

# MONBAT AD



**INTERIM CONSOLIDATED REPORT ON THE ACTIVITIES  
OF MONBAT AD  
DURING THE THIRD QUARTER OF 2017  
PURSUANT TO ARTICLE 1000, PARAGRAPH 4, ITEM 2 OF LPOS**

**1. IMPORTANT DEVELOPMENTS FOR MONBAT AD THAT OCCURRED DURING THE PERIOD  
(01.01.2017 - 30.09.2017)**

**Table 1**

Date	Developments
25.01.2017	<p>MONBAT AD announced the following announcement:</p> <p>In December, 2016 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 28 601 000 which represents an increase by 33.5 % compared to the consolidated net sales revenues generated in December, 2015.</p> <p>The summarized data for 2016 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 263 661 000 which represents an increase by 7.23 % compared to the consolidated net sales revenues for 2015.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for December, 2016 is BGN 2 324 000 which represents a profit increase by 141.8 % compared to the generated consolidated profit before taxes for December 2015. .</p> <p>The summarized data for 2016 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 32 078 000, which represents a profit increase by 26.9 % compared to the generated consolidated profit before taxes for 2015.</p> <p>In December, 2016 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 3 837 000 which represents an increase by 111.1 %</p>

	<p>compared to the achieved in December 2015.</p> <p>The summarized data for 2016 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 48 098 000 which represents an increase by 24.4 % compared to 2015.</p>
30.01.2017	MONBAT AD announced the 2016 Q4 individual financial report
27.02.2017	<p>MONBAT AD announced the following announcement:</p> <p>In January, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 25 098 000 which represents an increase by 18.70 % compared to the consolidated net sales revenues generated in January, 2016.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for January, 2017 is BGN 2 986 000 which represents a profit increase by 13.80 % compared to the generated consolidated profit before taxes for January 2016 .</p> <p>In January, 2017 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 4 230 000 which represents an increase by 11.40 % compared to the achieved in January 2016.</p>
01.03.2017	MONBAT AD announced the 2016 Q4 consolidated financial report
06.03.2017	MONBAT AD announced the Consolidated Forecast 2017 - 2021
27.03.2017	<p>MONBAT AD announced the following announcement:</p> <p>In February, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 26 627 000 which represents an increase by 28.9 % compared to the consolidated net sales revenues generated in February, 2016.</p> <p>The summarized data for the first two months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 51 725 000 which represents an increase by 23.7 % compared to the consolidated net sales revenues for the same period of 2016.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for February, 2017 is BGN 2 498 000 which represents a profit decrease by 7.1 % compared to the generated consolidated profit before taxes for February, 2016 .</p> <p>The summarized data for the first two months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of</p>

	<p>BGN 5 484 000, which represents a profit increase by 3.2 % compared to the generated consolidated profit before taxes for the same period of 2016.</p> <p>In February, 2016 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 4 097 000 which represents an increase by 7.3 % compared to the achieved in February, 2016.</p> <p>The summarized data for the first two months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 8 327 000 which represents a decrease by 9.3 % compared to the same period of 2016.</p>
30.03.2017	MONBAT AD announced the Audited Annual financial report for 2016
25.04.2017	<p>MONBAT AD announced the following announcement:</p> <p>In March, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 26 473 000 which represents an increase by 19.80 % compared to the consolidated net sales revenues generated in March, 2016.</p> <p>The summarized data for the first three months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 78 198 000 which represents an increase by 22.40 % compared to the consolidated net sales revenues for the same period of 2016.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for March, 2017 is BGN 4 074 000 which represents a profit increase by 19.60 % compared to the generated consolidated profit before taxes for March, 2016 .</p> <p>The summarized data for the first three months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 9 558 000, which represents a profit increase by 9.60 % compared to the generated consolidated profit before taxes for the same period of 2016.</p> <p>In March, 2016 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 5 574 000 which represents an increase by 17.30 % compared to the achieved in March, 2016.</p> <p>The summarized data for the first three months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 13 901 000 which represents a decrease by 12.40 % compared to the same period of 2016.</p>
02.05.2017	MONBAT AD announced the 2017 Q1 Individual Financial Report
02.05.2017	MONBAT AD announced the Audited Annual consolidated financial report for 2016

