the shareholder	Number of shares	Percentage of the share 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%

18.2. WHETHER THE ISSUER'S MAJOR SHAREHOLDERS HAVE DIFFERENT VOTING RIGHTS

The main shareholders of the Issuer have identical voting rights. All shares of MONBAT AD are ordinary, dematerialized and give equal rights to their holders.

18.3. STATE WHETHER THE ISSUER IS DIRECTLY OR INDIRECTLY OWNED OR CONTROLLED AND BY WHOM AND DESCRIBE THE NATURE OF SUCH CONTROL AND DESCRIBE THE MEASURES IN PLACE TO ENSURE THAT SUCH CONTROL IS NOT ABUSED

According to the definition of § 1, item 14 of Supplementary provisions of POSA, "control" shall be in effect where a person:

- holds, inter alia through a subsidiary or by virtue of an agreement entered into with another person, more than 50 per cent of the number of votes in the General Meeting of a company or another legal person; or
- may designate, whether directly or indirectly, more than one-half of the members of the management body or the supervisory body of a legal person; or
- may in any other way exert decisive influence on decision making in connection with the business of a legal person.

As of the date of the Registration Document, the person, who directly controls the Company within the meaning of § 1, item 14 of the Supplementary Provisions of the POSA is:

- PRISTA OIL HOLDING EAD**, UIC: 121516626, Address: 20 Zlaten Rog Str., Sofia that holds 42.73% of MONBAT AD shares. PRISTA OIL HOLDING EAD is related with **MONBAT TRADING Ltd.**, UIC: 130137657, 9 Laos Kashrut Str., 1606 Sofia that holds 7.06% of MONBAT AD shares.

As of the date of the Registration Document, the persons, who indirectly control the Company within the meaning of § 1, item 14 of the Supplementary Provisions of the POSA are:

- Atanas Bobokov** and **Plamen Bobokov** together have indirect controlling interest in MONBAT AD through their indirect controlling shareholding in PRISTA OIL GROUP B.V., a holding company, incorporated in Amsterdam, Netherlands, which controls PRISTA OIL HOLDING EAD и MONBAT TRADING Ltd, as outlined in Section 7 ("*Organizational Structure*") of this Document.

18.4. A DESCRIPTION OF ANY ARRANGEMENTS, KNOWN TO THE ISSUER, THE OPERATION OF WHICH MAY AT A SUBSEQUENT DATE RESULT IN A CHANGE IN CONTROL OF THE ISSUER

The Issuer is not aware of any agreements that may lead to change in its control in the future.

19. RELATED PARTY TRANSACTIONS

The Issuer's related party transactions for the period, covered by the historical information and until the date of the Registration Document are presented below. All transactions comply with the standards, established in Regulation (EC) 1606/2002.

Table 23: Transactions with owners

Transactions with owners (BGN 000)	2014	2015	2016	At the date of this Prospectus
Monbat Trading OOD				
- purchases of goods and services	538	1 007	242	500
- dividends paid	633	413	771	779
- sales of services	24	24	24	22
Prista Oil EAD				
- purchases of goods	-	1 652	-	-
- purchases of others	-	18	7	6
- purchases of materials	7	14	27	20
- purchases of services	2	67	283	5
- purchases of non-current tangible assets	-	48	44	-
- sales of goods	2 591	9 011	2 776	2 616
- sales of services	5	53	-	-
- sales of other	-	186	2	-
- granted funds	2 900	-	-	5 085
- accrued interest	1 212	904	757	546
- dividend net-off	4 282	-	-	4 714

Source: MONBAT AD

Table 24: Transactions with other related parties:

Transactions with other related parties (BGN 000)	2014	2015	2016	At the date of this Prospectus
PCHMV AD				
- accrued interest	66	82	9	-
- purchases of non-current tangible assets	(2)	-	(23)	(13)
- purchases of services	(6)	(2)	(26)	(9)
IBT OOD				
- purchases of non-current tangible assets	(20)	(9)	(116)	(343)
- purchases of other	-	-	(3)	-
- purchases of services	-	-	-	(17)
- purchases of materials	(10)	(8)	(3)	-
- sales of non-current tangible assets	-	-	-	11
- sales of production	3	10	38	-
- sales of services	10	-	-	-
KOM EOOD				
- purchases of non-current tangible assets	(1 816)	-	-	-
- purchases of services	(31)	(22)	(19)	(14)
- purchases of materials	(105)	(98)	(1)	(1)
Agencia Apeks OOD				
- sales of production	45	-	-	-
Atanas Bobokov				
- granted funds	(235)	(350)	155	-

Source: MONBAT AD

Table 25: Transactions with key management personnel

Transactions with key management personnel (BGN 000)	2014	2015	2016	At the date of this Prospectus
Short-term employee benefits:				
-salaries	2 930	3 082	4 062	3 202
-social security contributions	220	204	213	243
-company cars	135	131	127	103
TOTAL	3 285	3 417	4 402	3 548

