



REPORT

by DV Invest EAD as
Representative of Bondholders of
Monbat AD as at 31.12.2018

May 16, 2018

REPORT

by

DV Invest EAD

as at 31.12.2018

drawn up on May 16, 2019

in the capacity of Representative of Bondholders of Monbat AD



ISIN code: BG2100023170

BSE code: 5MBA

Date of issue: 20.01.2018

Maturity: 20.01.2025

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

The following documents were used to prepare this report:

- Consolidated audited financial statements and notes of Monbat AD based on IFRS, and other accounting documents as at December 31, 2017 and December 31, 2018.
- Interim consolidated unaudited financial statements and notes of Monbat AD based on IFRS and other accounting documents as at 30.06.2017, and 30.06.2018.
- Forms of financial statements approved by the Financial Supervision Commission of Bulgaria for the consolidated unaudited financial statements of Monbat AD as at 31.12.2017, and 31.12.2018.
- Prospectus for initial public offering of convertible corporate bonds of Monbat AD with ISIN BG2100023170.

At the moment two interest payment were made on the bond issue. The first interest payment for 2018 according to the prospectus was on 20.07.2018 in the amount of EUR 416 771.10. The second interest payment was on 20.01.2019 in the amount of EUR 423 678.90. The amount of the interest payment is calculated on the following basis: interest rate of 3.00% annually, having in mind that the 6-month EURIBOR for the period is negative*. (For more detailed description regarding the calculation of the interest and principal payments see [Information about the issuer Monbat AD](#) и [Amortization plan](#) from the current report.)

* The value of the 6-month EURIBOR as at 17.07.2018 г. was -0.269%.
Source: European Money Markets Institute (EMMI)

1. Information about the issuer Monbat AD

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

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- fax: +359 2 962 11 46
- e-mail : contact@monbat.com
- website: <http://www.monbatgroup.com/>

2. Compliance with the terms of the bond issue

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

The table below shows the financial ratios as of 31.12.2018 according to the requirements of the bond prospectus:

Financial ratios and conditions	Limit	31.12.2018
Interest coverage ratio	Min. 1.20	2.18
Interest-bearing debt to Assets ratio	Max. 0.60	0.39
Total Liabilities to Assets ratio	Max. 0.70	0.52
Cross default		No
Change of control		No

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

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

3. Important news and events

3.1. First General Bondholder Meeting

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

a) General Meeting of Bondholders passed the following resolutions:

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

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

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

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

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

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

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

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

4. Information about the bond issue

Issuer:	Monbat AD
Issue:	Interest-bearing, convertible, freely transferable and unsecured bonds, ordinary
Amount of the issue:	EUR 28 015 (twenty eight million and fifteen thousand)
Number of Bonds:	28 015
Nominal Value per Bond:	EUR 1 000 (one thousand)
Issue Price per Bond:	EUR 1 000 (one thousand)
Issuing date:	20.01.2018
Maturity of the bond loan:	7 (seven) years (84 months) as of the date of the issue
Maturity date:	20.01.2025
Currency:	EUR
Interest 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".
Date of determination of 6-month EURIBOR:	Three business days before the date of the interest payment. Applies to the next interest period.
Date of determination of bondholders with right for interest payment:	The right to interest & amortisation payment shall be entitled to all bondholders registered as such not later than three /3/ business days prior to the payment date, respectively five /5/ business days prior to the date of the last interest & amortisation payment that coincides with the issue's maturity date.
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 pay the whole outstanding nominal value of the bonds (if any).
Date of determination of bondholders with right for principal payment:	The right to interest & amortisation payment shall be entitled to all bondholders registered as such not later than three /3/ business days prior to the payment date respectively five /5/ business days prior to the date of the last interest & amortisation payment that coincides with the issue's maturity date.

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:	<p>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:</p> <ul style="list-style-type: none"> – on the 48th month (20.01.2022) for 100% of the outstanding nominal value of the bonds; – on the 66th month (20.07.2023) for 80% of the outstanding nominal value of the bonds; – on the 78th month (20.07.2024) 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 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).