19.05.2017	MONBAT AD announced the invitation and written materials for a regular attendance session of the General Assembly of the company's Shareholders on 26.06.2017
25.05.2017	<p>MONBAT AD announced the following announcement:</p> <p>In April, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 23 068 000 which represents an increase by 47.90 % compared to the consolidated net sales revenues generated in April, 2016.</p> <p>The summarized data for the first four months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 101 266 000 which represents an increase by 27.40 % compared to the consolidated net sales revenues for the same period of 2016.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for April, 2017 is BGN 3 352 000 which represents a profit increase by 220.20 % compared to the generated consolidated profit before taxes for April, 2016</p> <p>The summarized data for the first four months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 12 910 000, which represents a profit increase by 32.20 % compared to the generated consolidated profit before taxes for the same period of 2016.</p> <p>In April, 2017 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 4 791 000 which represents an increase by 107.10 % compared to the achieved in April, 2016.</p> <p>The summarized data for the first four months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 18 692 000 which represents an increase by 27.30 % compared to the same period of 2016.</p>
26.05.2017	MONBAT AD announced the publication of the invitation for a regular attendance session of the General Assembly of the company's Shareholders on 26.06.2017
30.05.2017	MONBAT AD announced the 2017 Q1 Consolidated Financial Report
26.06.2017	<p>MONBAT AD announced the following announcement:</p> <p>In May, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 19 833 000 which represents an increase by 24.60 % compared to the consolidated net sales revenues generated in May, 2016.</p> <p>The summarized data for the first five months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 121 099 000 which represents an increase by 26.90 % compared to the</p>

consolidated net sales revenues for the same period of 2016.

The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for May, 2017 is BGN 3 031 000 which represents a profit increase by 12.60 % compared to the generated consolidated profit before taxes for May, 2016 .

The summarized data for the first five months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 15 941 000, which represents a profit increase by 27.90 % compared to the generated consolidated profit before taxes for the same period of 2016.

In May, 2017 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 4 454 000 which represents an increase by 8.40 % compared to the achieved in May, 2016.

The summarized data for the first five months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 23 146 000 which represents an increase by 23.20 % compared to the same period of 2016.

26.06.2017

MONBAT AD announced the following announcement:

**MONBAT GROUP HAS ACQUIRED TWO LITHIUM ION BATTERY BUSINESSES IN GERMANY AND AIMS TO BECOME ONE OF THE TECHNOLOGY LEADERS IN EUROPE IN THIS HIGH GROWTH MARKET SEGMENT**

Monbat has acquired 100% of all tangible and intangible assets of both Gaia and EAS and has merged both entities into the EAS Batteries GmbH based in Nordhausen. Monbat will be able to capitalise on the existing experience and expertise in the lithium ion field of both merged entities and will focus on upscaling the existing production capacity and commercializing newly developed cell technologies.

This acquisition will bring additional diversification to the Monbat and marks the entry into the lithium ion business which is one of the enabling technologies for the decarbonisation of stationary and mobile energy demands. It further allows a new market presence in the high-power battery systems solutions, based on safe and proven LFP cell chemistry, which is a unique technology approach adopted by only one other big player globally. This technology can address many niche high power applications and meet the very high requirements for reliability and safety, which many applications demand in areas such as aerospace, defence, marine and public transportation.

Monbat is committed to modernise the current premises in Nordhausen, to grow the whole business and to further expand its sales in Germany and neighbouring countries. It plans to invest over EUR 5 million in the next two years into new and modern machinery as well as to expand the workforce. The designated Managing Director of EAS Batteries GmbH, Michael Deutmeyer, commented as follows: "Monbat brings the

financial stability and ability to investment in state-of-the-art manufacturing that EAS needs to become competitive whilst increasing product quality and production capacity. The team at Nordhausen has over twenty years of manufacturing experience in large-format lithium ion cells which is unparalleled in Europe. Monbat has a lot of experience working in highly commoditised markets as well as in mass production of high quality lead acid batteries. Combining these two skill sets is an ideal basis for executing the new business development plan. The EAS team is immensely grateful for this new chance as well as the trust shown in its capabilities and is highly motivated to convert the new investments into commercial success!”

The Chairman and CEO of Monbat, Atanas Bobokov, stated the following: “This acquisition marks the entry of Monbat into the German market and commitment to a potentially world changing technology. In the last two years, we have analysed many opportunities for further growth of our group but the combination of the former Gaia and EAS companies was unique as was the knowledge of the local team. Monbat will simply do the rights things – we will revitalise and merge these two companies into one complete business from a technology, production, and sales pipeline point of view. We will grow the business and develop new products that will be unique quality wise. We will build new state of the art facilities that will enable us to produce these new products in large quantities for the benefit of all stakeholders. So, “EAS Batteries” will be a source of power for Monbat too and we are all excited to start working! “

Monbat AD (“Monbat”) is a Sofia based manufacturer of lead acid batteries and one of the largest companies in Bulgaria. It is listed in the Premium Equities Segment of the Bulgarian Stock Exchange - Sofia with a market capitalisation of approximately EUR 230 million. Monbat was founded in 1959, privatised in 1998 and has since become the largest battery producer in Eastern Europe with production and recycling plants in the three different countries in region. It exports to over 60 countries worldwide and due to its vertically integrated group structure is constantly generating above market-average margins. The consolidated turnover and consolidated EBITDA for the year 2016 amounts to EUR

26.06.2017

MONBAT AD announced the important resolutions approved at General Assembly of the Shareholders of MONBAT AD, held on 26.06.2017

1. The General Assembly of Shareholders approved the individual and consolidated Annual Reports of the Board of Directors on the company’s activities for the year 2016, the audited individual and consolidated annual Financial Statements of the company for the year 2016 and the Reports of the certified auditor, the Annual Report on the activities of the Investor Relations Director of MONBAT AD for the year 2016 and the Report on the activities of the audit committee for the year 2016.