Source: MONBAT AD

Table 26: Related party balances at year-end

Related party balances at year-end	2014	2015	2016	At the date of this Prospectus
Current receivables from:				
- Agencia Apeks OOD - trade receivables	-	74	20	20
- Atanas Bobokov - granted funds	350	585	430	2 048
- Prista Oil EAD - granted funds	18 140	18 140	18 140	23 225
- Prista Oil EAD - trade receivables	2 645	6 668	6 782	10 127
- Prista Oil EAD - interest	755	1 659	2 416	3 109
- PCHMV JSC - granted funds	1 360	1 360	-	-
- PCHMV JSC - interest	129	195	-	-
- IBT OOD – granted funds	93	123	81	81
- IBT OOD – trade receivables	-	46	54	87
- IBT OOD – interest	-	14	30	32
- KOM EOOD - interest	4	8	105	174
- KOM EOOD – granted funds	44	2 100	2 150	2 150
- Octa Light EOOD– interest	7	8	-	-
- Octagon International - granted funds	-	427	427	11 184
- Octagon International - interest	-	15	31	45
- Georgy Trenchev- granted funds	5	5	5	5
- Monbat Trading OOD - trade receivables	-	-	2	2
- Florian Huit – granted funds	-	-	98	49
- Monbat Eco Project – granted funds	-	-	222	222
- Monbat Eco Project – interest	-	-	2	10
- Monbat New Power - granted funds	-	-	-	-
- Monbat New Power – interest	-	-	-	-
TOTAL	23 532	31 427	30 995	52 570
Non-current payables to:				
- Ecobat AD – dividends	6	6	6	6
- Bat AD – dividends	1	1	1	1
TOTAL	7	7	7	7
Текущи задължения към:				
- Prista Oil EAD - trade payables	4	24	357	371
- Monbat Trading OOD - dividends	-	184	771	1 549
- Monbat Trading OOD - trade payables	-	9	-	-
- Octa Light EOOD - trade payables	-	1	-	-
- IBT-trade payables	-	4	15	151
- KOM EOOD - trade payables	7	83	67	76
- Prista Oil Romania	2	-	2	2
- PCHMV AD- trade payables	2	-	12	-
- Torlashka sreshta - trade payables	-	-	20	-
- Prista Oil EAD - dividends	-	-	-	4 714
TOTAL	15	305	1 244	6 863

Source: MONBAT AD

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

20.1. HISTORICAL FINANCIAL INFORMATION

MONBAT AD has prepared and disclosed audited annual consolidated and individual financial statements as of 31/12/2014, 31/12/2015 and 31/12/2016, as well as unaudited interim consolidated financial statements as of 30/06/2016 and 30/06/2017 and unaudited interim individual financial statements as of 30/09/2017. The mentioned statements are disclosed in Bulgarian and English and include:

- Balance sheet;
- Income Statement;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Notes of the financial statements;
- Activity Reports;
- Independent Auditor`s Reports of Consolidated Financial Statements as of 31/12/2014; 31/12/2015 and 31/12/2016
- The information under Art. 7 of Regulation (EU) 596/2014 on market abuse with respect of circumstances occurring during the reporting period - for the interim unaudited consolidated financial statements as of 30/06/2016 and 30/06/2017
- Additional information under Art. 33, para. 1, item 7 of Ordinance № 2 of the FSC - for the interim unaudited consolidated financial statements as of 30/06/2016 and 30/06/2017
- Information under Appendix 9 of Ordinance 2 of the FSC - for the interim unaudited consolidated financial statements as of 30.06.2016 and 30.06.2017
- Corporate governance consolidated declaration pursuant to the requirement of the provisions of art. 100n, para. 8 of the POSA as of 31/12/2016;
- A "Comply or Explain" Reports according to the requirements of the National Corporate Governance Code - for the annual audited consolidated financial statements as of 31/12/2014 and 31/12/2015
- Information under Appendix 11 of Ordinance 2 of the FSC - for the annual audited consolidated financial statements as of 31/12/2014, 31/12/2015 and 31/12/2016

All of the abovementioned documents can be accessed by investors on the webpage of the Issuer (<http://www.monbat.com/bg/pages/financial-reports.html>) and on the webpages of internet media, through which the Issuer discloses information – [Investor.bg](#); [Infostock.bg](#) and [X3News.com](#). The aforementioned documents are presented also to FSC and BSE - Sofia within the allowed deadlines through a single point for disclosure of information according to the requirements of POSA and its implementing acts. These documents would also be provided upon request to any potential investor in MONBAT AD in the offices of "Elana Trading".

20.2. PRO FORMA FINANCIAL INFORMATION

Pro forma financial information is not provided.

20.3. AUDITING OF HISTORICAL ANNUAL FINANCIAL INFORMATION

The historical financial information in this Document is based on data from the annual audited consolidated financial statements of the Company as of 31/12/2014, 31/12/2015 and 31/12/2016, together with the auditor's reports and the accounting policies, adopted by the Company as well as from interim unaudited consolidated financial statements as of 30/06/2016 and 30/06/2017, prepared in accordance with IFRS.

The annual historical financial information, used in this Registration Document has been audited.

For the period covered by the historical financial information, there are two qualified opinions expressed on the audited consolidated financial statements of MONBAT AD as of December 31, 2014 and December 31, 2016.

