

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 This translation is not for publication or any distribution, directly or indirectly, in whole or in part, in or into the United States, Canada, Australia or Japan.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

SECURITIES NOTE

PART II FROM THE PROSPECTUS FOR AN INITIAL PUBLIC OFFERING OF UP TO 30 000 CORPORATE CONVERTIBLE BONDS

EUR 30 000 000 BOND ISSUE

	FOR ONE BOND	TOTAL
ISSUE/NOMINAL VALUE IN EUR:	EUR 1 000	UP TO EUR 30 000 000
ISSUE/NOMINAL VALUE IN BGN:	BGN 1 955.83	UP TO BGN 58 674 900
FEE OF THE MANAGER *:	BGN 0.67	BGN 20 000
MAX TOTAL EXPENSES FOR THE IPO:	BGN 1.17	BGN 35 006
MAX NET PROCEEDING FROM THE IPO:	BGN 1 954.66	BGN 58 639 894

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

TERMS OF PUBLIC OFFERING

BEGINNING OF THE PUBLIC OFFERING SHALL BE THE LAST DATE ON WHICH THE ANNOUNCEMENT WAS PUBLISHED IN ANY OF THE FOLLOWING PLACES: INVESTOR.BG, X3NEWS.COM, THE ISSUER'S WEBSITE(WWW.MONBAT.COM) AND THE MANAGER'S WEBSITE (WWW.ELANA.NET).

INITIAL DATE FOR TRANSFER OF RIGHTS, IS THE FIRST BUSINESS DAY, FOLLOWING THE EXPIRATION OF 7 CALENDAR DAYS FROM THE BEGINNING OF THE PUBLIC OFFERING.

INITIAL DAY FOR SUBSCRIPTION OF BONDS IS THE SAME AS THE DATE WHEN THE TRANSFER OF RIGHTS BEGINS.

INVESTMENT INTERMEDIARY (THE MANAGER) ELANA TRADING INC. (WWW.ELANA.NET)

* - For more information, see Section. 3.4 "Expenses of the Issuer" below.

THIS PROSPECTUS OF MONBAT AD CONTAINS ALL THE INFORMATION, NECESSARY FOR AN INVESTMENT DECISION, INCLUDING THE MAIN RISKS FOR THE COMPANY AND ITS ACTIVITY. ALL INVESTORS ARE ADVISED TO REVIEW ALL THE PARTS OF THE PROSPECTUS, INCLUDING THIS SECURITIES NOTE AND THE REGISTRATION DOCUMENT BEFORE ADOPTING AN INVESTMENT DECISION.

ANY INVESTMENT IN DEBT CONVERTIBLE CORPORATE BONDS IS RELATED TO CERTAIN RISKS. THE MAIN RISKS, RELATED TO MONBAT AD AND ITS ACTIVITIES, ARE ENLISTED IN SECTION 2 "RISK FACTORS" OF THIS SECURITIES NOTE AND IN SECTION 4 "RISK FACTORS" OF REGISTRATION DOCUMENT.

THE FSC HAS APPROVED THE BULGARIAN VERSION OF THE PROSPECTUS WITH ITS DECISION № 1459-E/21.11.2017, BUT IS NOT LIABLE FOR THE EXACTNESS OF THE INFORMATION PRESENTED INSIDE.

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 SECURITIES NOTE. 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 convertible bonds of MONBAT AD (“The Issuer”, „The Company”) is made 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 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 Securities Note, can become acquainted with the original document, as well as receive a free copy and further information on it:

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 the bond 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

„PITA” - Personal Income Tax Act

“CITA” – Corporate Income Tax Act

“SIC” – Social Insurance Code

“DTC” – Double Taxation Conventions

„TIPC” – Tax-Insurance Procedure Code

SUMMARY OF THE OFFERING

- Issuer:** - MONBAT AD, Sofia
- Issue:** - Dematerialized, interest-bearing, convertible, freely transferable, unsecured, common, registered with the Central Depository
- Manager:** - Elana Trading Inc.
- Offering size:** - up to EUR 30 000 000 (thirty millions)
- Nominal value per Bond:** - EUR 1 000 (one thousand euros)
- Issue price per Bond:** - EUR 1 000 (one thousand euros)
- Minimum amount to consider the loan concluded:** - EUR 15 000 000 (fifteen million euro)
- Purpose of the bond loan:** - Acquisition of non-current financial assets related to the main activity of MONBAT AD representing stakes or shares in companies with the same or similar scope of activity, which are detailed in Section 3.2 („Reasons for the offer and use of proceeds“) of this Document.
- Maturity:** - 7 (seven) years or (84 months) as of the date of the issue
- Currency:** - EUR
- Coupon rate:** - floating rate of 6-month EURIBOR plus mark-up of 300 basis points, but not less than 3.0 per cent per annum;
- Interest Payments:** - semi-annually
- Method of interest payment:** - For each separate 6-month period, the interest (coupon) payments are calculated on the nominal value of each bond on the basis of the simple interest rate based on the day-count convention “actual/actual”.
- Principal payment:** - Principal will be paid in three instalments in the end of the 5th, the 6th, and the 7th year of the life of the bond; the respective instalments will amount to 20%, 30% and 50% of the nominal value. In the event of conversion the principal payments will be made on the basis of the outstanding nominal value of the issue at the date of the respective payment. In this event the last instalment at the end of the 7th year will be paid the whole outstanding nominal value of the bonds (if any).
- Call option:** - The Issuer has the option to call 80% of the nominal value of the bond together with the corresponding interest payment at the end of the 5th year at a price of 101%. In the event of a prior conversion, the call option shall be for the current outstanding remaining part of the bond after the corresponding principal payment.
- Conversion option:** - Each bondholder will have the right to replace (convert) the bonds into such number of shares that corresponds to the current conversion ratio at the time of the replacement (conversion). This right will be available to bondholders:
- on the 48th month for 100% of the outstanding nominal value of the bonds;
 - on the 66th month for 80% of the outstanding nominal value of the bonds;
 - on the 78th month for 50% of the outstanding nominal value of the bonds.

- Minimum conversion threshold:**
- the total amount of the bonds submitted for conversion may not be less than 10% of the outstanding nominal value of the bond loan, if the latter is less than EUR 20 million. If the outstanding nominal value of the bond loan is above EUR 20 million, the minimum amount for conversion shall be 5% of the outstanding nominal value. These minimum amount applies to all conversion dates.
- Conversion ratio:**
- By means of filing a request under the procedure described below, each bondholder may request the conversion of the bonds he/she holds according to their outstanding nominal amount. This amount will be converted against shares issued by the Issuer at a price equal to 90% of the weighted average price per one share of MONBAT AD during the last six months of trading preceding the conversion date.
The conversion coefficient is equal to the nominal value of each bond divided by 90% of the weighted average price per share of MONBAT AD during the last six months of trading preceding the conversion date).
- Start of the Offering:**
- The start of the offering is the latest date among the date of publication of the offering announcement on the website of the Bulletin of Investor BG and X3 News, as well as on the website of MONBAT AD and the investment intermediary elected to service the offering.
The start of the term for right transfer is the first business day following the expiration of 7 calendar days after the start of the offering.
The start of the bond subscription period coincides with the start of the right transfer period.
- Rights attached to the bonds:**
- Right to receive payment of principal which represents the nominal value of the owned bonds;
Right to receive interest;
Right to participate and to vote in the General Meeting of Bondholders of this issue; each bond shall entitle the holder to one vote in the general meeting;
Right to elect and to be elected as representatives at the General Meeting of Bondholders pursuant to art. 209 of CA;
If elected as bondholders' representative, the right to participate with advisory capacity in the general meeting of shareholders of the Issuer;
Pre-emptive rights to have their claims settled before those of the shareholders in the event of winding up and insolvency;
The right to request the issuing of an enforcement order pursuant to art. 417, item 9 of the Code of Civil Procedure, i.e. without having to bring an action against the Issuer. Bondholders may request the court to decree an immediate enforcement and to issue a writ of execution if the Issuers is in default on principal or interest payments.
The right to convert the bonds in ordinary shares of MONBAT AD.
- Risk factors:**
- Risk factors are enlisted in Section 4 "Risk Factors" of Registration Document and in Section 2 "Risk Factors" of Securities Note.
- Pre-emptive rights**
- The existing shareholders of the Issuer have the right to subscribe for bonds in proportion to their stake in the capital of the Issuer. Subscription will be guaranteed by the issue of pre-emptive rights.
The shareholders wishing to exercise their pre-emptive rights may file a bond subscription until the latest date for transfer of the pre-emptive rights.

The shareholders not wishing to exercise their pre-emptive rights may sell them until the latest date for transfer of the pre-emptive rights.

The pre-emptive rights will be traded on the BSE Main Market, Subscription Rights Segment. Shareholders may dispose of the rights by filing a sell order to the investment intermediary on whose account with the Central Depository the rights have been registered.

Any person who has acquired pre-emptive rights within the period for transfer of rights, may exercise them by filing a bond subscription application until the latest date for transfer of the pre-emptive rights.

The rights not exercised until the latest date for transfer of the pre-emptive rights will be offered for sale at an open-bidding auction organized by the BSE Sofia.

Any person holding rights, acquired during the open-bidding auction, may exercise them by placing an application for subscription for bonds until the latest date for subscription.

- Subscription ratio:**
- In this offering one bond may be subscribed in exchange for 1 300 rights.
- Subscription procedure:**
- The bond subscription application shall be filed to Elana Trading directly or through the investment intermediary on whose account with the Central Depository the applicants' rights have been registered.
- Subscription period:**
- The first date for bond subscription shall be the first working day after the expiration of 7 calendar days from the first date of the public offering. This date is also the first date for transfer of rights. The latest date for transfer of rights is 14 days after the first date. The latest date for subscription of bonds shall be 15 working days later after the latest date for transfer of rights.
- Deadline for bond payment:**
- The issue price for the bonds subscribed shall be paid in to a special escrow account to be stated in the announcement for public offering under Art. 92a, para. 1 of POSA.
- Admission for trading:**
- In the event that the offering has been successfully completed and the new bond issue has been registered with the Central Depository and the FSC, the Issuer will request the admission of the issue to trading on the BSE regulated market.
- Legislation:**
- The bond issue is governed by the Bulgarian legislation.
- Taxation:**
- Detailed description of the taxation is incorporated in Section 4.17 ("*Taxation*") herein.

1. PERSONS RESPONSIBLE

1.1. NAME OF THE PARTIES, RESPONSIBLE FOR PREPARING OF THE SECURITIES NOTE

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 Securities Note, 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 Securities Note, 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 Securities Note is not untrue, misleading or incomplete and corresponds to the facts 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 Securities Note and as representatives of ET, Radoslava Maslarska and Momchil Tikov declare that to the best of their knowledge, all information contained in the Securities Note is not untrue, misleading or incomplete and corresponds to the facts.

The Members of the Board of Directors of MONBAT AD declares with the signing the last page of this Document that to the best of his knowledge, the information contained in the Securities Note 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 Securities Note complies with the law and to his knowledge it corresponds to the facts and contains no omission likely to affect the import of the presented information.

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 Securities Note audited financial statements.

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

Declarations by the members of the Board of Directors and the procurator of MONBAT AD, 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. 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 SHARES OF THE COMPANY.

USED IN THE PROSPECTUS, THE WORDS "EXPECTS", "BELIEVES", "INTENDS", AND OTHER SUCH INSTRUCTIONS FOR STATEMENTS THAT ARE ESTIMATES OF ITS 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 SEQUENCE OF THE PRESENTATION OF THE RISK FACTORS REFLECTS THE VIEWS OF THE BOARD OF DIRECTORS ON THEIR SPECIFIC SIGNIFICANCE AT THIS TIME OF THE COMPANY'S ACTIVITY.

RISKS, RELATED TO INVESTMENTS IN BONDS OF THE OFFERED EMISSION

Potential investors in corporate bonds must be well aware of the risks, associated with investment in securities, and consider each investment according to their own risk appetite, investment horizons, financial limits and investment goals they seek. According to modern portfolio investment theory, any investment should be considered, except on an individual basis, also in context of the investor's overall investment portfolio.

The description of other risks associated with investing in this bond is presented below:

CREDIT RISK

The credit risk on bonds is a risk that any coupon or principal payment on the bond issue not being paid on time or in full by the issuer. The investment in this bond issue is an investment in a floating coupon that carries the issuer's credit risk. This bond issue is unsecured and convertible. The rights of bondholders in the event of default on the issue are described in Section 4.20.3 ("Bond covenants") of this Document.

CURRENCY RISK

The currency risk is related to possibility the revenues and expenses of the companies in the country to be affected by changes in the currency exchange rate. In a country with a highly open economy such as Bulgaria, the instability of the local currency is able to trigger overall economic instability, and vice versa - the stability of the local currency to become the basis of general economic stability.

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.

Currency risk for MONBAT's shares is minimal, because the Bulgarian lev is pegged to the euro at the rate of EUR 1 = BGN 1.95583.

INFLATION RISK

Floating-rate bonds are exposed to a reduction in real returns while inflation rises. Inflation reduces the bondholders' purchasing power of coupon and principal payments. As a consequence of this dependence, bondholders should determine their real return expectations on the basis of nominal bond yields and expected inflation over the holding period. If the inflation rate is higher than expected, the investors will realize lower real return. In this situation, it is possible that bond prices on the secondary market should fall because the investors will demand higher nominal returns in line with higher inflation rates in order to achieve the same or similar real return.

INTEREST RATE RISK

Interest rate risk relates to the possibility of changes in interest rates in the country, which would directly affect the supply and demand of corporate bonds due to the inverse relationship between prices and bond yields.

Conversely, when the interest rates are lowered, the expected yield to maturity of the fixed-rate bonds diminishes and their price rises. In this situation, investors receive capital gains from the increased value of their investment.

The valuation of interest rate risk means to measure the relationship between the of bond prices` change and their profitability based on the required rate of return of investors. One of the methods used to determining the price of bonds is the formula for the present value of the generated future cash flows:

$$PV = \sum_{i=1}^n \frac{CF_n}{(1+i)^n} + \frac{NOM}{(1+i)^n}$$

where:

PV – present value of future cash-flow, generated from the bond;

CF – coupon payments on the annual basis;

NOM – nominal value of the bond;

i – required rate of return on the annual basis (discount rate);

n – number of years during the maturity of the bond.

LIQUIDITY RISK

Liquidity risk arises from the lack of market demand for the Company's bonds. Therefore, the bondholders may not be able to sell all or part of their bonds at the favourite moment or forced to sell them at a considerably lower price than their fair value or last exchange price. In general, the liquidity of the securities market is determined by the following fundamentals:

- Existence of a developed secondary market of securities;
- Having a sufficient number of interested buyers and sellers;
- Existence of sufficient number of securities in circulation;
- Existence of an acceptable spread (difference between buy and sell price).

RISK OF CHANGES IN THE TERMS AND CONDITIONS OF THE BOND ISSUE

Various fundamentals can cause a change in the terms and parameters of the Issue at any time in its life. This should be done by the initiative of the bondholders or the Issuer, but only under the conditions set out in the law and this Prospectus and with the explicit consent of the majority of bondholders and / or the Issuer. In this case, there is a possibility for a bondholder who votes against the change of the specific parameter to be forced to hold bonds that, at the time of voting, do not cover his requirements. This bondholder will be able to sell his/hers bonds on the unregulated market and/or, after their registration, on the Bond Market segment at the BSE.

The parameters that can be changed, as well as the terms and conditions for this amendment, are described in Section 4.7 (“Ability of Amendment to the Terms of this Bond Issue”) of this document.

REINVESTMENT RISK

Reinvestment risk is the risk that the amounts received in coupon payments during the period of holding should be reinvested at a return other than initial one. If the coupon payments are reinvested at levels higher than the original yield, the effective return will be higher than the original and vice versa.

DILUTION RISK

The Articles of Association of the Company do not stipulate any restrictions on the maximum size of any future issuances. In the case of future capital increase, if an investor does not exercise his/her pre-emptive rights to acquire new convertible bonds proportionally to his/her stake, that stake may be decreased. If due to future capital increases the number of the Company's shares is increasing faster than its assets, it is possible that the book value per share is diminished.

PREPAYMENT RISK

This risk is associated with the option of this bond issue to be prepaid by the Issuer before the maturity date. For the bondholders of this issue there are risk of prepayment because, under the terms of the bond, the Issuer has a call option of prepayment at the 5th year of the life of the bond.