2. The General Assembly of Shareholders approved a decision the company’s profit after taxes, generated during the year 2016 in the amount of BGN 18 102 841.16 to be

distributed as follows: the amount of BGN 7 070 841,16 to be taken as non-distributed profit and the amount of BGN 11 032 000 to be distributed to the shareholders as dividend. Entitled to receive dividend shall be persons who were entered as shareholders of the company in the Central Depository's registers on the 14th day following the date of the General Assembly. The General Assembly of Shareholders authorized the Board of Directors of the company to undertake all necessary legal and factual activities related to the dividend payment to the shareholders, including selection of a commercial bank, initial and final term for payment of the dividend.

3. The General Assembly of Shareholders released from responsibility the members of the Board of Directors for their activities during 2016.

4. The General Assembly of Shareholders elected an audit committee with the following members: Georgi Stoianov Trenchev and Anelia Petkova Angelova - Tumbeva and Yordan Karabinov

5. The General Assembly of Shareholders approved a decision for election of a certified auditor for the year 2017 in accordance with the proposal of the audit committee, namely specialized audit company Deloitte Audit OOD

6. The General Assembly of Shareholders authorized the Board of Directors of the Company to set additional remuneration for 2016 to the members of the Board of Directors of MONBAT AD in the total amount of up to BGN 500 000, as well as to distribute the additional remunerations among the members of the Board within the range of the voted amount.

7. The General Assembly of Shareholders approved a resolution for amendment to the Company's Articles of association.

29.06.2017

MONBAT AD announced the Minutes of the regular session of the General Assembly of the shareholders.

29.06.2017

MONBAT AD announced the Notification for dividend payment:

The General Assembly of Shareholders approved a decision the company's profit after taxes, generated during the year 2016 in the amount of BGN 18 102 841.16 to be distributed as follows: the amount of BGN 7 070 841,16 to be taken as non-distributed profit and the amount of BGN 11 032 000 to be distributed to the shareholders as dividend. Entitled to receive dividend shall be persons who were entered as shareholders of the company in the Central Depository's registers on the 14th day following the date of the General Assembly. The General Assembly of Shareholders authorized the Board of Directors of the company to undertake all necessary legal and factual activities related to the dividend payment to the shareholders, including selection of a commercial bank, initial and final term for payment of the dividend.

07.07.2017	<p>MONBAT AD announced the following announcement:</p> <p>With regard to the resolution approved at the ordinary session of the General Assembly of the Shareholders of MONBAT AD, held on 26.06.2017 the amendments to the company's Articles of Association are filed with the Commercial register.</p>
25.07.2017	<p>MONBAT AD announced the following announcement:</p> <p>In June, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 29 780 000 which represents an increase by 74.70 % compared to the consolidated net sales revenues generated in June, 2016.</p> <p>The summarized data for the first six months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 150 879 000 which represents an increase by 34.20 % compared to the consolidated net sales revenues for the same period of 2016.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for June, 2017 is BGN 1 153 000 which represents a profit decrease by 31 % compared to the generated consolidated profit before taxes for June, 2016.</p> <p>The summarized data for the first six months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 17 094 000, which represents a profit increase by 21 % compared to the generated consolidated profit before taxes for the same period of 2016.</p> <p>In June, 2017 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 2 369 000 which represents a decrease by 13.4 % compared to the achieved in June, 2016.</p> <p>The summarized data for the first six months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 25 515 000 which represents an increase by 18.5 % compared to the same period of 2016.</p>
28.07.2017	<p>MONBAT AD announced the following announcement:</p> <p>With reference to the adopted decision of the General Assembly of Shareholders of MONBAT Plc, held on 26.06.2017, for distribution of dividends, the Board of Directors of the company, on its session, held on 27.07.2017, approved the following conditions for payments of the dividend based on the established overall amount of BGN 11 032 000:</p> <ul style="list-style-type: none"> <li>• Gross amount of the dividend per one share – BGN 0,282;</li> <li>• Net amount of the dividend per one share – BGN 0,268 for shareholders – physical</li> </ul>

persons;