According to Independent Auditor's Report on the audit of the consolidated financial statements of MONBAT AD as of 31/12/2014, the auditor expressed qualified opinion: „*In our opinion, except for the possible effects of the matter, described in paragraph 6, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014, and its financial performance and its cash flow for the year then ended, in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union (“EU”). Basis for qualified opinion: „As described in Note 8 to the consolidated financial statements, the property, plant and equipment includes assets with carrying amount of BGN 13,948 thousand, owned by Monbat DOO, Serbia an entity, which is not operating in 2014 and is consolidated within the Group. Management of the Group has assessed recoverable amount of these assets on the basis of expected sale proceeds less cost to sell. Owing to the market specifics and lack of active market with similar assets the determination of the recoverable amount of these assets is highly uncertain. As a result, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the above described property, plant and equipment, owned by Monbat DOO, Serbia, as of December 31, 2014. Consequently, we were unable to determinate whether any adjustments to this amount were necessary”.*

According to Independent Auditor's Report on the audit of the consolidated financial statements of MONBAT AD as of 31/12/2016, the auditor expressed qualified opinion: „*We have audited the accompanying consolidated financial statements of MONBAT (the Parent-company”) and its subsidiaries (together “the Group”), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash-flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, except for the possible effects of the matter, described in Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flow for the year then ended, in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union (“EU”). Basis for qualified opinion: As disclosed in note 3.25.1 to the accompanying consolidated financial statements, as at December 31, 2016 the Group has performed test for impairment regarding property, plant and equipment and intangible assets owned by a subsidiary Octa Light Bulgaria AD with carrying amount of BGN 11,869 thousand and 980 thousand, respectively, as well as related loans and receivables with carrying amount of BGN 2,155 thousand. The test for impairment is based on discounted cash-flow model based on expected proceeds from current and future projects of the subsidiary in subsequent reporting periods. We have not received sufficient and appropriate audit evidence related to the determination of the projected cash-flows. In addition, due to the competitive market and actual results of the subsidiary for 2015 and 2016, there is significant uncertainty related to the expected proceeds from future projects. We were unable to satisfy ourselves, through other audit procedure, as to recoverability of these assets as at December 31, 2016. As a result, we were unable to determine whether any adjustments might have been found necessary on the property, plant and equipment, intangible assets and loans and receivables as at December 31, 2016 and the possible effect on the consolidated statements of comprehensive income for the year ended December 31, 2016”.*

The full texts of the auditor's reports to the annual audited consolidated financial statements of MONBAT AD as of 31/12/2014 and 31/12/2016 will be available for investors as part of the complete package of financial statements, mentioned in Section 24 (“*Documents on display*”) of this Registration Document.

This Document does not contain financial information other than presented in the audited annual consolidated financial statements for the historical period.

The interim information provided in this Document is based on MONBAT AD interim unaudited consolidated financial statements as of 30/06/2016 and 30/06/2017.

20.4. DATE OF LATEST FINANCIAL INFORMATION

The most recent financial information in this Document is from the interim unaudited consolidated financial statement of the Company as of 30/06/2017, except information, provided on the date of this Document, whose source is MONBAT AD.

In Section 3.3 (“*Capitalization and indebtedness*”) of the Securities Note is used information from the last published unaudited individual financial statements as of 30/09/2017, except for information, provided as of the date of the Securities Note, whose source is MONBAT AD.

20.5. DIVIDEND POLICY

The BoD of the Company has adopted a 5-year dividend policy in 2012. According to this policy, the BoD will offer to the General Meeting of Shareholders to distribute as a dividends up to 50% of the net profit of MONBAT AD depending on consolidated net financial result of the Group of MONBAT for the respective period.

After the expiration of dividend policy period, no specific decision was taken on a new one.

Table 28: Voted dividends of MONBAT AD for 2014, 2015 and 2016.

Indicators (consolidated)	2014	2015	2016	30.6.2016	30.6.2017
Dividend approved by the General Assembly	5 850	10 920	11 032	-	-
Dividend per share (BGN)	0.15	0.28	0.28	-	-

Source: MONBAT AD

20.6. LEGAL AND ARBITRATION PROCEEDINGS

By the date of this document, the Issuer has no hanging governmental, legal or arbitration proceedings. It is not aware of having any of these at the moment or of any threat of having had them in the period of the last 12 months, which could have had significant consequences on the Issuer and its subsidiaries and/or its or their financial position or profitability in the recent past. The Issuer has no information about any governmental, legal or arbitration proceedings that can be brought upon it and can affect its financial position or profitability in the near future.

20.7. SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

No substantial change in the financial or trading position of the Issuer has been evident after the end of the last published audited financial information for 2016, the date of the last published consolidated interim report for the first half of 2017 and the date of this Document.

21. ADDITIONAL INFORMATION

21.1. SHARE CAPITAL

As of the date of this Prospectus, the registered share 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 per share.

Every ordinary share entitles voting rights in the General Meeting of Shareholders, the right to a dividend and a liquidation stake, corresponding to its nominal value.

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 per share;
- 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 per share.
- 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 per share.
- 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 per share.
- By a resolution № 11 of 07.08.2006 of Sofia District Court has 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 has 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 per share.
- At the General Meeting 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.

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

As of the date of this Registration Document, the Company does not hold own shares. MONBAT AD has not acquired and transferred own stocks through the period.

START AD, a subsidiary of MONBAT AD, owns 10,946 shares of MONBAT AD. The Start AD shares have not been acquired under the conditions of share buyback procedure. Therefore, in the consolidated financial statements as of 30.06.2017 these are reported as treasury stocks - a case equivalent to the acquisition of own shares within the meaning of Art. 187e, par. 1, item 2 of the Bulgarian Commercial Act.

As of the date of this document, no persons possess share options on MONBAT AD's capital. No persons are conditionally or unconditionally entitled to such options.