5. Purpose of the bond issue

The purpose of the current bond issue is to finance:

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

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

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

As at 31 December 2018, the company spent EUR 13.4 million raised through the bond issue 2018 ISIN code BG2100023170 of which EUR 5.4 million for the acquisition of shares in the capital of Monbat Holding Germany AD (parent company of EAS Germany GmbH) and EUR 8 million acquisition of shares of the capital of Monbat Recycling EAD (parent company of Monbat Italy OOD).

6. Amortization plan

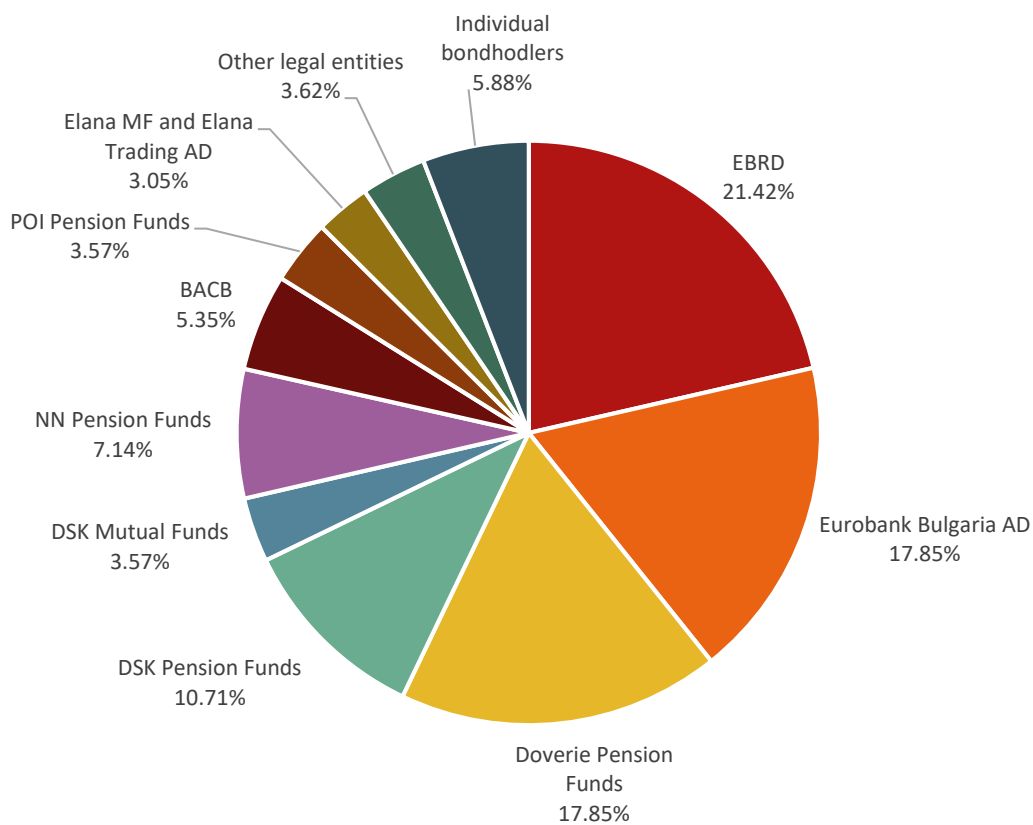
The nominal interest rate of the current issue of convertible bonds is floating with a 6-month EURIBOR plus a margin of 300 basis points (3%) on an annual basis. Under the terms of this bond issue, the nominal interest rate may not be lower than 3% if the 6-month EURIBOR has a negative value for the life of the bond. Interest payments on all bonds will be executed every 6 (six) months after the issue date of the current bond issue on the day of the expiration of the relevant 6-month period. If the date of the interest payment is on a non-working day, the payment will be made on the first subsequent business day. Interest payments are calculated on a straightforward basis over the six-month period on the nominal value of each bond at an interest rate convention Real number of days in the period on Real number of days per year. The following calculations are made on the assumption of a negative value of the 6-month EURIBOR for the life of the bond issue, using 3% interest rate per annum with no conversion or redemption of the bond.

