

REPORT**For the first quarter of 2018 as of 31.03.2018
for compliance with the terms and conditions for bond loan
emission of convertible corporate bonds with ISIN BG2100023170,
issued by “Monbat” AD in 2018**

This statement, drafted in compliance with article 100b, paragraph 8 of The Public Offering of Securities Act (POSA) contains information about compliance with the terms and conditions of the bond loan issue 2018 for corporate convertible bonds ISIN code BG2100023170, issued by “Monbat” AD, regarding compliance of the obligations of the issuer to the bondholders in compliance with the terms and conditions of the issue, the compliance with the determined financial indicators, as well as information regarding the spending of funds of the bond loan.

1. Compliance with the obligations of „Monbat“ AD, in compliance with the terms and conditions of issue 2018**1.1. Registration of the convertible bonds issue 2018 for trading on “Bulgarian Stock Exchange” AD**

On 13.02.2018, the trade with the corporate bonds of “Monbat” AD, issue 2018 has started on the Main market of BSE of “BSE” AD, Bonds Segment. The exchange code is 5MBA. The amount of the issue is 28 015 000 Euro, and the number of bonds is 28 015, and the face value of one bond is 1,000 Euro.

The market lot is one lot = 1 bond. The indicative reference price for the first trade session is 100 % of the face value.

The monetary settlement on the transaction shall be performed in Bulgarian leva at the exchange rate of the Bulgarian National Bank as of the date of performance of the transaction.

1.2. Holding the General Meeting of the bondholders and selection of their representative

This 15.02.2018, the First General Meeting of the bondholders of “Monbat” AD, holding convertible bonds with ISIN code BG2100023170 has been held, and it elected a representative thereof – Investment Company “DV INVEST” EAD, UIC: 130999800, represented by Krasimir Dimitrov Petkov. The representative has been awarded with remuneration to the amount of 1,000 BGN.

1.3. Payments on the bond loan issue 2018

The bondholders, entered in the record of the bondholders, kept by “Central Depository” AD shall have the right to receive interest and principal payments within 3 (three) workdays prior to the date of the respective interest payment, respectively 5 (five) workdays prior to the maturity of the latest interest and principal payment, which matches with the date of the maturity of the issue.

Annual interest rate of this issue shall be as follows: 6m EURIBOR+3%, but not less than 3.00% on an annual basis for the full period of the loan.

The period of interest payment of the bond loan issue for 2018 is 6-month, at the following dates: 20.07.2018; 20.01.2019; 20.07.2019; 20.01.2020; 20.07.2020; 20.01.2021; 20.07.2021; 20.01.2022; 20.07.2022; 20.01.2023; 20.07.2023; 20.01.2024; 20.07.2024 and 20.01.2025.

The interest payments shall be performed by “Central Depository” AD in compliance with the requirements of the Rules for the Operation of “Central Depository” AD and Ordinance No. 8 for The Central Depository of Securities.

According to the terms and conditions of the prospectus, the issuer shall have the right on the 60th month, including with the respective interest and the principal payment, to repay pro-term the full amount of the outstanding principal, i.e. 80% of the face value of the issue. In case of existence of previous conversion, the call option shall be for the current balance of the bond loan after the respective principal payment.

1.4. Conversion ratio and conversion price

With the decision for issuing convertible, issue 2018, the Board of Directors of “Monbat” AD has determined the number of new shares, in which one bond could be converted, in exercising the right of conversion, as well as their price, i.e. the so-called conversion ratio and, respectively, conversion price.

The conversion ratio is the face value of a single bond, divided into the conversion price per share (90% of the average weighted price per share of the Issuer for the six month preceding the date of conversion);

The Board of Directors of “Monbat” has determined an option for conversion on the 48th month as follows – for 100% of the face value of turnover bonds; on the 66th month – for 80% of the face value of bonds in turnover and on the 78th month – for 50% of the face value of turnover bonds.

Under the conditions of the bond loan issue 2018 it is designated that the total amount of the bonds submitted for conversion may not be less than 10% of the current amount of the face value of the bond loan, in case the amount is below 20 million euro. If the current face value of the bond loan is more than 20 million Euro, the minimum conversion threshold shall be 5% of the current face value.