21.2. MEMORANDUM AND ARTICLES OF ASSOCIATION

21.2.1. *A description of the issuer's objects and purposes*

The Issuer's scope of business, according to Art. 5 of its Articles of Association is: production, service and realization of accumulating batteries, engineering, and introduction activity; production and trading with equipment for the manufacture of batteries; external and domestic trade and making of commercial networks; special shops and offices; establishing, acquiring and selling companies, acquisition, management, evaluation and sale of shares in Bulgarian and foreign

companies; evaluation and sale of patents; lease of licenses for using companies' patents, in which MONBAT participate; financing companies in which MONBAT participate or exercise control over them.

The Articles of Association of the Company do not explicitly point out the Company's main objectives, thus can be assumed that the main objectives match the stipulated scope of business.

21.2.2. A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies

GENERAL MEETING OF SHAREHOLDERS

All shareholders with voting rights participate in the General Shareholders Meeting (GM).

All shareholders of the Company are invited to participate personally or by proxy with an explicit, notary signed proxy for the particular GM, according to Art.116 of the POSA and Company's Articles of Association. The shareholders of the Company are entitled to authorize any legal entity or individual to represent them in the GM and to vote on their behalf.

Members of the BoD attend the GM without the voting right unless they are shareholders.

The General Shareholders Meeting passes resolutions on the following issues:

1. Amends and supplements the Company's Articles of Association;
2. Increases and decreases the capital of the Company;
3. Reorganizes and terminates the Company;
4. Elects and releases from duty the members of the BoD and defines the amount of their remunerations as well as the amount of the guarantee, owed by them for their management;
5. Elects and releases from duty the registered auditor;
6. Approves the annual financial statements after its certification by a registered auditor;
7. Passes resolution for the distribution of profit and for contributions to the Reserve Fund;
8. Passes resolution for issuance of bonds;
9. Appoints the liquidators in case the Company is terminated;
10. Releases the members of the BoD from liability;
11. Authorizes the BoD to enter into transactions under Art. 114, para 1 of POSA;
12. Resolves on all issues included in its powers by law or pursuant to the Articles of Association.

The GM is to be held at least once a year at the seat of the Company. The regular GM is to be held not later than the end of the first half of the year following the reporting year. Extraordinary GM may be convened at any time by the BoD as well as pursuant to request from shareholders who hold together or individually at least five per cent of the capital of the Company.

GM may be held and pass valid resolution, if shareholders, who hold at least half of the shares of the Company, attend it in person or are presented. The voting rights in the GM are exercised by the persons, registered in the Central Depository register not later than 14 days before the date of the GM.

A shareholder is not entitled to attend in person or through proxy in the process of voting for:

- Submission of claims against him;
- Taking action or restraint from actions, relating to implementation of his liability to the Company;
- Passing resolutions under Art. 114, para 1 of POSA in the cases when he is an interested party in terms of POSA.

The resolutions of the GM are passed with simple majority of the voting shares presented at the meeting, except in the case when the applicable legislation or provisions of the Articles of Association require higher majority for passing certain resolutions. GM passes resolutions under Art. 114, para 1 of POSA for acquisition or disposal of assets with a majority of 3/4 of the voting shares presented at the meeting and in the remaining cases – with a simple majority. The GM is not entitled to pass resolutions on issues, which are not announced preliminarily and included in the agenda of the meeting according to the provisions of Art. 223 and 223a of the Commercial Act, except, when all shareholders attend or are presented at the meeting and none of them objects the issue raised to be discussed and resolved.

BOARD OF DIRECTORS

The Company is managed and represented by a Board of Directors (BoD) consisting of up to nine members. At least one third of the members of the BoD must be independent persons.

The members of the BoD are elected for a term of up to five years and may be re-elected without limitation.

The members of the BoD have equal rights and obligations, irrespective to the internal distribution of functions among the members.

The members of the BoD are obligated:

1. to perform their duties with the proper care of good businessman in a way, for which they reasonably believe to be in the interest of all shareholders of the Company and using only information for which they reasonably believe to be true and compete;
2. to be loyal to the Company through:
 - a) preferring the interest of the Company before their own interest;
 - b) avoiding direct or indirect conflicts between their interest and the interest of the Company and, in case such conflicts arise – timeously and completely to disclose them in writing before the BoD and not to participate as well as influence the other members of the board when passing resolutions in such cases;
 - c) not disclosing non-public information for the Company including after terminating their membership in the BoD until the relevant circumstances are announced by the Company publicly;

The BoD has the power to pass resolutions if at least one half of its members attend in person or are represented by another member of the board. None of attending members is entitled to represent more than one non-attending member. The resolution of the BoD are to be passed with simple majority of the attending members, unless in those cases, governed by the Articles of Association, when higher majority is required.

The following resolutions of the BoD require majority of 2/3 of its members for being validly passed.