RISK OF CHANGE IN THE ISSUER`S SHAREHOLDER STRUCTURE

There is a risk that, as a result of bond conversion, one person (or several affiliates) acquire control interest in the Issuer`s share capital. Thus, for the current or future shareholders, there is a risk that the controlling person (s), may designate, whether directly or indirectly, more than one-half of the members of the management body of the Issuer or may in any other way exert decisive influence on the decision making in connection with the business of the Issuer.

RISKS, RELATED TO THE BULGARIAN CAPITAL MARKET

There is be a difference in the regulation and supervision of the Bulgarian capital market and in the activities of investors, brokers and other market participants compared to US markets and other developed markets. The Financial Supervision Commission observes the disclosure of information and compliance with other regulatory standards on the Bulgarian market, the rules about inside trading. and etc. However, there may be less or different publicly available information on Bulgarian companies, including the Issuer, than is usually available to investors from public companies on developed markets, and that may affect also the bond market.

3. KEY INFORMATION

3.1 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

At the date of this Securities Note, the Issuer is not informed of existence of any interest, including conflict of interest that is material to the issue/offering.

3.2 REASONS FOR THE OFFER AND USE OF PROCEEDS

If the issue is subscribed to the minimum size, the expected total net proceedings (after deduction of expenses related to the issue) are in the amount of BGN 29, 303,044. In case the issue is subscribed to the maximum size, the expected total net proceeding are in the amount to BGN 58,639,894 (see Section 3.4. below)

According to art. 19, para 1 of the Articles of Association of the Issuer: "...the Board of Directors may pass a resolution for issuance of bonds – ordinary and convertible in Bulgarian lev, Euro or any other currency at an aggregate amount of up to BGN 60 000 000, in case a detailed plan for the redemption of the principle and the interest under the loan is accepted."

According to art.19, para 3 of the Articles of Association of the Issuer: "The purpose of the bond issue under the present article of the Articles of Association may be only for: acquisition of non-current financial assets related to the core business of MONBAT AD representing shares in companies with the same or similar activity."

Accordingly, the purpose of the current bond issue is to finance:

1. The acquisition of control over a lead-acid batteries scrap recycling factory in Italy – Piombifera Italiana thus providing the synergetic growth of the Group's margins. Piombifera Italiana is one of the three largest recycling companies in Italy. Its recycling facility is situated in a lead-acid-batteries-scrap rich region which provides for a strong market position. The company is licensed to process a significant volume of scrap batteries and it is part of the international association of recycling companies – COBAT. COBAT's membership allows the company to a sufficient annual scrap batteries allowance. This acquisition will benefit to a large extend MONBAT Group's recycling operations in Bulgaria, Romania and Serbia.
2. The acquisition of control (pending on positive due diligence outcome) in L'Accumulateur Tunisien Assad" (ASSAD). ASSAD is a vertically integrated group producing lead-acid batteries operating in North Africa with high profitability margins. The company's 2017 financial results forecasts are as follows: EUR 7.4m in EBITDA, EUR 39.8m in revenues and 19% EBITDA margin. ASSAD's production facilities are located in Tunisia and Algeria with 1.5 million batteries per annum capacity. The company has a major market share with its own brand on the Tunisian market – 41% and a considerable potential in penetrating the markets in Algeria and Libya with 12 commercial affiliates in the region.
3. The acquisition of a company with the purpose of a focused product diversification and production of Li-Ion batteries. This will be executed via control over GAIA Akkumulatorenwerke (GAIA) and EAS Germany (EAS) entities. GAIA was established in 1996 and is one of the leading German companies in Li-Ion technologies. EAS was established in 2011 as a joint venture between GAIA and Enersys/Hawker GmbH. The company is specialized in cell production and the development of high quality technologies; heavy-duty, high power cylindrical cells for hybrid electric trains as well as heavy and defence industries applications.

Table 1: Key Indicators of ASSAD for 2016

Indicator	Amount
Revenues	approx. €40.9 mln. for 2016
Subsidiaries	10 across Africa
Number of bateries produced	more than 1.3 mln. for 2016
Market Share	41% in 2016 (Tunisia)
Gross Margin	42.2% for the period 2012-2016
EBITDA Margin	17% for the period 2012-2016

Source: MONBAT AD

In the case of a minimum subscription of this Issue of BGN 29,337,450, the missing part of the funds needed will be provided in the form of additional debt.

3.3. CAPITALIZATION AND INDEBTEDNESS

Information about the Issuer's capitalization and indebtedness on the consolidated and non-consolidated basis for the reviewed period is presented in the next tables.

Table 2: Equity of MONBAT for the period 2014-30/09/2017 - non-consolidated data

Indicators (in BGN 000)	2014	2015	2016	Sep-16	Sep-17
Share capital	39 000	39 000	39 000	39 000	39 000
Share premium	28 611	28 611	28 611	28 611	28 611
General reserves	64 603	64 603	64 603	64 603	64 603
Retained earnings	13 780	26 384	33 567	29 543	28 648
Total equity	145 994	158 598	165 781	161 757	160 862

Source: Annual individual audited financial statements for 2014, 2015 and 2016 and interim individual unaudited financial statements as at 30/09/2016 and 30/09/2017 of MONBAT AD

Table 3: Liabilities of MONBAT for the period 2014-30/09/2017 - non-consolidated data

Indicators (in BGN 000)	2014	2015	2016	Sep-16	Sep-17
Long-term borrowings	33 819	9 198	28 062	28 265	45 150
Finance lease liabilities	-	-	-	-	56
Grants received	2 386	3 728	3 061	3 228	2 560
Deferred tax liabilities, net	867	804	839	840	851
Non-current liabilities	37 072	13 730	31 962	32 333	48 617
Guarantee provisions	532	462	183	462	183
Pension and other employee obligations	351	488	595	874	806
Short-term borrowings	8 680	25 214	40 423	35 833	34 280
Finance lease liabilities	238	19	-	-	14
Trade payables	6 455	13 471	15 668	16 964	15 098
Short-term related party payables	1 905	3 226	8 635	13 806	22 455
Tax liabilities	135	548	307	650	101
Short-term grants	456	662	662	662	662
Other liabilities	1 741	2 509	2 330	1 233	4 420
Current liabilities	20 493	46 599	68 803	70 484	78 019
Total equity and liabilities	203 559	218 927	266 546	264 574	287 498

Source: Annual individual audited financial statements for 2014, 2015 and 2016 and interim individual unaudited financial statements as at 30/09/2016 and 30/09/2017 of MONBAT AD

Table 4: Equity of MONBAT for the period 2014-30/06/2017 - consolidated data

Indicators (in BGN 000)	2014	2015	2016	Jun-16	Jun-17
Share capital	39 000	38 989	38 989	38 989	38 989
Share premium	28 611	28 538	28 538	28 538	28 538
General reserves	74 525	64 993	64 993	64 993	64 993
Foreign currency translation reserve	138	(712)	(1 073)	(954)	(1 293)
Retained earnings	34 556	51 498	67 571	53 553	71 690
Equity attributable to the owners of the parents	176 830	183 306	199 018	185 119	202 917
Non-controlling interests	(2 661)	(3 827)	(6 414)	(5 205)	(6 249)
Total equity	174 169	179 479	192 604	179 914	196 668

Source: Annual consolidated audited financial statements for 2014, 2015 and 2016 and interim consolidated unaudited financial statements as at 30/06/2016 and 30/06/2017 of MONBAT AD

Table 5: Liabilities of MONBAT for the period 2014-30/06/2017 - consolidated data

Indicators (in BGN 000)	2014	2015	2016	Jun-16	Jun-17
Long-term borrowings	34 635	12 610	46 626	21 097	52 005
Finance lease liabilities	366	1 266	1 948	1 697	1 606
Long-term related party payables	7	7	7	7	7
Grants received	2 386	4 999	4 183	4 592	3 773
Deferred tax liabilities, net	1 282	1 238	1 308	1 259	1 387
Non-current liabilities	38 676	20 120	54 072	28 652	58 778
Guarantee provisions	532	462	183	462	183
Pension and other employee obligations	1 093	1 286	1 528	1 245	1 716
Short-term borrowings	38 092	48 446	58 173	58 519	51 029
Finance lease liabilities	470	427	515	544	502
Trade payables	11 001	19 035	21 492	19 826	17 105
Short-term related party payables	15	305	1 244	5 568	6 909
Tax liabilities	1 654	2 141	2 319	1 590	2 173
Short-term grants	456	806	806	806	806
Other liabilities	2 348	3 153	3 584	7 298	8 056
Current liabilities	55 661	76 061	89 844	95 858	88 479
Total equity and liabilities	268 506	275 660	336 520	304 424	343 925

Source: Annual consolidated audited financial statements for 2014, 2015 and 2016 and interim consolidated unaudited financial statements as at 30/06/2016 and 30/06/2017 of MONBAT AD

Table 6: Bank Loans indebtedness as of the date of the Prospectus

No	Borrower	Creditor	Type of credit	Contract Date	Maturity Date	Amount borrowed	Currency	Utilized amount as at the date of the Prospectus, in BGN	Collateral
1	MONBAT AD	Eurobank Bulgaria AD	Credit line	7.12.2004	18.8.2019	18 971 401	BGN	18 971 401	Mortgage on real estate; Pledge on property, plant and equipment; Promissory note from PRISTA OIL HOLDING EAD
2	MONBAT AD	Eurobank Bulgaria AD	Working capital	23.11.2010	1.9.2018	1 955 830	BGN	1 906 896	Special pledge on property and inventory ownership of Monbat AD; Promissory note from PRISTA OIL HOLDING EAD
3	MONBAT AD	Raiffeisenbank (Bulgaria) EAD	Credit line	25.2.2014	15.5.2019	9 200 000	EUR	17 874 117	Rank collateral of mortgage of own real estate; special pledge on property, plant and equipment owned by Monbat AD
4	MONBAT AD	Raiffeisenbank (Bulgaria) EAD	Investment loan	13.2.2014	15.11.2018	3 000 000	EUR	1 586 000	Special pledge on property, plant and equipment owned by Monbat AD
5	MONBAT AD	DSK Bank EAD	Working capital	16.9.2015	10.9.2017	2 500 000	EUR	4 889 575	Pledge agreement for materials
6	MONBAT AD	DSK Bank EAD	Working capital	16.9.2015	10.9.2017	2 000 000	BGN	1 997 883	Pledge agreement for materials
7	MONBAT AD	Hypo Noe Gruppe Bank AG Austria	Investment loan	3.10.2014	3.10.2018	10 000 000	EUR	19 558 300	Pledge agreement for all Monbat's shares of Monbat Recycling EAD
8	MONBAT AD	Hypo Noe Gruppe Bank AG Austria	Overdraft	21.7.2016	30.6.2021	3 600 000	EUR	7 040 988	Second pledge agreement for all Monbat's shares of Monbat Recycling EAD
9	MONBAT AD	Raiffeisenbank (Bulgaria) EAD	Overdraft	9.11.2015	15.5.2018	490 000	BGN	488 642	Generally accepted by Monbat AD
10	MONBAT AD	Bulgarian American Credit Bank	Overdraft	20.10.2016	20.11.2017	5 000 000	BGN	5 000 000	First rank collateral of receivables from third parties
11	MONBAT RECYCLING EAD	Piraeus Bank (Bulgaria)	Working capital	17.9.2016	30.8.2017	1 500 000	EUR	2 070 311	First pledge of receivables.
12	MONBAT RECYCLING ROMANIA	Credit Agricole Bank Romania S.A.	Credit line	27.10.2011	4.12.2017	3 500 000	EUR	6 827 803	Corporate guarantee on the name of Monbat AD, as well as reprocessing equipment for the recycling of wastage accumulator batteries.
13	MONBAT RECYCLING EAD	Raiffeisenbank (Bulgaria) EAD	Credit line	15.7.2015	30.9.2018	3 000 000	EUR	5 867 490	First rank special pledge of receivables; Third rank special pledge of Engitec line; First rank special pledge of inventories
14	MONBAT RECYCLING EAD	Raiffeisenbank (Bulgaria) EAD	Credit line	30.6.2016	25.5.2021	2 200 000	EUR	2 906 049	First pledge of receivables First rank collateral of Engitec line, oxygen burner BJ; First pledge of machines; First rank collateral of inventories
15	OKTA LIGHT BULGARIA	Raiffeisenbank (Bulgaria) EAD	Credit line	14.6.2016	25.2.2019	1 100 000	BGN	502 487	First rank collateral of receivables
16	OKTA LIGHT BULGARIA	Raiffeisenbank (Bulgaria) EAD	Credit line	14.6.2016	25.7.2018	2 000 000	BGN	281 202	Special pledge on technological equipment for producing of LED. First rank special pledge on receivables
17	OKTA LIGHT BULGARIA	Raiffeisenbank (Bulgaria) EAD	Credit line	24.6.2016	25.6.2018	2 000 000	BGN	2 000 000	Special pledge on technological equipment for producing of LED
18	OKTA LIGHT BULGARIA	Investbank AD	Investment loan	27.8.2015	26.9.2022	2 000 000	EUR	2 964 060	Second pledge on real estate situated in Godech, 19200 sq.m.
19	START	CIBank EAD	Investment loan	18.3.2016	20.3.2021	5 035 000	EUR	8 413 482	Special pledge on land, plant and equipment;
20	START	CIBank EAD	Working capital	18.3.2016	30.12.2017	1 500 000	EUR	2 931 527	Special pledge on land, plant and equipment;

Source: MONBAT AD, unaudited preliminary information as of the date of Prospectus

Table 7: Short-term financial leases as of the date of the Prospectus

No	Entity Name	Lease Type	Outstanding Balance-Principal in BGN '000	Outstanding Balance-Interest in BGN '000	Maturity	Currency	Interest rate
1	Monbat AD	Financial leases interlease 651/AU	7.82		11.7.2021	EUR	3M EURIBOR+2.50%
2	Monbat AD	Financial leases interlease 651/AU	5.87		11.7.2021	EUR	3M EURIBOR+2.50%
3	Octa Light Bulgaria AD	Financial leases interlease 0025025 A1	111.48	23.47	19.6.2020	EUR	3M EURIBOR+4.74%
4	Octa Light Bulgaria AD	Financial leases interlease 0025025 A2	80.19	17.60	19.6.2020	EUR	3M EURIBOR+4.74%
5	Octa Light Bulgaria AD	Financial leases interlease 0025025 B1	3.91	0.00	11.11.2020	EUR	3M EURIBOR+4.74%
6	Octa Light Bulgaria AD	Financial leases interlease 0025025 B2	20.44	3.91	11.11.2020	EUR	3M EURIBOR+4.74%
7	Octa Light Bulgaria AD	Financial leases interlease 0025025 C1	8.64	1.86	11.11.2020	EUR	3M EURIBOR+4.74%
8	Octa Light Bulgaria AD	Financial leases interlease 0025025 C2	25.11	3.91	11.11.2020	EUR	3M EURIBOR+4.74%
9	Octa Light Bulgaria AD	Financial leases interlease 0025025 C3	82.24	13.69	11.11.2020	EUR	3M EURIBOR+4.74%
10	Octa Light Bulgaria AD	Financial leases interlease 0025025 C4	18.10	3.91	11.11.2020	EUR	3M EURIBOR+4.74%
11	Octa Light Bulgaria AD	Financial leases interlease 0025025 C5	23.47	4.77	11.11.2020	EUR	3M EURIBOR+4.74%
12	Octa Light Bulgaria AD	Leases servisy s 025025B-auto 2	2.91	0.62	20.6.2020	EUR	3M EURIBOR+4.94%
13	Octa Light Bulgaria AD	Leases servisy s 0025025B-auto 1	2.91	0.62	20.6.2020	EUR	3M EURIBOR+4.94%
15	Octa Light Bulgaria AD	Financial leases interlease Dacia Logan Laureate 25025C-auto 1	1.32	0.47	22.1.2021	EUR	3M EURIBOR+4.75%
16	Octa Light Bulgaria AD	Financial leases interlease Dacia Logan Laureate 25025C-auto 2	1.32	0.47	22.1.2021	EUR	3M EURIBOR+4.75%
17	Monbat Recycling EAD	Financial leases	54.76	3.91	11.03.2020 r.	EUR	3M EURIBOR+4%
18	Monbat Recycling EAD	Financial leases	15.65	1.96	11.03.2020 r.	EUR	3M EURIBOR+4%
19	Monbat Recycling EAD	Financial leases	60.63	3.91	11.07.2021 r.	EUR	3M EURIBOR+2.4%
20	MONBAT DOO Serbia	Financial leases	1.96	0.00		EUR	6.53%
22	YU MONBAT Serbia	Financial leases	7.82	1.96		EUR	12.32%
Total			536.57	87.03			