Date of interest payment	Month	Number of days in the interest period	Number of days in the year	Interest rate	Interest payment (EUR)	Type of payment	Principal payment (EUR)	Total payment (EUR)	Outstanding (EUR)	Actual payment (EUR)
20.7.2018	6	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	Yes
20.1.2019	12	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	Yes
20.7.2019	18	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	–
20.1.2020	24	184	366	3.00%	422 521.31	Interest		422 521.31	28 015 000	–
20.7.2020	30	182	366	3.00%	417 928.69	Interest		417 928.69	28 015 000	–
20.1.2021	36	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	–
20.7.2021	42	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	–
20.1.2022	48	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	–
20.7.2022	54	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	–
20.1.2023	60	184	365	3.00%	423 678.90	Interest + 20% principal	5 603 000	6 026 678.90	22 412 000	–
20.7.2023	66	181	365	3.00%	333 416.88	Interest		333 416.88	22 412 000	–
20.1.2024	72	184	366	3.00%	338 017.05	Interest + 30% principal	8 404 500	8 742 517.05	14 007 500	–
20.7.2024	78	182	366	3.00%	208 964.34	Interest		208 964.34	14 007 500	–
20.1.2025	84	184	365	3.00%	211 839.45	Interest + 50% principal	14 007 500	14 219 339.45	0	–
Total					5 294 487.72		28 015 000	33 309 487.72		