1. Execution of a single or series of related transactions for acquisition and/or disposal of assets from and/or in favour of one person or related persons, the aggregate value of which exceeds EUR 500,000 within one calendar year.
2. Execution of transactions relating to sale and/or other form of disposal of quotas and/or shares and/or going concerns of companies in which the Company participates;
3. Making investments relating to purchase and/or acquisition of quotas and/or shares and/or going concerns of companies;
4. Undertaking obligations and/or establishment of securities on assets of the Company and/or on part of and/or on the entire going concern and/or undertaking of guarantees for securing obligations to one person or to related persons, the aggregate value of which exceeds EUR 500,000 within a calendar year.
5. Establishing the right to use and/or lease of Company's assets to one person or to related persons at an aggregate value of EUR 500,000 within a period of one calendar year;
6. Transactions with related parties in terms of Art. 114, para 2 of POSA.
7. The election of execute members of the BoD who will represent the Company only jointly.
8. Proposal for appointing and terminating the appointment of the Company's auditors and approving the Company's annual audited financial statements;
9. Proposal for distribution of profits
10. Approving the issuance of Bonds by the Company;
11. Setting and changing the authorized signatories of the Company and its bank accounts, and setting and changing the signing limits, execution of staff bonuses of the Company;

21.2.3. A description of the rights, preferences and restrictions attaching to each class of the existing shares.

The Company's capital is divided into shares, which give equal rights to their holders. The shares are ordinary, dematerialized, and freely transferable, with a nominal value of BGN 1 per share. The rights adjoined to these shares are separated in two main groups - tangible and intangible. Tangible rights of the shareholder are the right to dividend and the right to a liquidation stake. Intangible rights of the shareholder can be divided into three groups: management, control and protection.

Each share entitles its holder additional rights arising from fundamental rights and are directly or indirectly related.

TANGIBLE RIGHTS OF SHAREHOLDERS:

1. **Right to a dividend** - right to dividend is a basic tangible right of a shareholder, which translates into the right to receive a share of the net profit of the Company in proportion to its stake in the capital of the same, subject to conditions specified in the law. Public companies have the right to pay annual and semi-annual dividends, if that is provided for in the Articles of Association and according to Art. 247a of the Commerce Act.

The right to receive a dividend belongs to all shareholders who are registered with the Central Depository as shareholders of the Company on the 14th day after the date of the General Meeting, which adopted the annual or semi-annual financial statements and the decision on profit distribution. The Central Depository provides the Company a Shareholders' Book on the above date. The presence of a shareholder in that Book and his/her proper identification are sufficient conditions to enable him/her to obtain a dividend. The Company is obliged to ensure payment of the voted dividend within two months from the date of the General Meeting. All adjoining costs are paid by the Company. The persons authorized to receive dividends may exercise this right within the overall 5-year limitation period, after which the right lapses and unclaimed dividends remain with the Company as reserves.

As of the date of this document, the Articles of Association of MONBAT AD does not provide the payment of a semi-annual dividend.

2. **Right to a liquidation stake** – the right to a liquidation stake is a basic tangible right of a shareholder expressing the right to receive a proportion of the remaining property of the Company upon termination of the Company through liquidation, relevant to his/her stake in the Company. The exercise of the liquidation right suggests a liquidated company. The right to a liquidation stake arises and can be exercised only in case that after the liquidation of the Company and after satisfying the claims of all creditors, there are still remaining assets to be distributed among shareholders.

Right to a liquidation stake is in favour to any individual/entity, who/which is a shareholder of the Company at the time of termination.

INTANGIBLE RIGHTS OF SHAREHOLDERS:

Management rights

1. **Right to vote** – the right to vote is an intangible right of shareholders through which they participate in the management of the Company by participating in decisions on matters within the competence of the General Meeting of Shareholders.

The Company cannot issue shares entitled to more than one vote. If the owners of a share are more than one, they exercise that right together by appointing a proxy.

A shareholder must fully pay the issue price of shares and the Company, respectively, the increase of its capital to be registered with the commercial register, so that the voting right arise. The voting right is exercised by shareholders who acquired shares and are registered in the Shareholders' Book kept by the Central Depository as such at least 14 days before the General Meeting. The presence of a shareholder in that Book and his/her proper identification are sufficient conditions to enable him/her to exercise the voting right. Shareholders with the voting right participate in the General Meeting of Shareholders in person or by proxy, authorized by written proxy pursuant to Art. 116 POSA and Company's Articles of Association.

2. **The right of a shareholder to participate in the management of the Company**, including the right to elect and to be elected in the management bodies of the Company.

Controlling rights

The controlling rights of the shareholders cover their right to information. The right to information is the ability to review all written materials related to the agenda of the General Meeting, to receive these materials upon request free of charge, to receive the protocols and annexes of previous General Meetings, which the Company is obliged to keep. The right to

information includes the right to receive exhaustive answers from the members of the Management Body of the Company to questions raised during the general meeting of shareholders. At any time, the shareholders have the right to request and receive information on the financial and economic condition of the Company's from the Investor Relations Director.

Protective rights

1. The right of appeal against the decisions of the Company's bodies.

Each shareholder may claim against the Company at the district court in order to cancel the decision of the General Meeting when it is contrary to mandatory provisions of the law or the Company's Articles of Association (Art. 74 of the Commercial Act);

Each shareholder may claim at the district court of the Company to defend its right of membership and individual rights when they are violated by the authorities of the Company (Art. 71 of the Commercial Act);

2. The right to request appointment of statutory auditors. That request is submitted with the administration of the Registry Agency if such auditors are not elected by the General Meeting of Shareholders - Art. 249 of the Commercial Act.