Source: MONBAT AD, unaudited preliminary information as of the date of Prospectus

Table 8: Long -term financial leases as of the date of the Prospectus

Entity Name	Lease Type	Outstanding Balance-Principal in BGN '000	Outstanding Balance-Interest in BGN '000	Maturity	Currency	Interest rate
Monbat AD	Financial leases interlease 651/AU	31.29	2.19	11.8.2021	EUR	3M EURIBOR+2.50%
Monbat AD	Financial leases interlease 651/AU	25.43	2.19	11.8.2021	EUR	3M EURIBOR+2.50%
Octa Light Bulgaria AD	Financial leases interlease 0025025 A1	328.58	33.25	19.6.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 A2	260.13	25.43	19.6.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 B1	11.73	1.96	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 B2	70.41	7.82	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 C1	15.65	1.96	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 C2	52.81	5.87	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 C3	222.96	17.60	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 C4	44.98	3.91	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Financial leases interlease 0025025 C5	72.37	5.87	11.11.2020	EUR	3M EURIBOR+4.74%
Octa Light Bulgaria AD	Leases servisy s 025025B-auto 2	3.91	0.00	20.6.2020	EUR	3M EURIBOR+4.94%
Octa Light Bulgaria AD	Leases servisy s 0025025B-auto 1	3.91	0.00	20.6.2020	EUR	3M EURIBOR+4.94%
Octa Light Bulgaria AD	Financial leases interlease Dacia Logan Laureate 25025C-auto 1	9.78	0.00	22.1.2021	EUR	3M EURIBOR+4.75%
Octa Light Bulgaria AD	Financial leases interlease Dacia Logan Laureate 25025C-auto 2	9.78	0.00	22.1.2021	EUR	3M EURIBOR+4.75%
Monbat Recycling EAD	Financial leases	76.28	1.96	11.03.2020 r.	EUR	3M EURIBOR+4%
Monbat Recycling EAD	Financial leases	23.47	1.96	11.03.2020 r.	EUR	3M EURIBOR+4%
Monbat Recycling EAD	Financial leases	168.20	5.87	11.07.2021 r.	EUR	3M EURIBOR+2.4%
MONBAT DOO Serbia	Financial leases	13.69	1.96		EUR	6.53%
MONBAT DOO Serbia	Financial leases	13.69	1.96		EUR	6.53%
YU MONBAT Serbia	Financial leases	31.29	1.96		EUR	12.32%
Total:		1490.34	119.31			

Source: MONBAT AD, unaudited preliminary information as at the date of Prospectus

3.4. EXPENSES OF THE ISSUER

An estimation of MONBAT AD minimum and maximum expenses, related to this convertible bonds issue is shown on the following table.

Table 9: Expenses of the Issuer related to the public offering

Type of expense (approximate)	Minimum amount of Bond issue	Maximum amount of Bond issue
Central Depository fees	7 156	7 156
Fee for prospectus approval from FSC	5 000	5 000
Annual FSC fee	450	450
Listing on BSE	600	600
Annual fee for BSE listing	1 200	1 200
Investment intermediary fee*	20 000	20 000
Total expenses, BGN	38 806	38 806
Total expenses per one bond, BGN	2.59	1.29
Total expenses, EUR	19 841	19 841
Total expenses per one bond, EUR	1.32	0.66

* - The stated fee for the investment intermediary does not include a placement fee. The latter is due upon a successful public offering and depends on a specific allocation by investors who have subscribed the bond issue. The placement fee will be calculated after the final list of bondholders is drawn up and will be documented in a bylateral protocol.

Expected estimated costs for minimum and maximum size of the bond issue are almost the same, namely BGN 34,406 for minimum and BGN 35,006 for a maximum size.

If the issue is subscribed to the minimum size, the expected total net proceeding are in the amount of BGN 29,303,044. In case the issue is subscribed to the maximum size, the expected total net proceeding are in the amount to BGN 58,639,894.

3.5. WORKING CAPITAL STATEMENT

Combined with the long-term assets, the working capital is considered part of the operating capital and is calculated as the short-term assets are decreased with the short-term liabilities. The management of the Company believes that it had and continues to have sufficient working capital for the needs of the business during the examined historical period and up to the date of this Document.

4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED

4.1. TYPE AND CLASS OF THE SECURITIES BEING OFFERED

The bond issue amounts to up to EUR 30 000 000 (thirty million) distributed in up to 30 000 (thirty thousand) ordinary, interest-bearing, convertible, dematerialised, freely transferable, unsecured bonds registered with the Central Depository, with a nominal value per bond of EUR 1 000. The bond is a security conferring to the owner the right to receive, within a specified period of time, the nominal value of the bond and an interest. The bond is a financial instrument, a debt security which embodies transferable claims against the issuer for income determined or determinable in advance. The bonds are traded on a regulated market in financial instruments.

The bonds from this issue are:

- of the same class, i.e. they entitle bondholders to equal rights.
- convertible. Convertible bonds are a type of preferred bonds. They embody the privilege to request to be converted in shares upon specified conditions. Subscribers of bonds from this issue acquire the right to convert them, at their discretion, in ordinary shares of MONBAT AD at the conversion ratio as of the moment of conversion or to receive principal payment (the nominal value of the bonds they own) at the maturity dates of the bond loan.
- dematerialized, i.e. they are registered with the Central Depository in accordance with its rules and procedures. A written non-transferable document – a certificate for owned financial instruments - may be issued by the Central Depository, in accordance with its rules and procedures, to evidence the ownership on the bonds.
- interest-bearing, i.e. the bonds shall bear income in the form of simple interest, accumulated on the outstanding nominal value of each bond.
- Freely transferable, i.e. without their transfer being conditioned by any restrictions or other terms. The transfer of bonds shall take effect as from the registration thereof with the Central Depository. Investors may freely trade the bonds on the BSE regulated market after the issue has been approved and registered in the register of the FSC and after the issue has been admitted for trading on the BSE.
- unsecured, i.e. the claims of bondholders are not guaranteed by any collateral.
- With a call option at the initiative of the Issuer. The bonds are issued with an early repayment option at the initiative of the Issuer for the total of the outstanding principal as of a specified date prior to the maturity. The decision for an early repayment shall be adopted by the Board of Directors of the Issuer.

By the date of this Securities Note the future bond issue has no ISIN code. An ISIN code shall be allocated after the completion of the public offering and the registration of the bond issue with the Central Depository.

The bonds embody the Issuer's unconditional obligation to repay the loan. This is the first bond issue of the Issuer. The loan shall not be subordinated to other obligations of the Issuer and the discharging of the obligations of the Issuer to the bondholders shall not be conditioned by any claims of secured creditors having been satisfied.

4.2. LEGISLATION UNDER WHICH THE SECURITIES HAVE BEEN CREATED

All rights and obligations of the Issuer and the bondholders arising from or in connection with the present issue, including the rights and obligations connected with the conclusion of the loan, the initial public offering, the admission for trading and the subsequent trading on a regulated market, any payments, transfer, lien and any other acts of disposition with bonds from the present issue shall be governed by the applicable Bulgarian legislation.

The main legislative acts in connection with the bond issue are:

- Public Offering of Securities Act and the statutory instruments for application thereof;
- Ordinance No. 2 of 17.09.2013 on the prospectuses for the public offering of securities and the acceptance to trading on a regulated market and the disclosure of information;
- Ordinance No.38 of 25.07.2007 on the requirements to the activities of the investment intermediaries;
- Financial Supervision Commission Act and the statutory instruments for application thereof;

- Markets in Financial Instruments Act and the statutory instruments for application thereof;
- Commercial Act;
- Credit Institutions Act and the statutory instruments for application thereof;
- Rules of Procedure of the Central Depository and the respective annexes thereto;
- Rules of the Bulgarian Stock Exchange Sofia AD and the respective annexes thereto;
- Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (Text with EEA relevance);
- COMMISSION REGULATION (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (Text with EEA relevance)

4.3. FORM OF THE SECURITIES. NAME OF THE DEPOSITORY.

The bonds from this issue are ordinary, interest-bearing, dematerialized, registered with the Central Depository, freely transferable, convertible, and unsecured. Records and safe-keeping of the bonds fall within the competence of the Central Depository AD, with registered address at 6 Tri Ushi Street, floor 4, Sofia.

4.4. CURRENCY OF THE SECURITIES ISSUE

The corporate bond issue is denominated in EUR.

4.5. LEVEL OF SUBORDINATION OF THE OFFERED SECURITIES

The Bonds constitute (according to the terms of the bond loan described below) unsecured obligations of the Company. The obligation of MONBAT AD to pay the bonds shall at all times rank *pari passu* with any existing unsecured obligations of the Company at the time of conclusion of the bond loan.

4.6. DESCRIPTION OF THE RIGHTS ATTACHED TO THE SECURITIES

The Bonds entitle holders to equal claims against the Issuer. The bonds are of the same class and entitle bondholders to the following rights:

- **Individual property rights of bondholders:**
 - Right to receive payment of principal which represents the nominal value of the owned bonds. Bondholders who have acquired bonds not later than 3 (three) business days prior to the maturity date of the respective principal payment or prior to the maturity of the issue, will be entitled to principal payment. This circumstance will be certified by means of an official excerpt from the dematerialized bond register of MONBAT AD kept by the Central Depository. No transactions in the bonds are allowed within 5 business days prior to the respective maturity date. Principal payments will be carried out through the Central Depository on the grounds of a contract concluded between the Company and the Central Depository. The Central Depository shall transfer the respective sums to the accounts of the investment intermediaries where the client accounts are opened. No later than 2 (two) business days prior to the maturity date, bondholders must file to their investment intermediary a written notice specifying the bank account where the payment must be transferred and detailed instructions about how the payment is to be carried out;
 - Right to receive interest. Bondholders who have acquired bonds no later than 3 (three) business days prior to the date of the respective interest payment, will be entitled to interest payment. This circumstance will be certified by means of an official excerpt from the dematerialized bond register of MONBAT AD kept by the Central Depository;

- Pre-emptive rights in the event of winding up. Pursuant to art. 271 of CA it is only after all claims of the Company's creditors have been satisfied that the remaining property may be distributed among shareholders;
- Right of redemption of bonds at issue value. Pursuant to art. 100a, par. 2 of POSA if the bonds have not been admitted for trading on a regulated market within 6 months after the date of the issue, the Issuer shall be obliged, at a request by a bondholder, to repurchase the bonds at their issue price within 7 days of receiving such request;
- Right to convert the bonds in ordinary shares of MONBAT AD. If bondholders decide to exercise their right to convert their bonds in shares they will be entitled to receive such number of shares in the capital of MONBAT AD as determined pursuant to the conversion ratio at the respective conversion date.
- **Individual non-property rights of bondholders:**
 - Right to participate and to vote in the General Meeting of Bondholders of this issue; each bond shall entitle the holder to one vote in the general meeting;
 - Right to request the issuing of an enforcement order pursuant to art. 417, item 9 of the Code of Civil Procedure.
- **Collective rights:** Pursuant to art. 209, par. 1 of CA the bondholders of this issue form a separate group for protection of their rights before the Issuer. The group of bondholders of this issue form a separate general meeting. In its relations with the Issuer, the group of the bondholders is represented by a representative. The bondholders of this issue have the following collective rights:
 - The right to participate in an advisory capacity at discussions concerning amendments to the Company's scope of business, the corporate structure, or the reorganization of the Issuer. Pursuant to art. 214, para. 7 in conjunction with para. 3, item 1 of CA, the General Meeting of Shareholders is obliged to consider the decision of the General Meeting of Bondholders on the above issues. The decision of the General Meeting of Bondholders is not binding on the shareholders;
 - The right to participate in the General Meeting of Shareholders in an advisory capacity when questions are considered that affect the discharging of obligations arising of the bond loan. Pursuant to art. 212, para.2 of CA, when adopting decisions that concern the discharging of obligations arising of the bond loan, the General Meeting of Shareholders shall hear the opinion of the bondholders' representative.
 - A casting vote in adopting decision on a new preferred bond issue. Pursuant to art. 207, para.2 of CA any decision of the Company to issue new preferred bonds shall be null and void if the consent of bondholders of any outstanding bond issues has not been obtained;
 - The General Meeting of Bondholders may take position on any proposal by the Issuer to amend the bond loan agreement by accepting or rejecting the proposal. Given the contractual nature of the relations between the Issuer and the bondholders any amendment to the terms of the bond issue is subject to the consent of both parties. Pursuant to art. 207, para.1 of CA any decision of the Issuer for unilateral amendments of the terms of the bond issue shall be null and void. The rules and procedure for amendments to the terms of the bond issue are described in section 4.7 ("*Rules and procedure for amendments to the terms of the bond issue*") below.

The rights arising from the bonds are not restricted by any rights arising from other class of securities issued by MONBAT AD.

If the Issuer is in breach of any of its obligations under the bond issue, the bondholders shall:

- In the event of default on payments, bring an action against the Issuer;
- Bring an insolvency claim against the Issuer.

Rights attached to the underlying asset – future ordinary share issue

If, at the respective conversion dates, bondholders decide to exercise their right to convert (exchange) bonds for shares, then they will cease to be creditors of the Issuer and will become shareholders with membership rights in the Company. Each share that has been acquired as a result of the conversion, shall entitle the holder to two main groups of rights – tangible and intangible rights:

- The tangible rights include the right to dividend and to a liquidation quota.
- The intangible rights of shareholders may be divided into three groups: managerial, controlling and protection rights.
 - The managerial rights of shareholders include the right of the shareholder to vote, the right to manage and to elect and to be elected in the management bodies of the Issuer.
 - The controlling rights of shareholders include the right to information (art. 224 of CA).
 - The protection rights of shareholders include: the right to appeal against the decisions of the bodies of the Issuer; the right to request the appointment of registered auditors if the general meeting had not appointed such; the rights of minority shareholders (holding together or separately at least 5 percent of the capital of the Company).

Each share entitles the holder to additional rights arising from the basic rights and directly or indirectly related to them:

- **Individual property rights of shareholders:**
 - Dividend right. The dividend right is a basic right of shareholders which includes, subject to the conditions laid down by law, the right to receive a part of the net profit of the Company in proportion to their participation in the capital of the Company. If provided for in the Articles of Association public companies may pay half-yearly and yearly dividend; art. 247a of CA shall apply respectively. The right to receive a dividend belongs to persons registered in the Central Depository register as persons with right to a dividend on the 14th day after the date of the general meeting, where the annual financial report has been adopted and a decision for profit distribution has been taken. The Central Depository issues a shareholders list as of the mentioned date. The presence of a shareholder on that list is a sufficient condition to receive dividend upon having been duly identified. The Company is bounded to secure the payment of the dividend voted within 60 days after the general meeting. The payment of dividend is at the expense of the Company. Shareholders entitled to dividend may exercise their right within 5 years, after which the amount of uncollected dividends is returned back to the Company's sheet and is transferred to its Reserve fund. By the date of this Securities Note, the Articles of Association of MONBAT AD do not provide for the option to pay half-yearly dividend.
 - Right to a liquidation quota. The right a liquidation quota is a basic right of shareholders which includes the right to receive a part of the residual property of the Company in the event of winding up, in proportion to their participation in the capital of the Company. This right is conditional, it arises and may be exercised only if there is any residual property to be distributed among the shareholders upon winding up of the Company and the settlement of the claims of all creditors.
- **Individual intangible rights of shareholders**
 - Managerial rights
 - Voting right. The voting right is an intangible right of shareholders whereby they participate in the management of the Company by voting on issues within the competence of the General Meeting of Shareholders. The Company may not issue shares entitling their holders to more than one vote. Where the share belongs to several persons, they shall exercise their rights in it jointly by appointing a proxy. Voting rights are vested upon payment of the total issue price of the shares and upon entering the Company, or the capital increase, in the commercial register. The voting right is exercised by individuals and entities registered as persons with voting rights in the register of the Central Depository 14 days prior the date of the assembly. The presence of a shareholder on that list is a sufficient

condition to exercise the voting rights. Shareholders with voting rights take part in the General Meeting in person or through a proxy authorized by an explicit power of attorney certified with notarized signatures pursuant to art. 116, para. 1 of POSA and the Articles of Association of the Issuer. If technically possible and subject to the requirements of the POSA, the voting rights may be exercised before the date of general meeting through correspondence by mail, including e-mail, courier or any other technically possible method as specified in the Rules of the Company for voting through correspondence and announced preliminarily in the resolution of the body convening the general meeting as well as in the notice for convening the general meeting itself. The corporate body convening the general meeting defines the procedure for holding the general meeting and the method for exercising the voting rights for each separate general meeting, while the relevant information on those matters must be included in the notice for convening the general meeting.