7. Bondholder structure

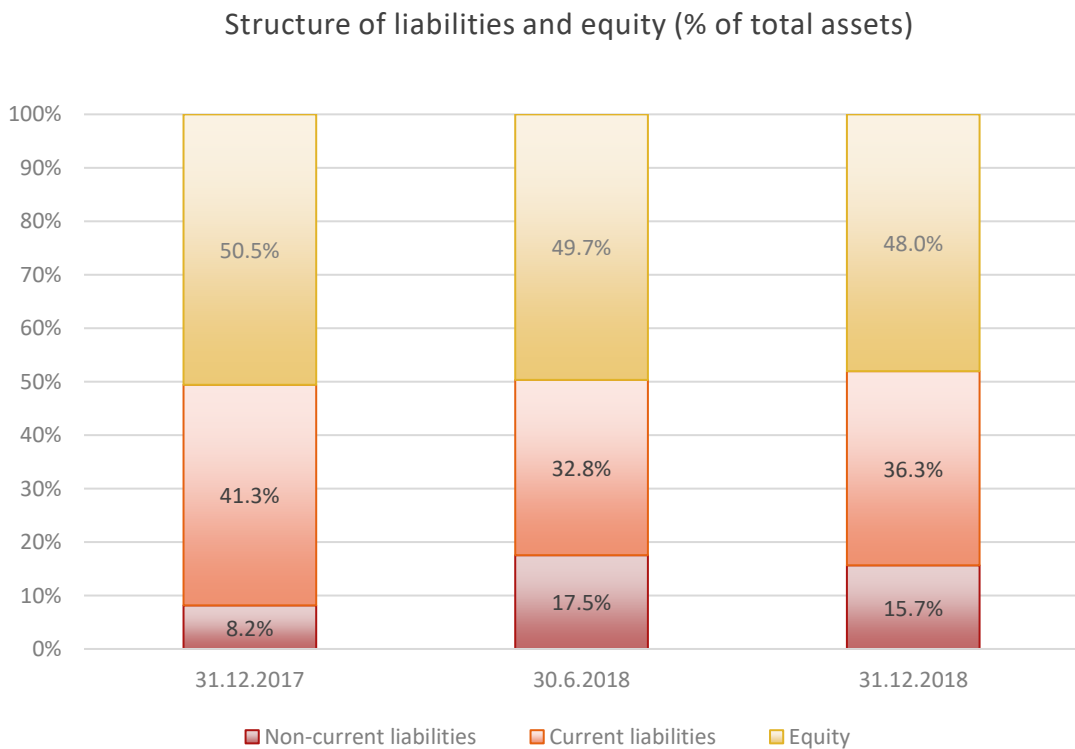
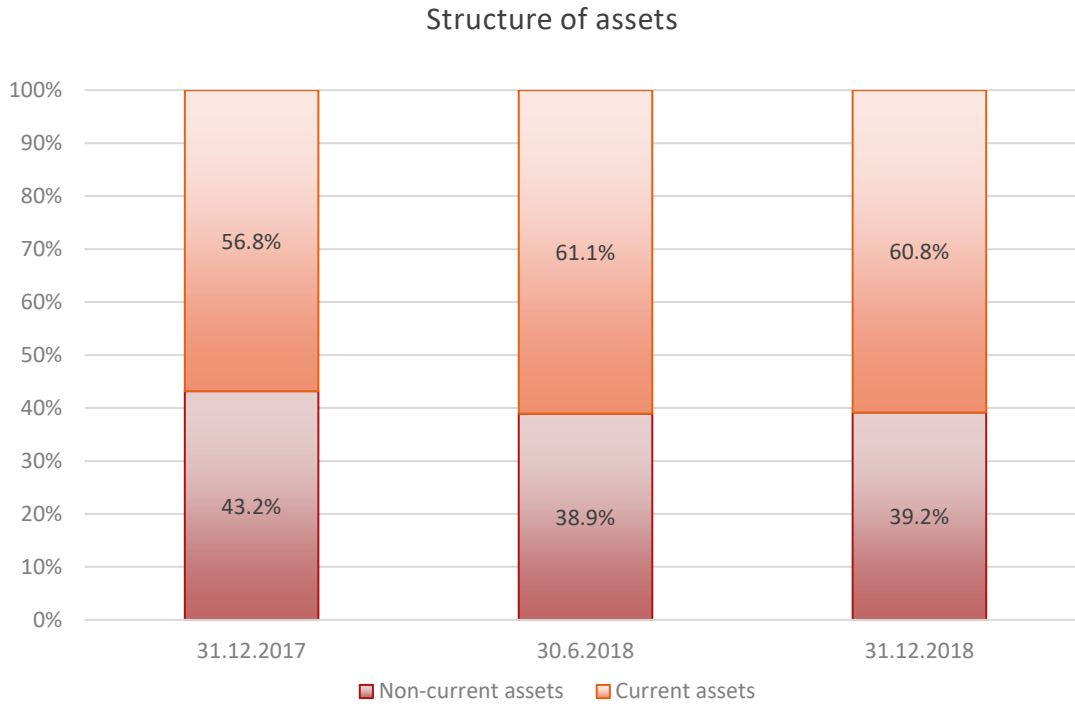
Main bondholders as of January 20, 2018	Stake
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	21.42%
EUROBANK BULGARIA AD	17.85%
DOVERIE PENSION FUNDS	17.85%
DSK PENSION FUNDS	10.71%
DSK MUTUAL FUNDS	3.57%
NN PENSION FUNDS	7.14%
BULGARIAN AMERICAN CREDIT BANK AD	5.35%
POI PENSION FUNDS	3.57%
ELANA MUTUAL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

Bondholder structure



8. Structure of assets and liabilities

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



Balance sheet (in BGN '000)	31.12.2017	30.6.2018	31.12.2018
Non-current assets	177 727	182 958	182 252
Current assets	233 907	287 121	283 194
Total assets	411 634	470 079	465 446
Total equity	208 204	233 450	223 576
Non-current liabilities	33 581	82 449	72 850
Current liabilities	169 849	154 180	169 020
Total liabilities	203 430	236 629	241 870
Total liabilities and Equity	411 634	470 079	465 446