3. Minority rights (rights of shareholders holding together or separately at least 5 percent of the capital of the Company) pursuant to Art. 118 of POSA:

Individuals/entities holding together or separately at least 5 percent of the capital of a public company, in case of inaction of the managing bodies, which threatens the interests of the Company, may file lawsuits on behalf of the Company against third parties. The company is summoned as a party to the lawsuit. The above-mentioned persons may:

- a) bring a claim before the district court of the Company for damages caused to the Company by acts or inaction from the members of Management and Supervisory Bodies and the Procurators of the Company;
- b) ask the General Meeting or the district court to appoint financial controllers to inspect all accounting records of the Company and prepare a report on their findings;
- c) ask the district court to convene a General Meeting or authorize their representative to convene a General Meeting together with a determined by them agenda;
4. request inclusion of items and propose decisions on already included in the agenda of the General Meeting items, pursuant to Art. 223a of the Commercial Act, with the exception of cases where on the agenda of the General Meeting is included a voting of decision under Art. 114, para. 1 of POSA.

Additional rights of shareholders

1. Right to subscribe new shares in a capital increase of the Company in proportion to shares already owned prior to the increase. Pursuant to Art. 112, para 1 of POSA in case of a capital increase of the Company, the existing shareholders have the right to acquire new shares corresponding to their stake in the capital before the increase. This right cannot be cancelled or restricted by any provision of the Company's Articles of Association, a decision of the General Meeting or of the Management Body of the Company.

2. The right to preferential acquisition of securities giving the right to acquire shares of the same class as the shares of this issue through their conversion or their rights exercise.

Conditions for buy-back and conversion.

During one calendar year, a public company may acquire, more than 3 percent of its own shares with voting rights in cases of capital reduction by shares cancellation and buy-back only under the terms and conditions of a tender offer under Art. 149b of POSA. In this case, the requirements for holding at least 5 percent and a minimum buy-back amount of more than 1/3 of the shares with voting rights do not apply.

21.2.4. A description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.

The Company's Articles of Association do not contain specific provisions on the action necessary to change the rights for the holders of shares other than those provided for in the existing legislation.

21.2.5. A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission.

The General Meetings of shareholders are convened by the Board of Directors. All shareholders with more than 5% of the shares with voting rights can ask the Commercial Registry to call a General Meeting or entitle their representative to convene a General Meeting together with a determined by them agenda.

The meeting shall be convened through an invitation published in the Commercial Register. The Company is obliged to announce the invitation in the Commercial Register and announce it in line with the terms and conditions of Art. 100s para. 1 and 3 of POSA at least 30 days before the meeting holding. Persons holding together or separately at least 5 percent of the capital of MONBAT AD can request inclusion of items and suggest resolutions for already included items in the agenda for the General Meeting under the procedure of Art. 223a of the Commercial Act. All shareholders, independent of the number of voting shares they own, have the right to make proposition to issues already included in the General Meeting's agenda, according to existing legislation. The deadline for the latter as stipulated by Art. 118, para 2 of POSA is by the end of the last discussion on the issue from the agenda.

The invitation together with the materials of the General Meeting under Art. 224 of the Commercial Act must be sent to the FSC at least 30 days before the holding of the General Meeting and published on the website of the Company for the period from the announcement to the end of the General Meeting. The information under the preceding sentence, published on the web address of the public company, should be identical in content to the information available to the public.

All shareholders of the Company are invited to participate personally or by proxy with an explicit, notary signed proxy for the particular General Meeting according to Art.116 of the POSA and Company's Articles of Association. The shareholders of the Company are entitled to authorize any legal entity or individual to represent them in the General Meeting and to vote on their behalf.

In case of representation of a shareholder at the General Meeting, on the grounds of Proxy Voting Rules, adopted by the BoD it will be necessary to be also presented an explicit, notary signed proxy for the particular General Meeting with the contents under Art.116 of the POSA and containing at least the following requisites:

1. the data about the shareholder and the proxy;
2. the number of shares to which the letter of authorization applies;
3. the items on the agenda;
4. the decision proposals regarding each item on the agenda;
5. the voting instructions in respect of each item, if applicable;
6. date and signature.

The Company publishes together with the invitation for the General Meeting also Rules for voting through a proxy as well as a proxy form.

In case of representation of a shareholder at the General Meeting, on the grounds of Proxy Voting Rules, adopted by the BoD it will be necessary to be also presented an explicit, notary signed proxy for the particular General Meeting with the contents under Art.116, para.1 of the POSA. In the cases when the legal entity is not represented by its legal representative, the proxy holder shall present an identification document, original of a current certificate for a commercial registration of the respective company – shareholder and an explicit, notary signed proxy for the particular General Meeting with the contents under Art.116, para.1 of the POSA.

In case of representation of a company's shareholder by a legal entity – proxy holder, except for an identification document for the proxy holder, representing the company shall be also presented an original of a current certificate for a commercial registration of the respective company – proxy and an explicit, notary signed proxy for the particular General Meeting with the contents under Art.116, para.1 of the POSA.

On the grounds of Art. 116, para. 4 of the POSA reauthorization with the rights given to the representative according to the proxy as well as a proxy given in violation of the provision of Art. 116, para. 1 of the POSA shall be invalid.

The certificate for commercial registration as well as the proxy for representation at the General Meeting of the Shareholders issued in a foreign language must be presented together with a legalized translation in Bulgarian language in accordance with the provisions of the existing legislation. In case of any discrepancy between the texts, the data in the Bulgarian translation shall be considered as true.