- The right of shareholders to participate in the management of the Company, including the right to elect and to be elected in the management body of the Company.
- Controlling Rights
 - The controlling rights of shareholders include the right of information, the ability to inspect all written materials related to the agenda of the general meeting and to receive a free copy thereof upon request, as well as to receive the minutes of the general meetings and any annexes thereto, which the Company is obliged to keep. The right of information also comprises the right to receive exhaustive answers by the members of the management body of the Company to any questions posed at the general meeting. Shareholders have the right to request at any time and to receive information concerning the financial and economic situation of the Company by the Director “Investor Relations”.
- Protection rights
 - The right to appeal against the decisions of the Company’s bodies.

Every shareholder may file a request before the district court as per the Company’s seat to revoke any decision of the General Meeting if the decision contravenes mandatory provisions of the law or the Articles of Association (art. 74 of CA).

Every shareholder may bring an action before the district court as per the Company’s seat to protect their membership right and individual rights as a shareholder, when these have been violated by bodies of the Company (art. 71 of CA).
 - The right to request the court to appoint registered auditors if the general meeting has failed to appoint such – art. 249 of CA.
 - The rights of minority shareholders (holding together or separately at least 5 percent of the capital of the Company):
 - ✓ which threatens the interests of the Company, to file lawsuits on behalf of the company against third parties in the event of inaction of the management bodies,
 - ✓ to bring a claim before the district court as per the Company’s seat for damages caused to the company by actions or inaction of members of management and supervisory bodies and the procurators of the company.
 - ✓ to request the general meeting or the district court to appoint controllers to inspect all accounting records of the company and to prepare a report on their findings
 - ✓ to request the district court to convene a general meeting or to authorize their representative to convene a general meeting with an agenda as determined by them
 - ✓ to request the inclusion of items and to propose decisions on issues already included in the agenda of the General Meeting pursuant to art. 223a of CA, with the exception of cases concerning decisions pursuant to art. 114, para. 1 of POSA.

- Additional rights of shareholders
 - The right to subscribe for new shares, upon increase of the capital of the Company, in proportion to the shares owned prior to the increase. Pursuant to art. 112, para. 1 of POSA upon increase of capital of the Company, each shareholder shall have the right to acquire shares in proportion to the capital stock they held prior to the increase. This right may not be excluded or restricted on the grounds of provisions in the Articles of Association or on a decision of the general meeting or the management body of the Company.
 - Pre-emptive right to acquire securities which entitle the holder to acquire shares of the same class as the bonds from this issue by converting them in shares or by exercising the rights on the bonds.

4.7. RULES AND PROCEDURE FOR AMENDMENTS TO THE TERMS OF THE BOND ISSUE

The need to amend the terms and parameters of the bonds issue may come as a result of the favourable development of the Company and the realization of a sufficient profit making it possible to shorten the maturity, to refinance the loan on better conditions, etc.

The need to amend the terms and parameters of the bonds issue may also come as a result of the failure of the Issuer to meet any of the obligations undertaken pursuant to the bond issue, including failure to pay interest or principal, breach of covenants, etc.

Amendments to the terms and parameters of the bond issue may be needed at any time of the bond life and shall be carried out pursuant to the requirements laid down by law upon the initiative of either the bondholders or the Issuer. Amendments to the conditions under which the bonds were issued, including the specific parameters of the bond issue, may be made no later than two months before the maturity of the issue.

Any amendment to this bond issue is subject to the explicit consent of the decision making bodies of both the bondholders and the Issuer. The decision making body of bondholders is the general meeting of bondholders. The meeting shall be convened by the bondholders' representative by a notice, published in the commercial register at least 10 days prior to the date of the meeting. The Issuer shall submit the notice under art. 214, para. 1 of CA to the FSC and shall announce it to the public pursuant to art. 100r, para. 3 and 4 of POSA at least 15 day prior to the general meeting. The Issuer shall submit the minutes of the General Meeting to the FSC within 3 days after the date of the meeting. The notice for the general meeting shall include the information pursuant to art. 223, para. 4 of CA, as well as information about the right of bondholders to participate in the meeting. The Issuer shall adopt decision through its competent body as specified in its constituent acts.

Pursuant to art. 100b, para. 4 of POSA, any amendments to the terms of the bond issue shall be adopted by the general meeting of bondholders, at which not less than two-thirds of the issued bonds are represented, by a decision adopted by a majority of not less than three quarters of the represented bonds. If the resolution for amendment is for partial repayment of the bond issue before maturity, such repayment shall be made in proportion to each issued bond.

Any amendments to the bond issue other than those specified in art. 100b, para. 1, item 4 of POSA, and any amendment in violation of art. 100b, para. 3-5 of POSA shall be null and void.

Within 5 working days from the date of the decision to amend the terms of the bond issue, the Company shall draw a document with an up-to-date information about all parameters of the bond issue and shall submit it to the FSC, the regulated market and shall disclose it to the public in accordance with the procedure under art. 100r, para. 3 and 4 of POSA

The most important parameters of the bond issue which may be amended pursuant to the procedure described above include: the maturity of interest payments, the interest rate, principal payments, conversion option and call options as well as the financial coefficients, as described in section 4.20 („*Terms of the bond loan*“) below, which the Issuer undertakes to respect during the term of bond loan, etc.

4.8. NOMINAL INTEREST RATE AND TERMS IN RELATION TO THE DUE INTEREST

The bonds have a floating nominal interest rate of the 6-month EURIBOR + 300 bps (3%) on an annual basis. Pursuant to the terms of the issue the nominal interest rates may not be lower than 3% in the event that the 6-month EURIBOR is negative during the life of the bond. Interest payments on all bonds will be made every 6 (six) months after the issue date of the bonds, on the last day of each 6-month period. Where the interest payment date falls on

a non-working day, the payment will be made on the first subsequent working day. The amount owed is rounded to the second digit after the decimal point.

For each separate 6-month period, the interest (coupon) payments are calculated on the nominal value of each bond on the basis of the simple interest rate based on the day-count convention “actual/actual”. For the purposes of the calculation and given the current negative value of the 6-month EURIBOR, an interest rate of 3% on annual basis has been determined. The current income for each separate 6-month period is based on the simple interest formula as follows:

$$CI = (M * Cr * D) / \text{number of the days in the year}$$

where:

CI – the amount of 6-month coupon interest yield for one bond;

M – nominal value of one bond;

Cr – annual coupon interest rate. For this Issue is equal to 3.00%, as of the date of the Prospectus, the 6-month EURIBOR is negative;

D – number of days between two coupon interest payments, based on the day-count convention ‘actual/actual’.

The effective annual coupon interest rate (AIR) for an interest rate of 3.00% and semi-annual coupon interest payment is equal to e 3.02%, calculated using the following formula:

$$AIR = \left(1 + \frac{I}{n} \right)^n - 1$$

where **I** is the coupon interest rate of the Bond, and **n** is the number of interest payments.

The Issuer will make interest payments in favour of the persons who, pursuant to the official excerpt from the dematerialized bond register of MONBAT AD kept by the Central Depository, have acquired bonds not later than 3 (three) working days prior to the respective interest payment date. The settlement of transactions in the bonds within the 3-day period prior to the interest payment will be after the interest payment. The Issuer shall carry out the payments without deducting any expenses or fees. Any expenses or fees due to banks will be paid by the bondholders.

4.9. MATURITY DATE AND ARRANGEMENTS FOR THE AMORTIZATION OF THE LOAN

The maturity of the bonds is 7 years (84 months) from the date of the issuing of the bond loan. According to the decision of the Board of Director (BoD) of MONBAT the bonds have a floating nominal interest rate of the 6-month EURIBOR + 300 bps (3%) on an annual basis, but not less than 3%. According to the same decision the maturity of the bond loan is 84 months and interest payment will be due at the end of each 6-month period as of the date the loan is concluded. There will be a total of 14 (fourteen) interest payments (two payments per year until maturity). In the event that the payment date fall on a non-working day, the payment will be carried out on the first subsequent working day. The last interest payment will coincide with the maturity date of the issue. No partial interest payments are admissible.

Bondholders of this issue shall have a conversion option they may exercise at the following dates coinciding with the respective interest payment dates:

- on the 48th month for 100% of the outstanding nominal value of the bonds;
- on the 66th month for 80% of the outstanding nominal value of the bonds;
- on the 78th month for 50% of the outstanding nominal value of the bonds.

For further information as to the procedure, the conditions and the conversion price, please see Section 4.21 below.

The principal will be paid in three instalments in the end of the 5th, the 6th, and the 7th year of the life of the bond; the respective instalments will amount to 20%, 30% and 50% of the nominal value. In the event of conversion the principal payments will be made on the basis of the outstanding nominal value of

the issue at the date of the respective payment. In this event the last instalment at the end of the 7th year will be to pay the whole outstanding nominal value of the bonds (if any).

Under the terms of the issue the Issuer has the option to call 80% of the outstanding nominal value of the issue at the 60th month of the life of the bond. The call option date will be the same as the date of the interest payment for the 60th month; the Issuer may thus call 80% of the outstanding nominal value of the bond taking into account the principal payment of 20% of the bond. In the event of a prior conversion, the call option shall be for the current outstanding remaining part of the bond after the corresponding principal payment. The call option will be exercised at a price of 101, i.e. if the Issuer decides to exercise the option bondholders will receive 101% of the outstanding nominal value of the bonds they own.

The interest and principal payments on the bond issue are presented in the next table. An interest rate of 3% (the minimum for this issue) has been assumed for the purposes of calculation. Since it is not possible to forecast the exercise of the conversion or the call options, no such assumptions have been made for the purposes of calculation. The calculation assumes 15.12.2017 as an indicative issue date.

Table 10: Sample coupon payments schedule

Date of issue	Date of interest payment	Number of days between payments	Number of days in year	Coupon rate	Interest Payment (EUR)	Ammortization (EUR)	Непогасена главница (EUR)
15.12.2017	15.6.2018	182	365	3.00%	448 767		30 000 000
	15.12.2018	183	365	3.00%	451 233		30 000 000
	15.6.2019	182	365	3.00%	448 767		30 000 000
	15.12.2019	183	365	3.00%	451 233		30 000 000
	15.6.2020	183	366	3.00%	450 000		30 000 000
	15.12.2020	183	366	3.00%	450 000		30 000 000
	15.6.2021	182	366	3.00%	447 541		30 000 000
	15.12.2021	183	365	3.00%	451 233		30 000 000
	15.6.2022	182	365	3.00%	448 767		30 000 000
	15.12.2022	183	365	3.00%	451 233	6 000 000	24 000 000
	15.6.2023	182	365	3.00%	359 014		24 000 000
	15.12.2023	183	365	3.00%	360 986	9 000 000	15 000 000
	15.6.2024	183	366	3.00%	225 000		15 000 000
	15.12.2024	183	366	3.00%	225 000	15 000 000	-
TOTAL					5 668 774	30 000 000	

The data in the table above are for the purposes of calculating the due interest payments. If any of dates is a non-working day, the payment will be made on the first subsequent working day. All interest and principal payments will be made through the Central Depository.

The interest payments and the principal payments will become statute barred after the expiration of 3 year (for the interest payments) and 5 years (for the principal payments) as of the date the respective payments have become due. The first principal payment is expected to become due in the end of 2022. Interest payments are expected to become due at or near the dates shown in the table above. The right to receive interest belongs to the bondholders registered in the Bondholders' register kept by the Central Depository 3 (three) working days prior to the respective interest payment date or, for the last interest payment, 5 (five) working days prior to the date. The ownership of bonds will be certified by an official excerpt from the Bondholders' register kept by the Central Depository.

4.10. AN INDICATION OF YIELD. THE METHOD WHEREBY THAT YIELD IS CALCULATED

The yield on investment in the bonds depends on the holding period, the amount of coupon payments received during the holding period, the initial purchase price and the subsequent sale price (or the nominal value of the bonds if held to maturity).

4.10.1. YIELD TO MATURITY

Yield to Maturity is the capitalized return anticipated on a bond if the bond is bought at a certain price and is held until it matures. Yield to Maturity is the interest rate which accounts for the cash flows from the bond and its price.

The next formula gives the relation between the price and the yield on fixed interest bonds:

$$\text{Price of the Bond} = \frac{CPN_1}{(1+YTM/m)^1} + \frac{CPN_2}{(1+YTM/m)^2} + \dots + \frac{CPN_{n \cdot m} + M}{(1+YTM/m)^{n \cdot m}}$$

where,

CPN is the coupon payment

YTM is Yield to Maturity, in %

m – number of coupon payments for a year;

n – the number of the period

M – the amount of principal on the maturity

Taking into account the floating interest rate of the bonds, investors must make assumptions about the interest rate during the life of the bond and to replace them in the formula above in order to calculate the indicative yield to maturity.

4.10.2. YIELD FOR THE HOLDING PERIOD

The holding period return yield is the realized capitalized return for the holding period at a certain price of acquisition of the bond. The yield is calculated by a formula identical to the one above, by discounting the sell price for the holding period (the number of the interest payments depends on the holding period) instead of the nominal value of the principal (M). If the sell price is higher than the initial purchase price, the yield will be higher than Yield to Maturity and vice versa.

4.10.3. CURRENT YIELD

Current yield is the relationship between the current interest payment and the price of the bond or:

$$\text{Current Yield} = \frac{CPN}{P_m} * 100$$

where,

CPN is the coupon payment

P_m is the market price of the bond.

4.11. REPRESENTATION OF BONDHOLDERS

Within a month after the latest date for subscription of bonds the BoD of MONBAT will submit an announcement to be published in the Commercial register specifying the amount of the loan; the date from which the term to maturity starts; the maturity dates for interest and principal payments; the institution to serve the payments of the loan; the place, the date and the hour, and the agenda of the first general meeting of the bondholders. The first meeting shall be held within 30 day as from the date of the publication of the announcement. Representative(s) of the bondholders of this issue will be elected at the first meeting.

The Articles of Association of the Issuer makes no explicit provisions concerning the conditions to hold general meetings of bondholders or their representation in the general meeting of shareholders. The provisions of art. 209, para. 1 and art. 214 of CA and art. 100b, para. 4 and art. 100v, para. 1 of POSA shall apply. Bondholders of this issue shall form a separate group for protection of their rights before the Issuer. The group of the bondholders from this issue shall form a separate general meeting. The first general meeting shall appoint a representative to represent the bondholders in their relations with the Issuer.

The following persons may not be representative(s):

- the debtor Company;
- parties related to the debtor Company;
- companies which have guaranteed, partly or in full, the liabilities assumed;
- the members of the BoD of MONBAT AD, their descendants, ascendants or their spouses;
- persons prohibited by law to participate in the management bodies of the Company.

The representative(s) shall convene the general meeting by a notice announced in the commercial register at least 10 days prior to the meeting. The general meeting may be convened upon request of bondholders of at least 1/10 of the bonds or – in the event of winding up – the liquidator. The representative(s) shall convene the general meeting upon being notified by the management bodies of the Company of:

- a proposal to amend the Company's scope of business or its type or to reorganize the company.
- A proposal to issue new preference bonds

The Issuer shall submit the notice to the FSC and shall announce it to the public as provide for in art. 100r, para. 3 and 4 of POSA at least 15 prior to the general meeting. The Issuer shall submit the minutes of the general meeting to the FSC and shall announce it to the public as provide for in art. 100r, para. 3 and 4 of POSA within 3 working days after the meeting was held. The notice shall contain the information under art. 223, para. 4 of CA and information about the right of bondholders to participate in the meeting.

Any amendments to the issue shall be adopted by the general meeting where at least 2/3 of the bonds are presented and by a majority of ¾ of the bonds presented.

The general meeting of shareholder is obliged to consider the decision of the general meeting of bondholders.