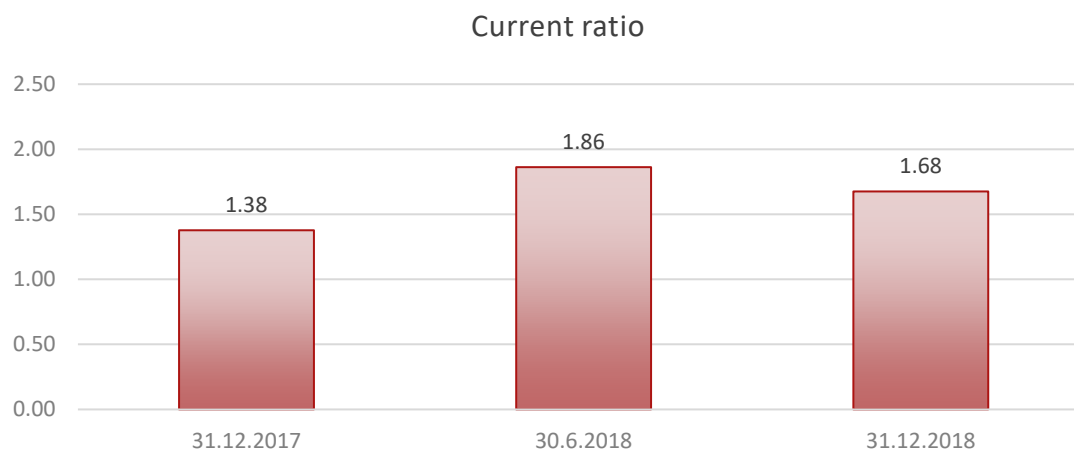
9. Profitability analysis

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

Profitability ratios	31.12.2017	30.6.2018	31.12.2018
Net sales (in BGN '000)	313 168	133 582	294 548
EBITDA	49 277	12 975	22 574
EBITDA margin	15.74%	9.71%	7.66%
Depreciation and amortization	-13 424	-7 165	-15 152
EBIT	35 853	5 810	7 422
EBIT margin	11.45%	4.35%	2.52%
Net income	30 735	2 463	593
Net income margin	9.81%	1.84%	0.20%
Total Assets	411 634	470 079	465 446
Total Equity	208 204	233 450	223 576
ROE	15.36%	9.86%	0.27%
ROA	8.22%	5.21%	0.14%

10. Liquidity analysis

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



Liquidity ratios	31.12.2017	30.6.2018	31.12.2018
Current ratio	1.38	1.86	1.68
Quick ratio	0.90	1.35	1.17
Immediate ratio	0.04	0.41	0.22
Cash ratio	0.04	0.41	0.22
Net working capital (in BGN '000)	64 058	132 941	114 174