Monbat AD shall receive and accept for valid announcements and proxies by electronic means on the following electronic mail: investorrelations@monbat.com as the electronic announcements should be signed with an universal electronic signature (UES) on the part of the authorizer and an electronic document (electronic image) of the proxy is enclosed to them which also has to be signed with an universal electronic signature (UES) on the part of the authorizer.

The proxy of shareholder:

- shall have the same rights to speak and pose questions at the general meeting, as the rights of the shareholder represented;
- shall vote according to the shareholder's instructions;
- may represent more than one shareholder at the public company general meeting. In this case, the proxy may vote differently on the different shares held by the different shareholders represented;
- cannot re-delegate the proxy rights to another person;

Voting rights at the General Meeting of the Shareholders may also be exercised prior to the date of the General Meeting through correspondence.

The Company presents a sample of the written proxy on paper and in electronic version together with the materials for the General Meeting.

Persons/entities entered as shareholders of Monbat Plc in the Central Depository's registers 14 day prior to the date of the General Meeting of the Shareholders are entitled to exercise their voting rights prior to the date of holding the particular session of the General Meeting through correspondence. The voting right at the General Meeting of the Shareholders of Monbat Plc exercised through correspondence shall be an explicit, written, notary certified statement of the company's shareholder for a particular session of the General Meeting and shall include:

- data for identification of the shareholder;
- number of shares to which the statement relates;
- agenda of the items proposed to be discussed at the particular session of the Company's General Meeting of the Shareholders according to the invitation for convocation of the GAS declared in the Commercial Register;
- draft resolutions on each of the items in the agenda;
- way of voting on each of the items in the agenda (for each of the items in the agenda must be indicated only one of the listed ways of voting: "FOR", "AGAINST" or "ABSTAINED");
- date and signature;

The statement made in a foreign language must be presented together with a legalized translation in Bulgarian language in accordance with the provisions of the active legislation.

As a valid means for exercising the voting right through correspondence shareholders of MONBAT AD may use any of the following comprehensively listed means:

- mail – by means of a letter, sent to the management address of the Company with an advice of delivery;
- electronic mail – by means of an electronic announcement which should be signed with an universal electronic signature (UES) on the part of the shareholders and there is an electronic document (electronic image) of the statement enclosed to it which is also to be signed with an universal electronic signature (UES) on the part of the shareholder.
- courier – by means of a letter, sent to the management address of the Company.

The necessary data according to item 2.1. of Rules for voting through correspondence for identification of a shareholder – physical person shall be: full name, unified civil number (UCN) and address.

The necessary data according to item 2.1. of Rules for voting through correspondence for identification of a shareholder – legal entity shall be: company's name, registered seat and management address, unified identification code (UIC) as well as the full name of the company's representative/s by law.

In case that the voting right is exercised through correspondence by a shareholder – legal entity, the explicit statement under item 2 of Rules for voting through correspondence shall be presented together with an original of a current certificate for a commercial registration of the respective company – shareholder. The certificate for a commercial registration issued in a foreign language must be presented together with a legalized translation in Bulgarian language in accordance with the provisions of the active legislation.

Voting through correspondence shall be considered valid by MONBAT AD if the vote is received by the company not later than the day preceding the date of the general Meeting.

If a shareholder of MONBAT AD that had exercised his/her voting right through correspondence, attends the General Meeting in person, the exercised by him/her voting right through correspondence shall be valid, unless the shareholder declares the contrary. In these cases, in relation to the items on which the shareholder casts a vote at the General Meeting, the exercised by such shareholder voting right through correspondence shall drop off. Shares of the persons who have voted through correspondence shall be accounted for in determination of the quorum for the respective session of the General Meeting of the shareholders of MONBAT AD, and the voting shall be indicated in the minutes of the General Meeting.

21.2.6. A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer

There are no such decrees in the current Company`s Articles of Association.

21.2.7. An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed

There are no existing provisions in the corporate documents of the Issuer that govern the ownership threshold above which shareholders' ownership must be disclosed.

21.2.8. A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law

The Company`s Articles of Association does not provide for any terms that govern any changes in capital, or which are more strict than the one, stipulated by the law.

22. MATERIAL CONTRACTS

No material contracts exist outside MONBAT AD's usual operations or outside the usual operations of the economic group of which MONBAT AD is a part. No material contracts exist in which MONBAT AD or the economic group of which it is a part are a party and which may cause a contingent liability or right, and are of material importance to MONBAT AD's ability to meet its liability related to the current financial instrument to be issued.

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

No statements or reports, prepared by individuals in their capacity as experts, are included in this Registration Document. Certain parts of the Registration Document contain reports and statements by third parties, with their explicit attribution, namely:

- Source: Bulgarian National Bank (www.bnb.bg);
- Source: National Statistics Institute (www.nsi.bg);
- Source: Ministry of Finance (<http://www.minfin.government.bg>);

Information obtained from third parties is accurately reproduced and as far as the Issuer is aware and is able to ascertain the information, published by such third parties, no facts that would render the reproduced information inaccurate or misleading are omitted.

The quoted provisions of the Articles of Association of the Issuer are correctly and exhaustively reproduced with no omitted facts that would render the reproduced information inaccurate or misleading.