4.12. A STATEMENT OF THE RESOLUTIONS, AUTHORIZATIONS AND APPROVALS BY VIRTUE OF WHICH THE SECURITIES HAVE BEEN CREATED AND/OR ISSUED

The bonds are being issued on the grounds of a decision of the BoD of MONBAT AD of 10.10.2017 for the initial public offering of dematerialized, interest-bearing, convertible, freely transferable, unsecured bonds with the following parameters:

PARAMETER	VALUE
Nominal Value of the Issue	- Up to EUR 30 000 000 (thirty million)
Amount of the issue:	- Up to EUR 30 000 000 (thirty million)
Nominal Value per Bond:	EUR 1 000 (one thousand)
Issue Price per Bond:	- EUR 1 000 (one thousand)
Number of Bonds	- Up to 30 000 (thirty thousand)
Minimum amount to consider the loan concluded:	- EUR 15 000 000 (fifteen million)
Maturity of the bond loan:	- 7 (seven) years (84 months) as of the date of the issue
Currency:	- EUR
Coupon Rate:	- 6-month EURIBOR + 300 bps, min. 300 bps on an annual basis
Interest Payments:	- 6-month coupon interest payment

- Method of interest payment:** - For each separate 6-month period, the interest (coupon) payments are calculated on the nominal value of each bond on the basis of the simple interest rate based on the day-count convention “actual/actual”.
- Principal Payment:** - Principal will be paid in three instalments in the end of the 5th, the 6th, and the 7th year of the life of the bond; the respective instalments will amount to 20%, 30% and 50% of the nominal value. In the event of conversion the principal payments will be made on the basis of the outstanding nominal value of the issue at the date of the respective payment. In this event the last instalment at the end of the 7th year will pay the whole outstanding nominal value of the bonds (if any).
- Call option:** - The Issuer has the option to call 80% of the nominal value of the bond together with the corresponding interest payment at the end of the 5th year at a price of 101%. In the event of a prior conversion, the call option shall be for the current outstanding remaining part of the bond after the corresponding principal payment.
- Conversion option:** - Each bondholder will have the right to replace (convert) the bonds into such number of shares that corresponds to the current conversion ratio at the time of the replacement (conversion). This right will be available to bondholders:
- on the 48th month for 100% of the outstanding nominal value of the bonds;
 - on the 66th month for 80% of the outstanding nominal value of the bonds;
 - on the 78th month for 50% of the outstanding nominal value of the bonds.
- Minimum conversion threshold:** - The total amount of the bonds submitted for conversion may not be less than 10% of the outstanding nominal value of the bonds, if the latter is less than EUR 20 million. If the outstanding nominal value of the bonds is above EUR 20 million, the minimum amount for conversion shall be 5% of the outstanding nominal value. These minimum amounts apply to all conversion dates.
- Conversion ratio:** - By means of filing a request under the procedure described below, each bondholder may request the conversion of the bonds he/she holds according to their outstanding nominal amount. This amount will be converted against shares issued by the Issuer at a price equal to 90% of the weighted average price per one share of MONBAT AD during the last six months of trading preceding the conversion date.
- The conversion coefficient is equal to the nominal value of each bond divided by 90% of the weighted average price per share of MONBAT AD during the last six months of trading preceding the conversion date).
- Start of the Offering:** - The start of the offering is the latest date among the date of publication of the offering announcement on the website of the Bulletin of Investor BG and X3 News, as well as on the website of Monbat and the investment intermediary elected to service the offering.
- The start of the term for right transfer is the first business day following the expiration of 7 calendar days after the start of the offering.
- The start of the bond subscription period coincides with the start of the right transfer period.

- Purpose of the bond loan:**
- Acquisition of non-current financial assets related to the main activity of MONBAT AD representing stakes or shares in companies with the same or similar scope of activity, which are detailed in Section 3.2 („Reasons for the offer and use of proceeds“) of this Document.
- Term and conditions of the bond issue**
- These Bonds are issued under an initial public offering procedure as stipulated in the Prospectus which has confirmed by the FSC. After the Issue has been subscribed and registered with the Central Depository and the FSC, it will be registered for trading on the regulated market organized by BSE.
- Bonds subscription conditions:**
- Every shareholder of the Issuer has the right to subscribe for bonds in proportion to their stake in the capital of the Issuer. All shareholders of MONBAT AD registered as such in the legally prescribed time with the Central Depository have the right to subscribe for bonds. Every shareholder may subscribe for a minimum of one bond and for a maximum of as much bonds as purchased or owned by them pre-emptive rights. Only whole number of bonds as rounded down to the nearest whole number can be subscribed regardless of the numbers after the decimal point.

4.13. EXPECTED ISSUE DATE OF THE SECURITIES

The expected issue date of the convertible bonds is at or around 15.12.2017.

4.14. A DESCRIPTION OF ANY RESTRICTIONS ON THE FREE TRANSFERABILITY OF THE SECURITIES

4.14.1 PROCEDURE FOR TRANSFER OF THE SECURITIES

In accordance with the decision of MONBAT’s Board of Directors of 10.10.2017, the securities from this first issue of corporate convertible bonds shall be freely transferable upon the holder’s will.

Upon the completion of the offering, the announcement and the registration of the bonds, and after the decision of the FSC to enter the issue and the issuer in the register in accordance with the FSCA, the Issuer shall file an application to the BSE Sofia AD for the registration of the issue for trading (admitting to trading). Once the issue has been admitted to trading, transactions in the bonds will be carried out on BSE Sofia, through an authorized investment intermediary or banks authorized to carry out investment services.

Any individual or legal entity wishing to buy or sell bonds must enter into contract with an investment intermediary or a bank authorized to carry out investment services and to place a buy or sell order. The investment intermediary will execute the order, if possible. BSE Sofia and the investment intermediaries, through which the transaction was executed, will carry out the actions necessary to register the transaction in the Central Depository. The Central Depository will enter the transaction in the Issuer’s dematerialized bond register by simultaneously crediting the securities account of the transferee with the bonds acquired and debiting the securities account of the transferor with the bonds transferred. The Central Depository shall register the transaction 2 days after the transaction was concluded (Day T+2) if the necessary number of bonds and the cash for the transaction are available, and shall update the Issuer’s dematerialised bond register. Upon request by the buyer, the Central Depository shall issue a certificate for the bonds acquired. Bondholders entitled to interest payment shall be those enlisted in the bondholders’ register kept by the Central Depository 3 (three) working days prior to the respective maturity date, and 5 (five) working days, for the last interest payment. Ownership of bonds is certified by an official excerpt from the bondholders’ register issued by the Central Depository. The registration document shall be transmitted to the new bondholder by the investment intermediary with which a contract has been entered into. Transactions in securities admitted to trading on a regulated market may be carried out outside a regulated market or a multilateral transaction facility. In this case, pursuant to art. 38 of the MFIA the investment intermediary shall disclose publicly information to the public about the type, issue, quantity and the unit price of the financial instruments subject to the transaction, specifying that the transaction is concluded outside a regulated market and multilateral trading facility. In the event of donation, exchange or inheritance of bonds the interested persons may request the Central

Depository to carry out the necessary registrations through an investment intermediary acting as a registration agent.

Pursuant to art. 38, para. 1 and 2 of Ordinance no. 38 investment intermediaries are not authorized to execute a client order if the client or their representative refuses to submit the declaration under art. 35 thereof or declares that the transaction - subject of the order represents a concealed purchase or sale of financial instruments; the same shall apply if the financial instruments are not available in the customer's account or are blocked by the depository institution, as well as if they are pledged or garnished.

The prohibition under art. 38, para. 2 of Ordinance no. 38 in the case of pledge does not apply if:

- the transferee is informed about the pledge and has explicitly agreed to acquire the pledged financial instruments, and the explicit consent of the pledgee has been obtained as provided in the Special Pledges Act;
- the pledge is set over an aggregate within the meaning of the Special Pledges Act.

Consequently, holders of bonds that have been blocked with the Central Depository or have been garnished may not sell them until the bonds have been unblocked or the garnishment has been lifted. In the cases of art. 35 of Special Pledges Act, the investment intermediary, upon a written request by the bailiff, shall file the necessary data to the Central Depository for the transfer of the pledger's securities to the creditor's client account. In the event of enforcement or insolvency proceedings the investment intermediary shall carry out the written request of the bailiff or the trustee in bankruptcy for the sale of the debtor's securities; the provisions of the Special Pledges Act shall apply accordingly.

4.14.2 DESCRIPTION OF ANY RESTRICTIONS ON THE FREE TRANSFERABILITY OF THE SECURITIES

In accordance with the decision of MONBAT's Board of Directors the bonds from this issue shall be freely transferable upon the holder's will

Certain restrictions on the free transferability of the bonds are provided for in the Special Pledges Act, the Code of Civil Procedure and Ordinance no. 38 in the event of a pledge or a garnishment on bonds.

Pursuant to art. 18 of the SPA in the event of pledge on bonds the relevant circumstances shall be entered with the Central Depository. Any acquirer of the property pledged will have the status of pledger. In the event of default on the secured obligation the creditor may initiate enforcement of the pledge. In the event of garnishment, the garnishment notice shall be served to the Central Depository and the latter shall notify immediately the regulated market where the bonds are traded. The garnishment shall take effect from the moment of being served and shall affect all property rights arising from the financial instrument. As from the moment of receipt of the garnishment notice, any act of disposition with the dematerialized securities may be carried out only by the bailiff in so far as the securities serve as collateral for the fulfilment of the debtor's obligations in the precautionary or the enforcement proceedings. After the garnishment has been imposed the creditor may request:

- the award of the receivable for collection or in lieu of payment;
- the public sale of the securities.

Dematerialized securities shall be sold through a bank in the manner established for the said securities. The enforcement agent shall act on his/her behalf and for the account of the debtor.

Pursuant to art. 38, para. 1 and 2 of Ordinance no. 38 investment intermediaries are not authorized to execute a client order if the client has declared or the investment intermediary has found that subject to the sell order financial instruments (including bonds) subject to the transaction are not available in the customer's account or are blocked by the depository institution, as well as if they are pledged or garnished. This prohibition shall not apply if the transferee has been informed about the pledge and has explicitly agreed to acquire the pledged financial instruments, and the explicit consent of the pledgee has been obtained as provided in the Special Pledges Act, or if the pledge is set over an aggregate within the meaning of the Special Pledges Act.

Therefore, holders of bonds that have been pledged or garnished may not sell them until the pledge has been deleted or the garnishment has been lifted. After the bonds have been admitted to trading on a regulated market and in accordance with the Rules of BSE Sofia transactions in bonds will be carried out only if the bonds are not blocked in the Central Depository, if the issuer is not in an insolvency, winding-up or reorganization procedure and if the rights to receive interest payments have not been restricted and the payment are due at the respective maturity date.

Pursuant to art. 38, para. 1 of Ordinance 38, investment intermediaries are not authorized to execute a client order if the client or their representative refuses to submit the declaration under art. 35 thereof and/or declares that the transaction - subject of the order represents a concealed purchase or sale of financial instruments.

4.15. AN INDICATION OF THE EXISTENCE OF ANY MANDATORY TAKEOVER BIDS AND/OR SQUEEZE-OUT AND SELLOUT RULES IN RELATION TO THE SECURITIES.

So far, there are no mandatory takeover bids and/or squeeze-out and sellout rules in relation to the shares of MONBAT AD. The shares of MONBAT AD may be subject to mandatory squeeze-out as provided for in art. 157a of POSA in the event that a person has acquired, directly or indirectly under art. 149, para. 2 of POSA, at least 95 of the votes in the general meeting of the Company as a result of a mandatory takeover bid addressed to all shareholders; this person shall have the right to repurchase the voting shares out of the remaining shareholders within three months after the end of the tender offer

4.16. AN INDICATION OF PUBLIC TAKEOVER BIDS BY THIRD PARTIES IN RESPECT OF THE ISSUER'S EQUITY, WHICH HAVE OCCURRED DURING THE LAST FINANCIAL YEAR AND THE CURRENT FINANCIAL YEAR. THE EXCHANGE TERMS

So far the shares of MONBAT AD have not been subject to takeover bids.

4.17. TAXATIONS

The registered seat of the Issuer is in Republic of Bulgaria. The bonds are offered only on the territory of Republic of Bulgaria.

The bonds form this issue are ordinary, convertible, unsecured, freely transferable, dematerialized and registered with the Central Depository, the Bulgarian national registrar for dematerialized securities, with registered office at 6 Tri Ushi Str., floor 4, Sofia 1303.

TAXES ON THE INCOME FROM THE BONDS:

The information below is in compliance with the Bulgarian legislation in force as of the date of this Securities Note. The Issuer shall assume no liability for any subsequent amendments to the legislation concerning the taxation of the income from the securities offered. The information below does not constitute a tax advice or an advice on the taxation of the income of bondholders.

The incomes of bondholders may be the income from interest and/or income from sale/exchange (conversion) of bonds before maturity.

Resident individuals

Any person, irrespective of their nationality, with a permanent address in Bulgaria or present within the territory of Bulgaria for a period exceeding 183 days in any twelve-month period shall be deemed to be resident individual. Any person whose centre of vital interests is situated in Bulgaria and any person sent abroad by the Bulgarian State, by bodies and/or organisations thereof, by Bulgarian enterprises, and the members of the family of any such person, shall also be deemed to be resident individuals.

The income of bondholders who are resident individuals is taxed in accordance with the ITNPA.

Pursuant to art. 13 para. 1, item 9 of ITNPA, any interest payments and discounts made on Bulgarian government, municipal and corporate bonds (including the bonds from the present issue) shall not be taxable. Therefore, the income of resident individuals in the form of interest payments and discounts on the bonds from the issue is not subject to taxation.

Pursuant to art. 12 and art. 33. para. 3 of ITNPA the income from the sale or exchange of financial assets is taxable in accordance with the ITNPA. Resident individuals are obliged to declare the income in their annual tax return.

Resident entities

Incorporated and unincorporated entities registered in Bulgaria and European companies incorporated under Council Regulation (EC) No 2157/2001, and any cooperative society incorporated under Council Regulation (EC) No 1435/2003, where the registered office thereof is situated in the country and they are entered into a Bulgarian register will be deemed resident entities.

The income of resident entities is taxed in accordance with the Corporate Income Tax Act (CITA).

The interest payments on bonds, as well as the income from the sale or exchange of bonds prior to maturity shall be included in the taxable amount for the purposes of calculation of the corporate tax. The rules on determining the tax profit on the basis of the accounting financial result, the calculation, the declaring and the remittance of the tax are regulated in the CITA.

Pursuant to art. 160, para. 1 and 2 of the Social Insurance Code (SIC) the income of universal and of occupational pension funds shall not be taxable under the CITA; the return on investment of the assets of occupational and universal funds, as allocated to the individual accounts of the insured persons, shall not be taxable under the ITNPA. Pursuant to art. 253, para. 1 and 2 the same apply to the income of supplementary voluntary retirement insurance funds.

Pursuant to art. 174 of CITA collective investment schemes admitted to public offering in the Republic of Bulgaria, and national investment funds under the Collective Investment Schemes and Other Undertakings for Collective Investments Act, shall be exempt from the levy of corporation tax.

Pursuant to art. 174 of CITA special purpose investment company under the Special Purpose Investment Companies Act shall be exempt from the levy of corporation tax.

Non-resident individuals

The income of non-resident individuals accruing from interest and/or sale, exchange or other transfer for consideration if bonds from this issue is taxed in accordance with the ITNPA

Pursuant to art. 37 of ITNPA any interest payments paid in favour of non-resident individuals shall be taxed with a 10% withholding tax at the source unless otherwise provided for in a Convention for avoidance of double taxation between Bulgaria and the tax registration state of the recipient of the income or in other international act. No final tax shall be levied on interest charged-paid in favour of non-resident individuals established for tax purposes in a Member State of the European Union or in another Member State of the European Economic Area.

Pursuant to art. 37 of ITNPA the income of non-resident individuals accruing from the sale, the exchange or other transfer for consideration of financial assets shall be taxed with a 10% withholding tax at the source unless otherwise provided for in an Agreement for double taxation avoidance between Bulgaria and the tax registration state of the recipient of the income or in other international act.

The tax shall be withheld by the payer of the income by the time of charging the income, i.e. by the Issuer by the time of payment. The tax withheld shall be remitted by MONBAT not later than at the end of the month following the month in which the income was charged.

In the event that a Convention for avoidance of double taxation (CADT) has been entered into between the Republic of Bulgaria and the foreign country, whose resident the recipient of the income is, the CADT's provisions shall apply with priority. The non-resident individual may request the application of the CADT by providing evidence to the revenue authority in accordance with Chapter XVI, Section III of the Tax and Social Insurance Procedure Code (TSIPC).