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

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

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

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

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

11. Financial conditions of the bond issue (covenants)

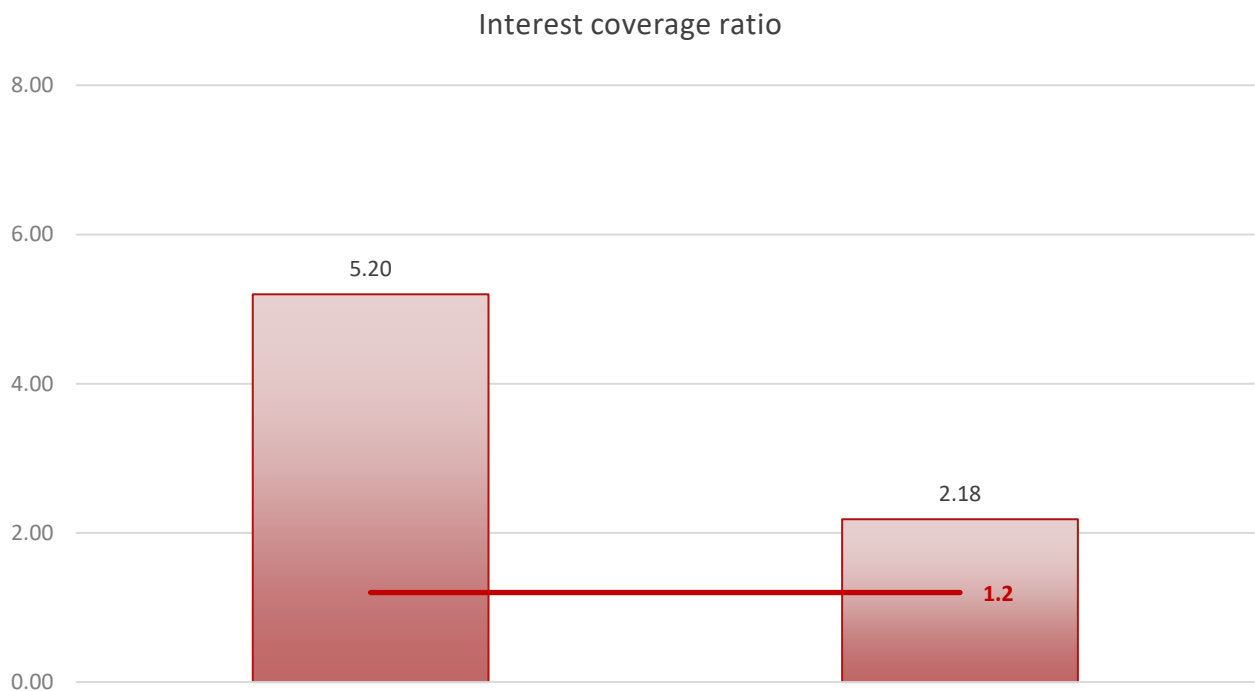
The Issuer assumes the following obligations and commitments for the life of the bonds, calculated on a consolidated basis. The financial ratios are shown below.

11.1. Interest coverage ratio

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

Interest coverage ratio	30.6.2018	31.12.2018
Interest coverage ratio	5.20	2.18
Minimum required level	1.20	1.20
Does it meet the requirements	Yes	Yes

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



11.2. Interest-bearing debt to asset ratio

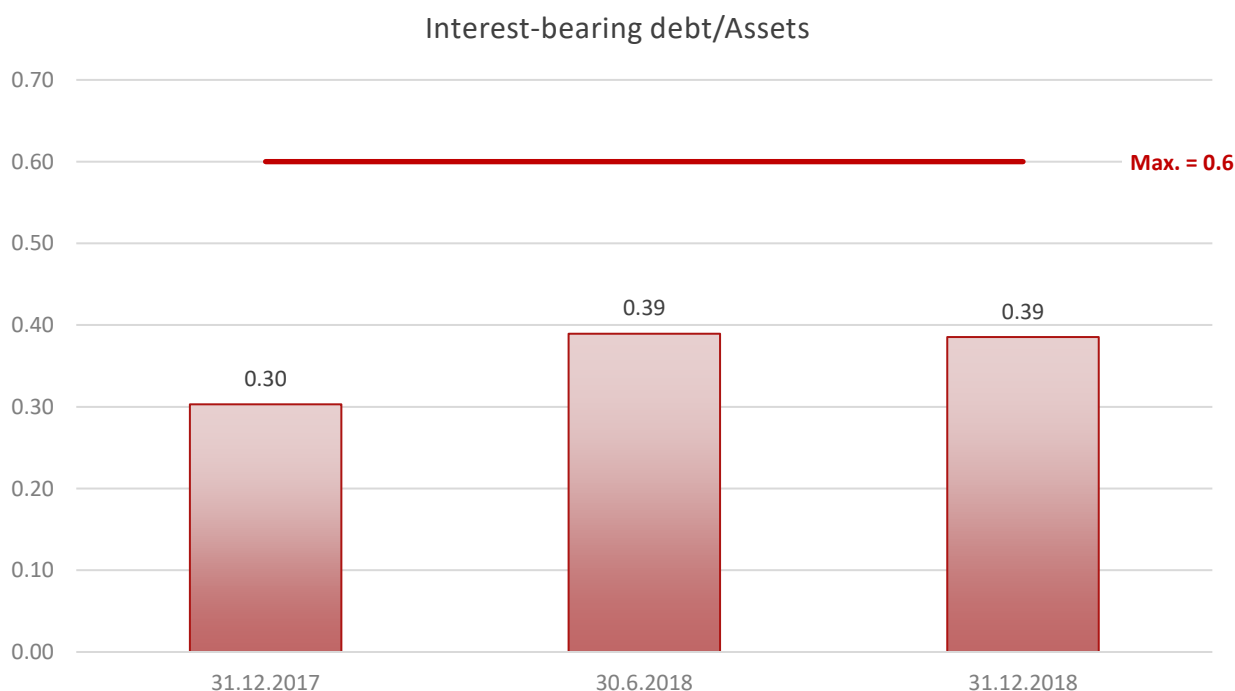
Interest-bearing debt to Assets ratio – the ratio is equal to the total of the short-term and long-term interest-bearing liabilities divided by the assets in the consolidated balance sheet as of a certain date. Maximim value of the ratio: 0.60.