24. DOCUMENTS ON DISPLAY

The Company declares that during the period of validity of the Registration Document will provide for review the following documents:

- a) the Articles of Association;
- b) financial statements;
- c) this Prospectus of Initial Public Offering of convertible bonds;
- d) declarations under art. 81, para. 5 of POSA by the BoD, the procurator, the compiler of the accounts and the auditor;

All declarations and documents, part of which are included or quoted in the Registration Document, are also at the investors' disposal.

All documents are available at the address for correspondence of MONBAT AD at: 32A Cherny Vrah Blvd., floor 4, 1407, Sofia and at the address of an authorized Investment Intermediary Elana Trading Inc.: 5 Lachezar Stanchev Str., Sopharma Business Towers, tower B, floor 12, Sofia, Bulgaria.

The documents are also available on the web sites of the Issuer (www.monbat.com) and the Intermediary (www.elana.net).

The Prospectus is also available on the web site of the Financial Supervision Commission www.fcs.bg and the web site of Bulgarian Stock Exchange-Sofia (www.bse-sofia.bg)

25. INFORMATION ON HOLDINGS

Below are listed companies, held directly or indirectly by MONBAT AD, whose carrying amount is over 10% of the net assets of MONBAT AD on individual basis as of 30/06/2017.

"Monbat Recycling" EAD, Bulgaria

The seat and management address	32A Cherny Vrah Blvd., floor 4, 1407, Sofia
Scope of business	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.
Country of incorporation	Bulgaria
Share capital	BGN 35,182,402
The number of directly owned from MONBAT shares and their part of voting rights	35,182,402 shares, represented 100% of voting rights
The number of shares owned through subsidiaries and their part of voting rights	-
The carrying amount of participation as at 30/06/2017	BGN 35.182 mln.
Equity as at 30/06/2017	BGN 82.086 mln.
Profit/loss for the last financial year - 2016	The profit of the company for 2016 is BGN 6.015 mln.
Total amount of dividends, paid to MONBAT for the last financial year	-
Total amount of receivables and liabilities of MONBAT related to participation as at 30/06/2017	The amount of liabilities to MONBAT is BGN 16.327 mln. The amount of receivables from MONBAT is BGN 2.424 mln.

"Monbat Recycling" SRL, Romania

The seat and management address	Sos de Centura nr 228 I, tarla 39, Ilfov, Romania
Scope of business	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator 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.
Country of incorporation	Румъния
Share capital	EUR 13,863,477
The number of directly owned from MONBAT shares and their part of voting rights	100 shares with nominal value EUR 2.3 or 0.017% of voting rights
The number of shares owned through subsidiaries and their part of voting rights	5,961,195 shares with nominal value EUR 2.3 or 99.9983% of voting rights
The carrying amount of participation as at 30/06/2017	EUR 13,864 mln.
Equity as at 30/06/2017	EUR 18,222 mln.
Profit/loss for the last financial year - 2016	The profit of the company for 2016 is EUR 2,256 mln.
Total amount of dividends, paid to MONBAT for the last financial year	-
Total amount of receivables and liabilities of MONBAT related to participation as at 30/06/2017	The amount of liabilities to MONBAT is EUR 1,683 mln. There is no receivables from MONBAT

"Monbat PLC" DOO, Serbia

The seat and management address	Indjija, Save Kovacevica BB
Scope of business	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.
Country of incorporation	Serbia
Share capital	EUR 13.354 mln
The number of directly owned from MONBAT shares and their part of voting rights	-
The number of shares owned through subsidiaries and their part of voting rights	13,354,000 shares with nominal value EUR 1 or 100% of voting rights
The carrying amount of participation as at 30/06/2017	EUR 13.354 mln.
Equity as at 30/06/2017	EUR 6.724 mln.
Profit/loss for the last financial year - 2016	The profit of the company for 2016 is EUR 286,000
Total amount of dividends, paid to MONBAT for the last financial year	-
Total amount of receivables and liabilities of MONBAT related to participation as at 30/06/2017	The amount of liabilities to MONBAT is EUR 7.673 mln. The amount of receivables from MONBAT is EUR 498,000

PREPARED THIS REGISTRATION DOCUMENT:

VIKTOR SPIRIEV
FINANCIAL DIRECTOR OF MONBAT AD

THE UNDERSIGNED INDIVIDUALS IN THEIR CAPACITY OF REPRESENTATIVES OF THE COMPANY AND THE INVESTMENT INTERMEDIARY, DECLARE THAT THE REGISTRATION DOCUMENT CORRESPONDS TO THE PROVISIONS OF THE LAW.

FOR MONBAT AD:

ATANAS BOBOKOV
CHAIRMAN AND CEO

PLAMEN BOBOKOV
MEMBER OF THE BOARD

STOYAN STALEV
MEMBER OF THE BOARD

PETAR BOZADZHIEV
MEMBER OF THE BOARD

FLORIAN HUTH
MEMBER OF THE BOARD

NIKOLAY TRENCEV
MEMBER OF THE BOARD

ALEXANDER CHAUSHEV
MEMBER OF THE BOARD

YORDAN KARABINOV
MEMBER OF THE BOARD

EVELINA SLAVCHEVA
MEMBER OF THE BOARD

FOR INVESTMENT INTERMEDIARY ELANA TRADING AD:

MOMCHIL TIKOV
MEMBER OF THE BOARD AND CEO

RADOSLAVA MASLARSKA
CHAIRWOMAN OF THE BOARD