The non-resident person shall certify to the revenue authority that the following grounds for the application of the CADT are present: (1) the person is a resident of the other State within the meaning of the relevant CADT; (2) the person is an owner of the income from a source inside the Republic of Bulgaria; (3) the person does not own a permanent establishment or a fixed base within the territory of the Republic of Bulgaria, whereto the income is effectively connected; and (4) the special requirements for application of the CADT or separate provisions thereof are fulfilled in respect of persons specified in the CADT itself, where such special requirements are contained in the relevant CADT.

These circumstances must be certified by declarations, official documents, including excerpts from public registers; if not possible, other written evidence are admissible.

The request for application of CADT and the documents attached thereto shall be submitted to the Bulgarian tax authorities by the non-resident person – recipient of the income. Should the grounds for the application of the relevant CADT are not present prior to the date of a payment due, the payer (MONBAT in the event of interest payments) shall withhold a final 10% tax at the source, shall remit it not later than at the end of the month following the month in which the income was charged and shall declare this circumstance to the territorial directorate where it has been registered. The tax remitted may subsequently be refunded upon request by the non-resident recipient of the income made to the competent revenue authorities and if the grounds for the application of the relevant CADT are present.

Non-resident entities

Pursuant to art. 195 of CITA any income of non-resident entities with a source inside Bulgaria, and where not accruing through a permanent establishment shall be taxed by final withholding tax at source.

The income of non-resident entities from interest or the income from the sale or the exchange of bonds prior to maturity will be subject to 10% final withholding tax. The tax shall be withheld by the payer of the income by the time of charging the income. The tax withheld shall be remitted by MONBAT (in the event of an interest payment) not later than at the end of the month following the month in which the income was charged. The procedure to apply the CADT describe above shall apply.

Should a CADT between the Republic of Bulgaria and the state of where the recipient of income is registered for tax purposes or an international agreement in force, to which the Republic of Bulgaria is a party and which has been ratified and published in the State Gazette contain provisions other than the provisions of CITA and ITNPA, the provisions of the convention or the agreement shall apply.

The procedure for the application of the CADT is laid down in the TSIPC. The grounds for the application of a CADT are as follows:

1. after occurrence of a tax obligation for any income from a source inside the country, the non-resident person shall certify to the revenue authority that:

- the person is a resident of the other State within the meaning of the relevant CADT. The circumstance shall be established by the revenue authorities as per the tax registration of the recipient of the income;
- the person is an owner of the income from a source inside the Republic of Bulgaria. The circumstance shall be established by means of a declaration by the non-resident person;
- the person does not own a permanent establishment or a fixed base within the territory of the Republic of Bulgaria, to which the income is effectively connected. The circumstance shall be established by means of a declaration by the non-resident person;
- the special requirements for application of the CADT or separate provisions thereof are fulfilled in respect of persons specified in the CADT itself, where such special requirements are contained in the relevant CADT. These circumstances shall be established by official documents, including excerpts from public registers. In the event that no such documents are issued, other written evidence is admissible. These circumstances may not be established by means of declaration.

2. Should the grounds for the application of the relevant CADT are not present prior to the date of a payment due, the payer (the Issuer in the event of interest payments) shall withhold a final 10% tax at source and shall make the payment by deducting the tax. The payer shall remit the tax as follows:

- within three months as of the beginning of the month following the month in which the income was charged – in the event that the recipient is a resident of a country with which the Republic of Bulgaria has entered into a CADT and the CADT is in force;
- not later than at the end of the month following the month in which the income was charged – in all other cases.

TAXATION OF INCOME FROM SHARES:

Taxation of income from dividend and liquidation quota

Resident entities

According to art. 27, para. 1 item 1 of CITA income from the distribution of dividends by local legal entities is not recognized for tax purposes. Therefore, income from dividends distributed to resident legal entities are exempt from corporate tax.

According to art. 194, para. 1 of CITA dividends and liquidation quotas distributed (personified) by local legal entities in favour of resident entities other than traders, including municipalities will be subject to the withholding tax. This tax is final and is withheld by the resident entities distributing dividends or liquidation quota. Therefore, income from dividends distributed to persons under the preceding sentence is subject to withholding tax at the rate of 5 percent.

The Issuer, as the payer of the income from distributed dividends and paid liquidation quotas under the shares will withhold the final tax according to the statutory requirements.

Non-resident entities:

According to Art. 194, para. 1 of CITA final withholding tax is withheld when resident entities distribute dividends to non-resident entities, except where the dividends are allocated to a mutual fund, a non-resident entity which is resident for tax purposes in a Member State of the European Union or other state - party to the Agreement on the European Economic Area, or the dividends are realized by a non-resident entity through a permanent establishment in the country.

Therefore, income from dividends distributed to non-resident entity (apart from the abovementioned cases) is subject to withholding tax at the rate of 5 percent. This tax is final and is withheld by local legal entities when distributing dividends or liquidation proceeds.

The Issuer, as the payer of the income from distributed dividends and paid liquidation quotas connected to the shares, will withhold the final tax according to the statutory requirements.

Resident and non-resident individuals

According to Art. 38, para. 1 of ITNPA, final tax is levied on income from dividends and liquidation quota in favour of resident and non-resident individuals from a source in Bulgaria.

The tax on dividends is calculated on the gross amount, determined by the decision for dividend distribution.

The tax on dividends in the form of hidden profit distribution is calculated on the gross amount of the accrued cost.

The final tax on the income from liquidation quotas is determined on the positive difference between the value of the liquidation quota and documented cost of acquisition of the share in the company.

Income from dividends and liquidation quotas distributed to resident and non-resident individuals is subject to a final tax of 5 percent, which is withheld and paid by the Issuer of shares - payer of the income.

The Issuers, as the payer of the income from distributed dividends and paid liquidation quotas connected to the shares, will withhold the final tax according to the statutory requirements.

Capital gain

Resident entities

According to Art. 44 of CITA in determining the financial result for tax purposes, the accounting financial result shall be reduced by the gain from financial instruments operations within the meaning of § 1, item 21 of the additional provisions of CITA, defined as the positive difference between the sales price and the purchase cost of these financial instruments.

Under § 1, item 21, letter "a" of the additional provisions of CITA "Dealing with financial instruments" for the purposes of Art. 44 are transactions with shares and rights, performed on a regulated market within the meaning of Art. 73 of the Markets in Financial Instruments Act; "Rights" for purposes of the preceding sentence are the securities giving the right to subscribe a certain number of shares in relation to a decision to increase the capital;

Therefore, the income generated from transactions in shares concluded on the BSE regulated market is not subject to corporate tax.

Loss from the same transactions is not recognized as an expense for tax purposes.

Non-Resident entities

According to art. 196 of CITA dealing with financial instruments within the meaning of § 1, item 21 of the additional provisions of CITA is not subject to withholding tax income.

Under § 1, item 21, letter "a" of the additional provisions of CITA "Dealing with financial instruments" for the purposes of Art. 44 are transactions with shares and rights performed on a regulated market within the meaning of Art. 73 of the Markets in Financial Instruments Act; "Rights" for purposes of sentence one are securities giving the right to subscribe a certain number of shares in relation to a decision to increase the capital;

Therefore, any income from transactions in shares concluded on the BSE regulated market is not subject to withholding tax.

Resident individuals

According to art. 13 para. 1, item 3 of ITNPA, in connection with §1, item. 11 of the additional provisions of ITNPA, income from disposal of financial instruments within the meaning of § 1, item 11 of the additional

provisions is not taxable; under § 1, item 11, letter "a" of the additional provisions of the same Act "Dealing with financial instruments" for the purposes of art. 13 para. 1 item 3 are transactions with units of collective investment schemes, shares and rights, performed on a regulated market within the meaning of Art. 73 of the Markets in Financial Instruments Act; for purposes of sentence one, rights are the securities giving the right to subscribe a certain number of shares in relation to a decision to increase the capital;

Therefore, any income of resident individuals from transactions in shares concluded on the BSE regulated market is not subject to withholding tax.

Non-resident individuals

According to Art. 37, para. 1, item 12 of ITNPA, final tax is levied on the income of foreign individuals from the sale, exchange or other transfer of stocks, shares, compensatory instruments, investment bonds and other financial assets.

According to Art. 37, para. 7 of ITNPA, final tax is not levied on the income from the preceding sentence, when exempted from taxation under the ITNPA and are accrued/paid to foreign individuals, resident for tax purposes in a Member - State of the European Union, as well as in another Member - State of the European Economic Area (EEA). Therefore, income from transactions carried out on the regulated market of financial instruments within the meaning of art. 73 of FIMA, are not subject to withholding tax when they are paid to non-resident individuals, resident for tax purposes in a Member State of the EU or EEA.

When the person is a resident of a country outside the EU or EEA, a tax at the rate of 10 per cent is withheld. Tax shall be declared and paid by the person - recipient of income, without commitment from the Issuer.

CONVENTIONS FOR THE AVOIDANCE OF DOUBLE TAXATION

In the event that a CADT has been entered into between the Republic of Bulgaria and the respective country whose resident the recipient of the income with source in Bulgaria is, the provisions of the CADT shall prevail on the domestic legislation. The procedure for the application of the CADT is laid down in Chapter XVI, Section III of TSIPC. The non-resident person shall certify to the revenue authority that the following grounds for the application of the CADT are present: (1) the person is a resident of the other State within the meaning of the relevant CADT; (2) the person is an owner of the income from a source inside the Republic of Bulgaria; (3) the person does not own a permanent establishment or a fixed base within the territory of the Republic of Bulgaria, whereto the income is effectively connected; and (4) the special requirements for application of the CADT or separate provisions thereof are fulfilled in respect of persons specified in the CADT itself, where such special requirements are contained in the relevant CADT.

These circumstances must be certified by declarations, official documents, including excerpts from public registers; if not possible, other written evidence are admissible. Documents shall be presented to certify the type, the amount and the grounds for the income.

In the case of income from dividends from shares in a public company, the following may be enclosed as evidence: the decision of the general meeting of the company; coupon for paid dividends; excerpt from the shareholders' register, certified by the company; interim certificate; registered certificate of dematerialized shares; excerpt from the book of dematerialized shares or other document certifying the type and amount of income and the amount of the foreign entity's or individual's stake.

In the case of income from liquidation quota the following may be enclosed as evidence: a document proving the investment size, final liquidation balance after creditors' claims have been settled and a document stating the distribution of the liquidation quota, or, in the event of an in-kind - the decision of the partners or shareholders and the documents, on the basis of which the market price of liquidation quota has been determined.

In the case of income from the transfer of shares and tradable share rights and when they are not exempt from taxation under the law - a document for transfer of rights and a document proving the sale and the acquisition price.

The non-resident person shall submit the request for the application of the CADT and the documents enclosed to it pursuant to art. 139 of TSIPC. The CADT provisions shall apply only if the revenue authority confirms the grounds for the application in its opinion rendered on the request. Otherwise, the provisions of the relevant Bulgarian tax legislation shall apply. If the opinion of the revenue authority denies the application of the CADT, the non-resident entity or individual have the right to appeal.

When the accounted income, which source is in Bulgaria, amounts up to BGN 500,000 per year, the above circumstances are certified to the income payer. In any such cases, requests for application of CADT are not submitted with the revenue authority

4.18. FOREIGN EXCHANGE LEGISLATION

The Foreign Exchange Act (FEA) and the statutory instruments for the application thereof establishes the legal regime for transactions and payments between resident and non-resident entities and individuals, cross-border transfers and payments and the import and export of Bulgarian lev and foreign currency. Ordinance № N-1 01.02.2012 for the transfer of cash, precious metals, precious stones and any craftwork with and from the same, across the country border, and for the keeping of customs registers under Art. 10a from the FEA implements the provisions of Regulation (EC) 1889/2005 (implemented by Ordinance № 10 of 2003 of the Minister of Finance), Bulgarian and foreign individuals may import or export cash up to € 10,000 or its equivalent in other currency freely, without any written declaration to the customs authorities. The import and export of local and foreign individuals of more than EUR 10,000 in cash or its equivalent in another currency must be declared to the customs authorities.

Transfer of funds of EUR 10,000 or more or its equivalent in another currency across the border to or from a Member - State of the European Union shall be declared upon a request of the customs authorities.

Furthermore, any individual who exports sum in excess of BGN 30,000 or its equivalent in foreign currency must submit a certificate issued by the National Revenue Agency (NRA), certifying that the person has no tax arrears or a document certifying that the person is not registered with the NRA. Non-resident individuals shall declare only the type and the amount of the sums if the latter do not exceed the amounts under the previous sentence.

In the event of a cross-border transfer to a third country to the amount in excess of BGN 30,000 or their equivalent in foreign currency which constitutes taxable income under the provisions of art. 37 and 38 of ITNPA or art. 194 and 195 of CITA, the person shall present the bank with a declaration on the tax withheld, or the application of the relevant CADT.

4.19. A STATEMENT SETTING OUT THE TYPE OF THE UNDERLYING AND DETAILS OF WHERE INFORMATION ON THE UNDERLYING CAN BE OBTAINED

The bonds from this issue shall confer bondholders the right to request for the bonds to be converted into a certain number of ordinary shares of MONBAT AD in accordance with the conversion ratio as of the date of conversion or to receive the nominal value of the bonds owned. For this purposes the competent body of MONBAT AD as designated by the Articles of Association will adopt a decision to increase the capital of the Issuer on the condition that the new shares be subscribed for by holders of convertible bonds.

Holders of bonds from this issue may convert them into ordinary, dematerialized, freely transferrable shares of MONBAT AD conferring one vote in the general meeting of shareholders, the right to dividend and the right to liquidation quota in proportion to the nominal value of the shares. The shares from the future issue will confer the same rights as the existing shares of MONBAT AD. Information about the past and the further performance of the shares of MONBAT AD can be obtained from the regulated market where the shares are traded. As of this document the shares of MONBAT AD are traded on the BSE Main Market, Premium Shares Segment, ticket 5MB and ISIN BG1100075065.

4.20. CONDITIONS OF THE BOND LOAN

The Issuer undertakes the following obligations and commitments for the life of the bonds:

4.20.1. NOTIFICATION OF A FAILURE TO FULFIL ANY OBLIGATION OR COMMITMENT

The Issuer shall notify the bondholders' representative, in writing and without delay after it became known to it, of any case of failure to fulfil its obligations and commitments arising from the bond loan.

4.20.2. ADMITTING TO TRADING ON A REGULATION MARKET

The Issuer undertakes to register the bond issue for trading on BSE Sofia upon completion of the public offering.

Pursuant to art. 100a of POSA should the bond issue be not admitted to trading on a regulated market within 6 months after the date of the issue, the Issuer shall be obliged to buy back the bonds upon request by bondholders within 7 days of receiving the request.

4.20.3. FINANCIAL COEFFICIENTS FOR THE LIFE OF THE BOND

The Issuer must sustain the following financial coefficients on a consolidated level over the life of the bond:

- **Interest coverage ratio** calculated for the last four quarters in accordance with the consolidated financial statement: [(EBIT + any one offs profits and interest payments)] divided by Interest expense, of no less than 120%;
- **Interest-bearing debt to Assets** ratio of no more than 0.60. The coefficient is equal to the total of the short-term and long-term interest liabilities divided by the assets in the consolidated balance sheet as of a certain date.
- **Total Liabilities to Assets** Ratio of no more than 0.70. The coefficient is equal to the total of the short-term and long-term liabilities divided by the assets in the consolidated balance sheet as of a certain date.
- **Cross default** – In the event of default on any future secured obligation of the Issuer during the life of the bonds which exceeds two months, the Issuer shall undertake actions to pay all of its obligations unpaid and/or in default within 6 (six) months. If the Issuer fails to pay, the bondholders may require the early payment of the principal and the accrued interest for the period.
- **Change of control** - In the event of change of control of MONBAT AD the bondholders by the date of the change may require the early payment of the principal and the accrued interest for the period. The decision to require early payment shall be adopted by the General Meeting of Bondholders by a quorum of 2/3 of the bonds issued and by a majority of ¾ of the bonds represented at the meeting; the early payment shall become due after the expiration of 30 (thirty) days of the date of the general meeting. In the event of a mandatory takeover bid under art. 149 of POSA, the bond issue shall become due within the same 30-day time limit.