Interest-bearing debt/Assets	31.12.2017	30.6.2018	31.12.2018
Short-term interest-bearing debt (1) (in BGN '000)	95 056	103 915	115 927
Long-term interest-bearing debt (2)	22 596	71 527	56 482
Interest-bearing debt discontinued operation	7 089	7 610	6 953
Interest-bearing debt	124 741	183 052	179 362
Total assets	411 634	470 079	465 446
Interest-bearing debt/Assets	0.30	0.39	0.39
Maximum required level	0.6	0.6	0.6
Does it meet the requirements	Yes	Yes	Yes

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

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

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

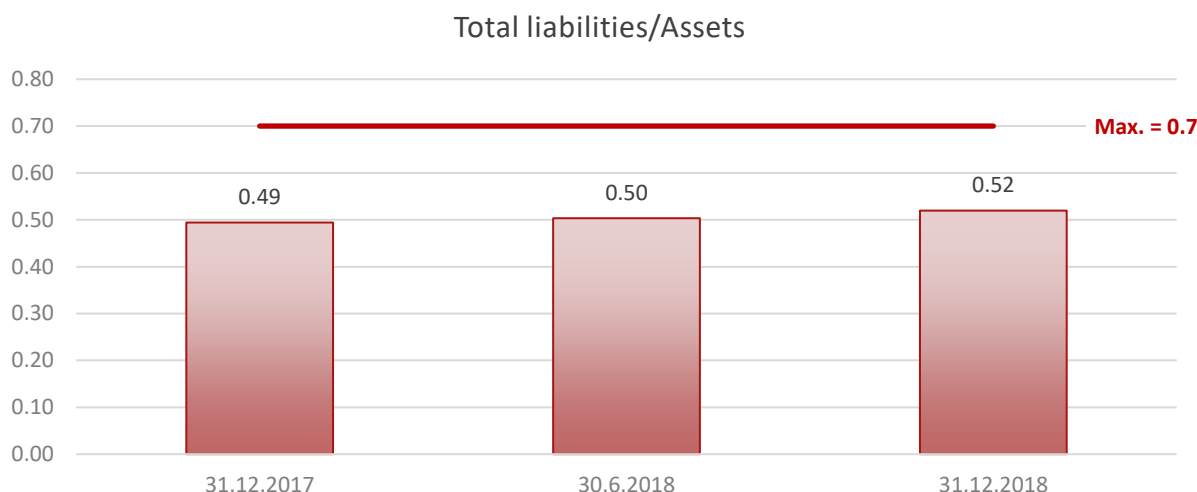


11.3. Total Liabilities to Asset ratio

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

Total Liabilities/Assets	31.12.2017	30.6.2018	31.12.2018
Total Liabilities (in BGN '000)	203 430	236 629	241 870
Total Assets (in BGN '000)	411 634	470 079	465 446
Total Liabilities/ Total Assets	0.49	0.50	0.52
Maximum required level	0.7	0.7	0.7
Does it meet the requirements	Yes	Yes	Yes