The new shares which the holders of convertible bonds of this issue shall receive if they exercise their right to convert the bonds held by them, shall be of the same type and class as the shares issued hitherto from the capital of “Monbat” AD – regular, dematerialized, registered, freely transferable, granting the right to a single vote in the General Meeting of Shareholders, right to dividend and liquidation quota.

The conversion of bonds shall be performed through their substitution with new shares, in compliance with the following terms and conditions: decision of the competent body according to the statute of “Monbat” AD for increase of the capital of the Company under the terms and conditions that the new shares shall be registered by the holders of convertible bonds of this issue, express statement by the bondholder of the respective bond, that the bondholder would like to convert the bonds held by that bondholder by registering the increase of the capital of the Company, entering the increase of the capital of the Issuer with the Commercial Register, held by the Registry Agency.

2. Spending funds from the bond loan issue 2018

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.”

In that respect and as indicated in the Prospectus, the management of “Monbat” AD has stipulated that the funds raised shall be used as follows:

1. Acquiring control over a waste (scrap) batteries enterprise in Italy – Piombifera Italiana, and ensuring growth of the group synergy effect over the consolidated margin of the Issuer;
2. Acquiring control (in case of positive result from a currently conducted due diligence) of “L’Accumulateur Tunisien Assad” (ASSAD);
3. Acquiring companies with the purpose of focused product diversification in the production of lithium and ion batteries. This shall be performed through control over the companies GAIA Akkumulatorenwerke GmbH (“GAIA”) and EAS Germany GmbH (“EAS”);

On 20.01.2018, the public offering has concluded successfully, and on 29.01.2018, the new bond loan has been declared as concluded in the Commercial Register. “Monbat” AD has **raised 28 015 000.00 Euro, representing 54 792 577.45 equivalence in BGN, with fixed exchange rate of BNB 1.95583/EUR.**

The net proceeds from the bond emission after deducting the financial expenses related to the emission is to the amount of 54,357,571.40 BGN.

As indicated in the Prospectus, **the main objective of the bond issue 2018** is acquiring non-current financial assets, related to the main operation of “Monbat” AD, representing stocks or shares in companies having the same or a similar scope of operation.

As of 31.03.2018, “Monbat” AD has NOT spent any of the funds, raised by the bond issue 2018 ISIN code BG2100023170.

3. Maintaining financial ratios for the third quarter of 2018 as of 31.03.2018

All calculations have been performed on a consolidated basis.

Financial Covenant	Restriction	31.12.2017	31.03.2018
Interest coverage ratio	Min. 1.20	10.77	7.40
Interest-bearing debt to Assets	Max 0.60	0.30	0.39
Total Liabilities to Assets	Max 0.70	0.49	0.52
Cross default		None	None
Change of control		None	None

Ratio “Total Liabilities to Assets”

The ratio of “Liabilities to Assets” shall be calculated as the sum of all payables, short-term and long-term, is divided into the sum of the asset according to the consolidate balance statement as of the specific date. “Monbat” AD has taken obligation during the period to repayment of the bond loan issue 2018 **to maintain ratio Liabilities/Assets to the amount of 0.7. As of 31.03.2018, this ratio is 0.52**

Interest coverage ratio

The factor of coverage of expenses for interests shall be calculated for the last four quarters according to the consolidated financial statement of the Issuer as operational profit (EBIT, not inclusive of lump-sum

income and profits, including income from interests, profits from sales of titles in companies, etc.), increased by the expenses for interests, divided to the expenses for interests, and the operational profit, increased with the expenses for interests is divided into expenses for interests, according to the profit and loss statement as of a particular date. "Monbat" AD has taken the obligation **to maintain coverage ratio of expenses for interests not less than 120%. As of 31.03.2018, this ratio is 740 %.**

Ratio "Interest-bearing debt to assets"

The ratio shall be calculated by dividing the sum of all interest payables, short-term and long-term to the sum of the asset according to the consolidated balance statement as of the specific date. "Monbat" AD has taken an obligation during the period until the repayment of the bond loan issue 2018 **to maintain a ratio Interest-bearing debt/Assets to the amount of 0.6. As of 31.03.2018, this ratio is 0.39.**

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 information on delay or failure to pay secured liabilities and accordingly the Issuer fulfills the terms of the bond emission

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.

Conclusion: There is no change of control (as defined by POSA) and accordingly the Issuer fulfills the terms of the bond emission.

ATANAS STOILOV BOBOKOV,
Executive Director
"MONBAT" AD