Historically and by the date of publication of the latest report the coefficients described above are as follows:

Table 11: Historical financial ratios/coefficients

Indicators (consolidated)	2014	2015	2016	Jun-17
Interest coverage ratio (TTM)	12.50	13.50	13.98	12.53
Debt to Assets Ratio	0.27	0.23	0.32	0.31
Liabilities to Assets Ratio	0.35	0.35	0.43	0.43

Source: MONBAT AD

If in breach of any of the financial coefficients, the Issuer shall undertake actions to align them to the requirements set above within 6 (months). Within this time limit, the Issuer shall be obliged to align the Interest coverage ratio and the Cross default commitment to the requirements of this document. Should the Issuer fail to do that, the bondholders may require the early payment of the principal and the accrued interest for the period. The decision to require early payment shall be adopted by the General Meeting of Bondholders by a quorum of 2/3 of the bonds issued and by a majority of ¾ of the bonds represented at the meeting; the early payment shall become due after the expiration of 30 (thirty) days of the date of the general meeting.

Should the Interest coverage ratio and the Cross default commitment be aligned within the set 6-month limit, but the Issuer is in breach of its **Interest-bearing debt to Assets** ratio or **Total Liabilities to Assets** Ratio commitment, the Issuer will have another period 6 months to align the coefficients to the requirements. If the Issuer is in breach of any of the commitments after the expiration of the additional 6-month period, the bondholders may require the early payment of the principal and the accrued interest for the period. The decision to require early payment shall be adopted pursuant to the procedure described above.

4.21. CONDITIONS AND TIME LIMITS FOR CONVERSION

GENERAL CONDITIONS. CONVERSION PROCEDURE.

Each bondholder shall have the right to replace (convert) the bonds owned into such number of shares as that corresponds to the current conversion ratio at the time of the replacement (conversion). This right will be available to bondholders:

- on the 48th month for 100% of the outstanding nominal value of the bonds;
- on the 66th month for 80% of the outstanding nominal value of the bonds;
- on the 78th month for 50% of the outstanding nominal value of the bonds.

The total amount of the bonds submitted for conversion may not be less than 10% of the outstanding nominal value of the bonds, if the latter is less than EUR 20 million. If the outstanding nominal value of the bonds is above EUR 20 million, the minimum amount for conversion shall be 5% of the outstanding nominal value. These minimum amounts apply to all conversion dates.

The shares to be issued for the purposes of bond conversion will be of the same type and class as the existing shares of MONBAT AD: ordinary, dematerialized, registered with the Central Depository, freely transferable, entitling the holders to one vote, to dividend and to liquidation quota.

Bonds shall be converted into new shares pursuant to the following procedure:

a) Decision of the competent corporate body of MONBAT to increase the capital on the condition that the new shares be subscribed for by bondholders of this issue.

Within a reasonable time prior to the maturity of the bond loan, the competent corporate body of MONBAT will adopt a decision to increase the capital of the Company by new share issue of the same type and class as the existing shares; the amount of the new share issue shall depend on the number of shares necessary if all bondholders were to convert their bonds taking into account the current conversion ratio and the price. The capital increase will be conditioned on all new shares being subscribed for by the bondholders of this issue/ the new shares will be offered only to the bondholders of this issue. The decision on capital increase shall specify the procedure, the terms and the time limits for the bond conversion and for the subscription for new shares in such a way that the latest date to place application for subscription for shares be 14 days prior to the conversion date. The decision shall also specify the minimum conversion threshold and an indication that the Issuer shall proceed with the capital increase procedure only if sufficient number of subscription/conversion applications have been placed.

The decision on capital increase shall not bind bondholders to convert their bonds into shares. Bondholders who have not exercised the right to convert their bonds into shares will keep their bondholder status under the terms of this Prospectus.

The Board of Directors of MONBAT AD shall publish an announcement about the decision on capital increase at least 7 days prior to the earliest date for bond conversion. The announcement shall be published in a daily newspaper and on the website of an information agency or other media which may ensure the effective disclosure of the regulated information to the public in all EU member states; the announcement shall also be published on the websites of the Issuer and the investment intermediary appointed to implement the capital increase. The announcement shall specify the earliest and the latest dates for bond conversion, the persons eligible to participate in the capital increase, and any other material details of the offering.

The earliest date from which applications to convert bonds into shares may be placed shall be the first day following the expiration of 7 calendar days as from the latest date between the date of publication of the announcement in the daily newspaper or on the website of the information agency or other media which may ensure the effective disclosure of the regulated information to the public in all EU member states, or on the websites of the Issuer and the investment intermediary appointed to implement the capital increase.

The decision of the competent corporate body of MONBAT AD shall specify the period for conversion of bonds; this period shall not be less than 15 working days as from the earliest date for conversion of bonds. The latest date for conversion of bonds shall be not later than 14 days prior to the conversion date.

b) Explicit statement by bondholders to convert the bonds owned and to subscribe for the corresponding number of new shares in the increase of the capital of the Company.

Bondholders wishing to convert bonds into shares must place an application to subscribe for new shares within the period for conversion of bonds. Subscription applications will be placed directly to the investment intermediary appointed to implement the increase of the capital (“the Appointed intermediary”) or through another authorized investment intermediary; the latter will transmit the application to the Appointed intermediary. A duly certified aggregate application may be placed to the Appointed intermediary in a form and under the instructions as specified by the latter.

Legal entities shall place applications through their representatives by law or through a person authorized by them.

The following documents shall be enclosed to the written application:

- Identity document of the individuals - representatives by law of the legal entity. The investment intermediary shall keep a certified copy of the presented identity document.
- an explicit notary certified power of attorney and an identity document of the proxy – in the event of placing an application through a proxy. The investment intermediary shall keep the power of attorney as well as a certified copy of the presented identity document for its archive.

Individuals shall place applications personally and shall identify themselves by an identity document, a copy of which shall be attached to the application or by a proxy, who shall identify himself/herself with an explicit notary certified power of attorney and an identity document. The investment intermediary shall keep the power of attorney as well as a certified copy of the presented identity document for its archive.

Applications may be placed in the office of the Appointed intermediary between 9.00 a.m. and 5.00 p.m. on every working day.

If the minimum conversion threshold has been exceeded, the Central Depository shall block the corresponding number of bonds in the respective client account on the basis of the information provided by the Appointed intermediary.

If bondholders do not place an application within the period as specified above, they will continue to own the rights arising from the bonds and this Prospectus.

c) Entering of the increase of the capital in the Commercial register

If the minimum conversion threshold has been exceeded, the capital of the Issuer will be increased up to the amount of the shares subscribed in exchange for the converted bonds.

Within 3 days after the latest date for subscription of new shares in exchange for convertible bonds MONBAT AD shall inform the FSC of the bond conversion and the results thereof, including any difficulties and disputes in the bond conversion and the share subscription, and shall submit an application for entering of the increase of the capital in the Commercial register.

Should all bondholders exercise their right to convert bonds at any conversion date, the bond loan will be deemed paid off due to the conversion of the whole bond issue into ordinary shares in the Company.

Should the Registry Agency refuse to enter the increase of the capital in the commercial register, the Issuer shall disclose information about the refusal under the terms and conditions provided for in the applicable legislation and shall refund to the bondholders the nominal value of the bonds that have been replaced with shares of MONBAT AD within 30 days of the announcement.

Pursuant to art. 110, para. 9 of POSA, within 2 working days after the capital increase has been entered in the Commercial register, the Issuer shall request for the new share issue to be entered in the register under art. 30, para. 1, item 3 of FSCA, and to be admitted to trading on the regulated market where the shares of the same type and class are traded.

After the subscription has been completed and the capital increase has been entered in the Commercial register, the Central Depository shall register the new share issue and shall issue a registration act stating the total number of new shares and identification data about the shareholders.

The shares will be kept in a client account of the investment intermediary, through which they have been subscribed, with the Central Depository.

After the issue has been admitted to trading, transactions in shares of MONBAT AD will be freely executed on BSE Sofia. Orders for sale and purchase shall be placed in compliance with the requirements set forth in Ordinance no. 38.

CONVERSION RATIO AND CONVERSION PRICE

In its decision to issue convertible bonds the Board of Directors of MONBAT AD has set a conversion price equal to 90% of the weighted average price per one share of MONBAT AD during the last six months of trading preceding the conversion date. For the purposes of determining the weighted average price the Issuer shall request reference from the BSE Sofia for the corresponding period. The conversion price shall be equal to the weighted average price on the basis of the reference multiplied by 90%, and the result will be rounded to the third digit after the decimal point.

The conversion ratio for each bond shall be calculated by the following formula:

$$\text{Conversion Ratio} = \frac{\text{Nominal Value per Bond}^*}{\text{Conversion Price}}$$

* - For the purposes of calculation, the nominal value per bond will be converted to BGN as per the fixing of the BNB. Taking into account the conversion dates and the principal payments in the life of this issue, the full nominal value per bond will be used in the formula above only at the first conversion date. At any subsequent conversion date the nominal value will be equal to the outstanding nominal amount per bond.

The number of the bonds owned multiplied by the conversion ratio is equal to the number of shares each bondholder may subscribe for by converting the bonds. If the result is not a whole number, at any of the conversion date, the bondholder shall place an application to subscribe for such number of shares as rounded up to the nearest whole number. The bondholder shall also calculate the difference between the result of the multiplication and the whole number of shares in the application; the bondholder shall multiply the difference by the conversion price. The result shall be the amount of money the bondholder must pay to MONBAT AD to compensate for the whole number of shares subscribed. The compensation must be paid within the period for subscription of shares through conversion. The total of the compensations paid will be allocated to the Reserve Fund of the Issuer.

4.22. DILUTION

Dilution of equity is the reduction of profit per ordinary share and its book value as a result of conversion of bonds and warrants into shares or the exercise of options issued as well as the issue of ordinary shares at a price lower than the book value per share.

According to Bulgarian legislation, when issuing convertible bonds, the Issuer is obliged to offer to existing shareholders pre-emptive rights to acquire a part of the bonds corresponding to their share capital. However, present shareholders may choose not to participate in the public offering and not subscribe bonds of this issue, and as a result, the conversion of bonds into shares of MONBAT AD might dilute their existing share in the Company.

The terms of this corporate bond issue is very complex because there are multiple dates of possible conversion, call option and three amortization payments of principal. In this regard, it is impossible to make a reasonable assumption about the number of bondholders, which would decide to convert at one of the dates and whether, after the first conversion date, the Issuer does not use his call option and prepay the bond issue. Accordingly, any assumption of a potential amount of newly issued shares at different conversion dates as well as a calculation of possible dilution, would be misleading.

5. TERMS AND CONDITIONS OF THE OFFER

5.1 CONDITIONS, OFFER STATISTICS, EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER

5.1.1 CONDITIONS TO WHICH THE OFFER IS SUBJECT

In this offering, one right shall be issued for each existing share of MONBAT AD. The shareholders and persons, who have acquired rights, may subscribe for 1 (one) convertible bond in exchange for 1 300 rights at an issue price of EUR 1 000. The total number of rights to be issued is 39 000 000.

Any holder of rights may subscribe a minimum of one bond and a maximum number of bonds equal to number of the owned rights divided by 1 300.

Only whole numbers of bonds can be subscribe in the present offering. If the number of the pre-emptive rights owned is not a multiple of 1 300, the number of bonds the holder of rights is allowed to subscribe for is rounded down to the nearest whole number.

Persons wishing to subscribe for bonds, but who are not shareholders of the Company, should first acquire rights.

The existing shareholders will acquire the rights for free pursuant to the procedure described above. All other investors may buy rights by a transaction on the BSE Main Market, Subscription Rights Segment within the period for transfer of rights or at the open-bidding auction for the rights not exercised.

If the shareholders wish to subscribe additional number of bonds they may buy rights by a transaction on the BSE Main Market, Subscription Rights Segment within the period for transfer of rights or at the open-bidding auction for the rights not exercised, after the expiration of the latest day for transfer of rights.

In the event that holders of rights do not want to subscribe for bonds in exchange for the total or a part of their rights, they may offer the rights not exercised for sale pursuant to the rules described in Section 5.1.3. („*The time period, including any possible amendments, during which the offer will be open and description of the application process*“) hereof.

The pre-emptive rights to subscribe for bonds belong to persons with shares in MONBAT AD which have been acquired not later than 7 days after the date of publication of the announcement under art. 92a of POSA. On the next working day the Central Depository shall open rights accounts of the shareholders of MONBAT AD; shareholders may acquire new bonds in proportion to their share in the capital prior to the offering.

After the Prospectus for public offering of convertible bonds has been approved by the FSC, the Board of Directors of MONBAT AD will publish a public offering announcement specifying the earliest and latest date for the transfer of rights and for the subscription for bonds, the registration number and the date of the approval granted by the FSC, the place, time and manner of inspection of the Prospectus, and any other details as required Ordinance no. 2. In accordance with art. 92a, para. 2 of POSA, MONBAT AD will publish the announcement on the internet site of the Bulletin of Investor BG and X3 News, as well as on the websites of MONBAT AD and ELANA Trading AD at least 7 days prior to the first day of the subscription or the sale.

5.1.2 TOTAL AMOUNT OF THE ISSUE/OFFER

The total nominal value of the bond issue of MONBAT AD is up to EUR 30 000 000 (thirty million) divided in 30 000 (thirty thousand) ordinary, interest-bearing, dematerialized, registered, convertible and unsecured bonds with nominal value per bond of EUR 1 000 (one thousand). No deviation above the upper threshold of the bond loan is possible. No reduction or increase of the number of the bonds offered is expected.

5.1.3 THE TIME PERIOD, INCLUDING ANY POSSIBLE AMENDMENTS, DURING WHICH THE OFFER WILL BE OPEN AND DESCRIPTION OF THE APPLICATION PROCESS.

The first date for transfer or rights and for subscription for bonds through the investment intermediary is the first working day following the expiration of 7 calendar days from the publication of the public offering announcement pursuant to the procedure described above.

In accordance with art. 112b, para. 4 of POSA the latest date for transfer of rights is the first working day following the expiration of 14 days from the first date for transfer of rights. In accordance with the Rules of BSE Sofia AD

the latest date for transactions in pre-emptive rights on the stock exchange shall be 2 days prior to the latest day for transfer of rights.

On the fifth working day after the latest date for transfer of rights, the Issuer, acting through the authorized investment intermediary Elana Trading, shall offer the rights not exercised for sale at an open-bidding auction on the regulated market.

The first date to subscribe for bonds shall be the same as the earliest date for transfer of rights - the first working day after the expiration of 7 calendar days from the first date of the public offering.

Shareholders wishing to exercise their rights may submit an application for subscription for bonds until the latest date for transfer of rights.

Shareholders not wishing to subscribe for bonds may sell the rights they own until the latest date for transfer of rights.

The rights are traded on the BSE Main Market, Subscription Rights Segment. Shareholders may transfer their rights by placing a sale order to the investment intermediary on whose account the rights have been registered with the Central Depository.

Any person holding rights, acquired within the period for transfer of rights, may exercise them by placing an application for subscription for bonds until the latest date for transfer of rights.

Any person holding rights, acquired during the open-bidding auction, may exercise them by placing an application for subscription for bonds until the latest date for subscription.

The latest date for subscription of bonds shall be 15 working days later after the latest date for transfer of rights. If the latest date for subscription falls on a non-working date, then the first subsequent working day will be deemed as the latest date for subscription of bonds.

The holders of rights shall submit written applications (“Applications”) to the investment intermediaries – members of the Central Depository, which keep the respective client accounts for the rights owned by the applicants. If the applicants own rights, registered with Elana Trading, they may place their Application at the addresses listed below.

Applicant may place Applications in person or through a proxy authorized by a notarized power of attorney for subscription of new bonds. If the proxy is an individual, he/she shall present an identity document, and if the proxy is an entity - a certificate of good standing, registration act or other analogous documents (depending on whether it is local or foreign entity).

Elana Trading and other investment intermediaries accepting Applications may refuse to accept any application if the type, the form, the validity or any other circumstances related to the submitted documents do not comply with the applicable legislation or with the general conditions and the practices of the respective investment intermediary.

The investment intermediaries shall inform Elana Trading, without delay, and pursuant to the requirements laid down by law, of the applications they have accepted.

The investors whose rights have been registered on personal accounts with the Central Depository, shall order the rights to be transferred to client accounts with Elana Trading or other investment intermediary prior to the subscription for bonds.