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



11.4. Cross default

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

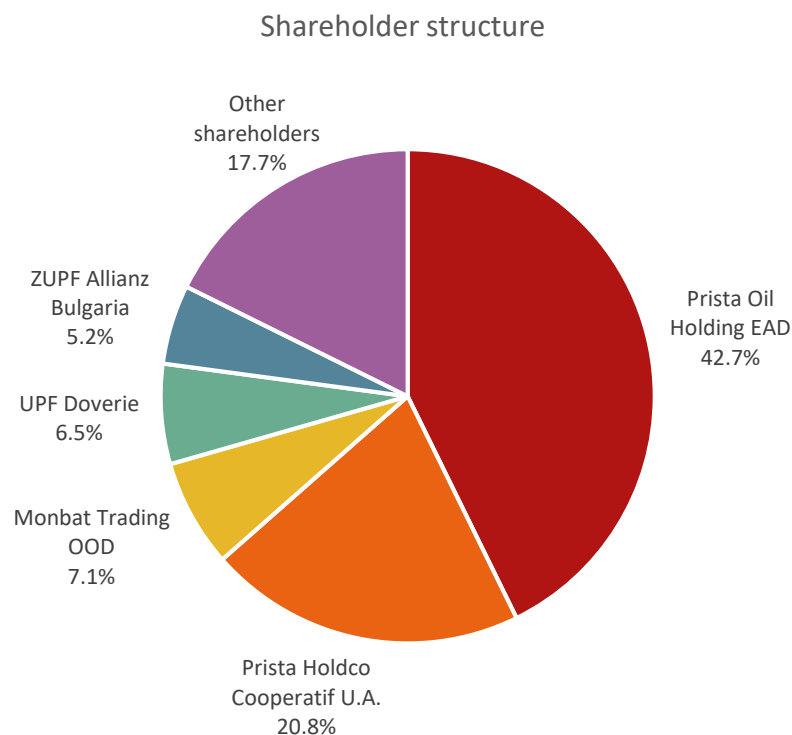
Conclusion: There is no delay or failure for payment of secured liabilities and the Issuer meets the requirements of the issue terms.

11.5. Change of control

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

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

Shareholder structure as at 31.12.2018			
Shareholders	Share count	Stake	Δ Q/Q
Prista Oil Holding EAD	16 666 371	42.73%	0.00%
Prista Holdco Cooperatif U.A.	8 103 758	20.78%	0.00%
Monbat Trading OOD	2 752 800	7.06%	0.00%
UPF Doverie	2 553 813	6.55%	0.00%
ZUPF Allianz Bulgaria	2 029 556	5.20%	0.00%
Other shareholders	6 893 702	17.68%	0.00%
Total	39 000 000	100.00%	



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

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

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

Conclusion

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

Appendix 1: Calculation of Interest coverage ratio*

Interest coverage ratio (in BGN '000)	31.12.2017	30.6.2018	31.12.2018
Operating profit (EBIT)	35 180	6 505	7 310
Profit from sale of investments	10 062	0	0
Corrected operating profit (EBIT)	25 118	6 505	7 310
Interest expenses	2 572	2 397	6 181
Corrected operating profit (EBIT) + Interest expenses	27 690	8 902	13 491
Twelve months			
Operating profit (EBIT)	35 180	26 022	7 310
Profit from sale of investments	10 062	10 062	0
Corrected operating profit (EBIT)	25 118	15 960	7 310
Interest expenses	2 572	3 802	6 181
Corrected operating profit (EBIT) + Interest expenses	27 690	19 762	13 491
Interest coverage ratio	10.77	5.20	2.18
Minimum required level	1.2	1.2	1.2
Does it meet the requirements	Yes	Yes	Yes

* Incl. the results of discontinued operation.