Offices of Elana Trading Inc., which will accept Applications:

<p>Customer Service Center - Sopharma Business Towers - Sofia</p> <p>Sopharma Business Towers, 5, Lachezar Stanchev St., Tower B, ground floor Telephones: (02) 810 00 65, fax: (02) 958 15 23 E-mail: info@elana.net</p>	<p>Investment Center ELANA - Rakovski – Sofia</p> <p>96, G. S. Rakovski Str. – next to Bulgarska Armiya theatre and on the corner of G. S. Rakovski Str. and Tzar Osliboditel Blvd. Telephones: (02) 810 00 60, 810 00 61, 810 00 62 E-mail: info@elana.net</p>
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<p>Investment Center ELANA - Plovdiv 4000 Plovdiv, 1, Han Kubrat Str., Plovdiv Business Center (ground floor) Telephones: (032) 626 428, (032) 275 657 E-mail: plovdiv@elana.net</p>	<p>Investment Center ELANA - Varna 9000 Varna, 8, Slivnitsa Blvd. Telephones: (052) 608 241, (052) 608 243, Fax: (052) 608 242 E-mail: varna@elana.net</p>
<p>Investment Center ELANA - Pleven 5800 Pleven, Prestige Business Center, 18, St. St. Kiril and Metodii Str., ground floor Telephones: (064) 840 114, (0887) 556 669 E-mail: pleven@elana.net</p>	<p>Investment Center ELANA - Shumen 9700 Shumen, 2 Rafail Popov Str. Telephones: (054) 800536; 800535; 862260 Fax: (054) 800 536 E-mail: shumen@elana.net</p>
<p>Investment Center ELANA - Ruse 7000 Rousse, 12, Voden Str. Telephone: (082) 825 814 E-mail: ruse@elana.net</p>	<p>Investment Center ELANA - Burgas 8000 Burgas, 32, Lermontov Str. Telephones: (056) 825 238, 0888 454 184 E-mail: burgas@elana.net</p>

Legal entities shall submit applications through their legal representatives or through a proxy with notarized power of attorney. The proxy shall identify themselves with an identity document (a copy of which shall be attached to the application) and a certificate of good standing of the legal entity, if required by law.

Individuals shall submit applications in person or through a proxy, as all of them shall identify themselves with an identity document; a copy of the document, certified by the person, shall be attached to the application.

Foreign individuals shall identify themselves with their original foreign passport for entry into Bulgaria; the following shall attach to the application: (i) a legalized translation of the pages of the passport containing information about the full name; passport number; date of issue /if there is such in the passport/; expiration date /if any/ nationality; address /if there is such in the passport/ and (ii) a translation of the pages of the passport containing other information and a photograph of the person.

The application can be submitted through a proxy authorized by a notarized power of attorney and the documents listed above depending on the principal (local or foreign, legal or an individual).

Subscription for bonds is not allowed before the earliest date and after the latest date for subscription.

5.1.4. AN INDICATION OF WHEN, AND UNDER WHICH CIRCUMSTANCES, THE OFFER MAY BE REVOKED OR SUSPENDED

Under art. 92h, para. 1, item 4 and item 6 of POSA the FSC is entitled to stop the public offering or to discontinue the public offering for a maximum of 10 consecutive working days on any single occasion if it has reasonable grounds to believe that the provisions of POSA or the statutory instruments of secondary legislation on the application thereof are violated.

Pursuant to art. 85 para. 2 of POSA, between the time when the prospectus has been approved and the end of the public offering or, as the case may be, the time when trading on a regulated market begins, the Company is required to draw up a supplement to the prospectus and to submit it to the FSC no later than the end of the next business day after one of the following has occurred or has become known to the Company: a significant new factor, a material mistake or inaccuracy related to the information contained in the prospectus, which may affect the assessment of the offered securities. If the FSC finds that some of the requirements of POSA and the statutory instruments of secondary legislation on the application thereof are not met, it may refuse to approve the supplement to the prospectus and to stop the public offering pursuant to art. 212 of the POSA.

Pursuant to art. 91 of MFIA, the market operator ("BSE-Sofia") may suspend trading with certain financial instruments or to remove them from trading if they do not meet the requirements laid down in the Rules of the regulated market. BSE-Sofia may execute that if it does not significantly damage the interests of investors and the

proper functioning of the market. The market operator shall make public the decision to suspend trading with the financial instruments or to remove these instruments from trading, and shall notify the FSC of the decision.

Art. 212 of POSA, art. 118 of MFIA and art. 20 of LMAMAFI regulate the powers of the deputy chairperson of the FSC to stop the trading with certain financial instruments.

In accordance with art. 118, para. 1, item 4 and 9 of MFIA, the FSC, or its deputy chairperson, respectively, may stop the trade in financial instruments or remove them from trading if it has been established that an investment intermediary, a member of its management or supervisory body, persons who perform managerial functions under contract or who conclude transactions for the account of the investment intermediary, as well as any persons with a qualifying holding have engaged or are engaging in any activity in violation of MFIA, Regulation (EU) No. 575/2013, the statutory instruments for their application, the rules or any other internal instruments of a regulated market in financial instruments as approved by the deputy chairperson, any decisions of the FSC or its deputy chairperson, as well as where the exercise of control activity by the FSC or by its deputy chairperson is impeded, or should the interests of investors be jeopardized.

Pursuant to art. 20, para. 2, item 2 of LMAMAFI, the deputy chairperson may stop trading in certain financial instruments when necessary to prevent or to discontinue administrative offences under LMAMAFI, Regulation (EU) No. 596/2014 and its implementing instruments, when necessary to prevent or to eliminate the adverse effects of such offences, as well as where the exercise of the control activity by the FSC or the deputy chairperson is impeded or the interests of investors are jeopardised..

5.1.5. A DESCRIPTION OF THE POSSIBILITY TO REDUCE SUBSCRIPTIONS AND THE MANNER FOR REFUNDING EXCESS AMOUNT PAID BY APPLICANTS.

The Issuer does not provide the opportunity to change the number of bonds offered. If the bonds subscribed are less than the offered ones (up to 30 000), but at least the minimum amount required by the company to determine the public offering successful is subscribed and paid in (not less than 15 000), the Issuer shall announce the bond issue successful.

In the event that less than 15 000 bonds have been subscribed by the latest date of the offering, the latter will be deemed unsuccessful. Within 7 days from the end of the offering, the Issuer shall inform the FSC of the result thereof. Pursuant to art. 89, para. 4 of POSA, on the date of informing the FSC, the Issuer shall inform the bank of the result of the subscription and shall publish an invitation to subscribers for bonds on its website and on the website of the investment intermediary Elana Trading; the invitation shall specify the conditions and procedures for refunding the amounts raised. The Issuer shall apply for publishing of the invitation in the commercial register and shall publish it on the websites of the Bulletin of Investor BG and X3 News. The funds raised, including the accrued interest (if any), shall be refunded to the subscribers for bonds within one month after the date of the notice.

5.1.6. DETAILS OF THE MINIMUM AND/OR MAXIMUM AMOUNT OF APPLICATION

Investors may subscribe a minimum of one bond and a maximum number of bonds as allowed by the number of the rights they own as described above. No restrictions have been imposed on the maximum number of bonds that one person may buy.

5.1.7. METHOD AND TIME LIMITS FOR PAYING UP THE SECURITIES AND FOR DELIVERY OF THE SECURITIES.

The issue price for the bonds subscribed shall be paid in to a special escrow account to be announced in the announcement for public offering under Art. 92a, para. 1 of POSA.

The special escrow account should be credited with the payment for the bonds subscribed not later than the latest date of the subscription. The bank transfer order or the deposit slip shall contain the name (firm) of the subscriber, the Personal Identification Number/Unified Identification Code (for Bulgarian individuals/entities), and the number of the bonds subscribed.

The funds in the escrow account cannot be used before the completion of the offering (Art. 89, para. 2 of POSA) and the publication of a bond loan notice in the Commercial Register in accordance with art. 206, para. 6 of CA.

The execution of the payment shall be evidenced the payment document (The /bank transfer order or the deposit slip) issued by the bank through which the payment is executed.

After the completion of the subscription MONBAT AD shall register the bond issue in the Central Depository. Certificates for the bonds may be issued upon request by subscribers to the investment intermediary, through which the bonds have been subscribed, and pursuant to the procedures of the Central Depository.

According to § 1, item 11 of the Additional Provisions of POSA the subscription is the unconditional and irrevocable intention to acquire securities in the process of their issuance and to pay their full issue price. Once submitted, no application for subscription for bonds may be withdrawn by investors.

Investors have the right to renounce the bonds subscribed subject to art. 85 of POSA by means of written declaration to the investment intermediary through which the securities have been subscribed.

5.1.8. A FULL DESCRIPTION OF THE MANNER AND DATE IN WHICH RESULTS OF THE OFFER ARE TO BE MADE PUBLIC.

The Issuer will inform the FSC of the results of the initial public offering within 3 working days of the end of the offering. The notice must state any difficulties, disputes and similar in the trading of rights and the subscription of bonds. If the public offering is successful the FSC shall enter the issue in the register under art. 30, para. 1, item 3 of FSCA.

Within 7 days after the end of the offering MONBAT AD will inform the FSC and BSE Sofia AD of its result, including information on the closing date; the total number of bonds subscribed; the amount received for the bonds subscribed; the fees and commissions and any other expenses related to the offering. The documents required by law shall be enclosed to the notice. Within the same time period, this information will be published on the websites of the Bulletin of Investor BG, X3 News, Monbat and Elana Trading.

Within 14 days after the end of the initial public offering the Company will submit the following documents to the FSC: registration act for the bond issue issued by the Central Depository and a bank certificate for the payment of the bonds subscribed (art. 24, para. 2 of Ordinance no. 2).

5.1.9. THE PROCEDURE FOR THE EXERCISE OF ANY RIGHT OF PRE-EMPTION, THE NEGOTIABILITY OF SUBSCRIPTION RIGHTS AND THE TREATMENT OF SUBSCRIPTION RIGHTS NOT EXERCISED.

The existing shareholders of MONBAT AD have the pre-emptive right to subscribe for new bonds in proportion to their share in the capital of the Issuer.

The shareholders and the investors who bought rights within the period for transfer of rights or at the open-bidding auction, may exercise them by subscribing for bonds.

The number of the bonds subscribed may not exceed the number of the rights owned. Competition of subscription applications is excluded.

In the event that an investor does not exercise the rights acquired at the open-bidding and/or fails to pay the issue price of the bonds subscribed, the latter shall be deemed not to have been subscribed; no other holder of rights may subscribe for them.

5.2. PLAN OF DISTRIBUTION AND ALLOTMENT

5.2.1. VARIOUS CATEGORIES OF POTENTIAL INVESTORS TO WHICH THE SECURITIES ARE OFFERED.

Once this Securities Note, as well as the other parts of the Prospectus, is approved by the FSC, all groups of investors classified for the purposes of § 1 of the Additional Provisions of POSA can participate on an equal footing in the public offering. These groups of investors are:

- non-professional investor - a person who puts cash resources or other property rights at risk for his or her own account by means of acquisition, holding and transfer of securities, without possessing the requisite qualifications and experience;
- Institutional investor - a bank, a collective investment scheme and a national investment fund, an insurance company, a pension fund or another corporation whereof the objects require the acquisition, holding and transfer of securities.

The Offering will be conducted only within the territory of Republic of Bulgaria.

5.2.2. AN INDICATION OF WHETHER MAJOR SHAREHOLDERS OR MEMBERS OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODIES INTENDED TO SUBSCRIBE IN THE OFFER

MONBAT AD has no information on whether any of the major shareholders (referred to in the Registration Document – Major Shareholders) intend to acquire bonds by exercising their pre-emptive rights.

MONBAT AD has no information on whether any member of the BoD intends to buy convertible bonds.

5.2.3. PROCESS FOR NOTIFICATION TO APPLICANTS

Any person who has acquired rights to participate in the public offering within the time limits and the conditions referred above, may exercise those rights by subscribing for bonds in the specified ratio. In view of this, Elana Trading will not explicitly inform the holders of bonds, which have been subscribed for and paid them in time, of the number of the subscribed bonds in so far as this number depends on the number of the rights exercised and on the bonds paid in exchange for the rights.

Based on the total of the received subscription applications, Elana Trading will prepare an Allotment list containing the names of the investors, or the investment intermediaries through which the applications have been placed, and the number of bonds ordered allotted to each of them. The respective investment intermediaries will inform the investors enlisted in the Allotment list.

5.3. PRICING

The convertible bonds from this issue are offered at an issue price per bond of EUR 1 000. The Board of Directors of the Issuer has determined the issue price in compliance with the local and international practices for valuation of fixed income instruments. All current market conditions have been considered.

In addition to the issue price for the bonds, the investors will also pay any fees and commissions due to the investment intermediaries, the BSE, the Central Depository in relation to the purchase of rights and the subscription for bonds.

5.4. PLACING AND UNDERWRITING

5.4.1. CO-ORDINATOR OF THE GLOBAL OFFER

The issue will not be subject of a global offering.

5.4.2. NAME AND ADDRESS OF ANY PAYING AGENTS AND DEPOSITORY AGENTS

Pursuant to the decision of the BoD of MONBAT AD of 10.10.2017 г. the special escrow account to pay in the issue price of the bonds subscribed will be opened with UniCredit Bulbank AD. The IBAN will be specified in the public offering announcement under art. 92a of the POSA.

Central Depository will be the depository institution for the bonds and the rights related to them; the registered office of the Central Depository is at 6 Tri Ushi Str., Sofia

5.4.3. PLACING AND UNDERWRITING.

The Manager (Investment Intermediary) of this issue, conducting this IPO is "Elana Trading" AD, with registered office at: 4 Kuzman Shapkarev, Sofia, Bulgaria and correspondence address: 5 Lachezar Stanchev, Sopharma Business Towers, tower B, Sofia, Bulgaria.

Elana Trading has agreed to place the issue on a best effort basis, without a firm commitment to the Issuer.

This bond issue has not been underwritten or guaranteed by third parties; no specific plan has been made for the distribution of the securities among numerous investment intermediaries.

6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

6.1. ADMISSION FOR TRADING

Immediately after the publication of a bond loan notice in the Commercial Register and the registration of the bond issue with the Central Depository, the Issuer will submit an application to the FSC for the entering of the issue in the register of public companies and other issuers kept by the FSC. Immediately after the entering of the issue in the FSC register, the Issuer will submit an application to BSE Sofia AD for admitting the bonds to trading. Trading in bonds will start on the first trading date set by the Board of Directors of BSE Sofia AD.

6.2. TRADE IN SECURITIES OF THE SAME CLASS

By the date of this Securities Note MONBAT AD has not issued any other securities of the same class. This is the Issuer's first bond issue.

6.3. INFORMATION ON A SIMULTANEOUS PUBLIC OR PRIVATE PLACEMENT OF ANY OTHER SHARES/SECURITIES OF THE ISSUER OF THE SAME CLASS OR OTHER CLASS

To the knowledge of the Issuer, by the date of this document no offering is made of securities of the same class or other class, other than those described above, and no securities of the same class have been admitted to trading on other regulated markets or on other equivalent markers.

6.4. SELLING SECURITIES HOLDERS

The Issuer is not aware of any intentions of the existing shareholders to exercise or not their pre-emptive rights or to offer pre-emptive rights for sale during the period for transfer of rights.

6.5. DETAILS OF THE ENTITIES WHICH HAVE A FIRM COMMITMENT TO ACT AS INTERMEDIARIES IN SECONDARY TRADING, PROVIDING LIQUIDITY THROUGH BID AND OFFER RATES

MONBAT AD has no agreement with an investment intermediary for a firm commitment to act as intermediary providing liquidity through bid and offer rates.

7. ADDITIONAL INFORMATION

7.1. IF ADVISORS CONNECTED WITH AN ISSUE ARE MENTIONED IN THE SECURITIES NOTE, A STATEMENT OF THE CAPACITY IN WHICH THE ADVISORS HAVE ACTED.

No statements or reports of experts or advisors have been incorporated in this Securities Note.

7.2. AN INDICATION OF OTHER INFORMATION IN THE SECURITIES NOTE WHICH HAS BEEN AUDITED OR REVIEWED BY STATUTORY AUDITORS AND WHERE AUDITORS HAVE PRODUCED A REPORT.

No other information which has been audited or reviewed by statutory auditors has been incorporated in the Securities Note and no report has been produced by them.

7.3. STATEMENTS OR REPORTS OF EXPERTS

No statement or report of an expert has been incorporated in the Securities Note.

7.4. THIRD PARTY INFORMATION

No information obtained from a third party has been incorporated in the Securities Note.

7.5. CREDIT RATINGS

No credit rating has been issued for the Issuer or the bond issue.

8. ANNEXES TO THE PROSPECTUS

The Company declares that during the period of validity of the Prospectus will provide for inspection 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 compiler of the accounts and the auditor;

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)

PREPARED THIS SECURITIES NOTE:

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 SECURITIES NOTE 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 TRENCHEV
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