- Commercial bank, chosen to pay the dividends – Unicredit Bulbank AD;
- Method of payment of the dividend: To the shareholders, whose securities accounts are under Register A of the Central Depository /personal accounts/, the dividends will be paid through the branches of Unicredit Bulbank AD. To the shareholders, whose securities accounts are under Register B of the Central Depository /clients' sub-accounts with the investment intermediary/, the dividends will be paid through the respective investment intermediary with the cooperation of Central Depository.
- Initial date for payment of the dividend – 18.09.2017;
- Final date for payment of the dividend – 18.12.2017;
- After expiration of the final date for payment of the dividend, within the 5-year period of prescription, all shareholders who/which had not received their dividends for the year 2016 will have the right to receive their dividends from the company or through bank remittance after an explicit request, addressed to the company at its address of administration – 32A Cherni Vrah Blvd., floor 4, 1407 Sofia or to fax: + 359 2 9804881. Dividends which have not been received and have not been asked for after expiration of the 5-year period of prescription shall be taken in the company's Reserve Fund.

31.07.2017

MONBAT AD announced the H1 2017 individual financial report

11.08.2017

MONBAT AD announced the following announcement:

#### TWO EVOLUTIONARY APPOINTMENTS IN MONBAT GROUP

Peter Bozadjiev is appointed as Executive Director of the economic group Monbat and reports directly to Atanas Bobokov in his capacity of Chief Executive Officer (CEO) and Chairman of the Board of Directors of Monbat AD.

Mr. Bozadjiev is actively involved in the development and sustainable growth of the economic group Monbat that has reached market capitalization of EUR 227 Mio compared to EUR 96 Mio in 2012. In the last five years Mr. Bozadjiev was Group Financial Director (CFO) of Monbat as well as programme manager of the long-term optimization and improvement program in the group.

Mr. Bozadjiev is also appointed as General Manager of Monbat holding GmbH – the company into which the newly acquired lithium-ion companies Gaia and EAS Germany are to be transformed and bring to Monbat diversified stream of business in the next five years.

Peter Bozadjiev has long standing experience in corporate management and business transformations that has also been his primary business scope as Senior manager in

PwC Consulting, IBM Global Business Services and KPMG Operational Restructuring.

Viktor Spiriev is the new Group Financial Director (CFO) of Monbat Group where he succeeds on one of the direct responsibilities of Mr. Bozadjiev. Mr. Spiriev will continue the efforts for development and modernization of the financial function in the context of continuous growth of the group and constant improvement of the reporting to the institutions and investment community.

His responsibilities as member of the financial team in Monbat, Prista Oil and as senior associate in PriceWaterhouseCooper until now have included business planning, management reporting, supervision of the cash-flow, treasury and financing function, short- and long-term structuring, planning and steering of the financial resources and others.

17.08.2017

MONBAT AD announced the following announcement:

On August 16th, 2017 Monbat AD signed a Letter of Intent with the main shareholders of a listed company operating in the field of accumulator batteries business in Tunisia – ASSAD in order to buy the majority stake in the company. The final decision for acquisition will be approved after a due diligence of the company which is expected to be completed by the end of November, 2017.

The transaction is not finalized and its conclusion depends on the final decision of the parties as well as on the respective approval on the part of the respective capital market authorities, in case that such an approval is necessary.

25.08.2017

MONBAT AD announced the following announcement:

In July, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 22 973 000 which represents an increase by 21.40 % compared to the consolidated net sales revenues generated in July, 2016.

The summarized data for the first seven months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 173 852 000 which represents an increase by 32.30 % compared to the consolidated net sales revenues for the same period of 2016.

The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for July, 2017 is BGN 1 588 000 which represents a profit decrease by 34.10 % compared to the generated consolidated profit before taxes for July, 2016.

The summarized data for the first seven months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 18 682 000, which represents a profit increase by 13 % compared to the generated consolidated profit before taxes for the same period of 2016.

	<p>In July, 2017 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 2 945 000 which represents a decrease by 17.3 % compared to the achieved in July, 2016.</p> <p>The summarized data for the first seven months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 28 460 000 which represents an increase by 13.40 % compared to the same period of 2016.</p>
29.08.2017	MONBAT AD announced the Q2 2017 Consolidated report.
30.08.2017	MONBAT AD announced the INVITATION FOR INVESTOR AND MEDIA DAY
25.09.2017	<p>MONBAT AD announced the following announcement:</p> <p>In August, 2017 the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 22 228 000 which represents a decrease by 1,60 % compared to the consolidated net sales revenues generated in August, 2016.</p> <p>The summarized data for the first eight months of 2017 show that the companies in the economic group of Monbat AD have generated consolidated net sales revenues in the amount of BGN 196 080 000 which represents an increase by 27.30 % compared to the consolidated net sales revenues for the same period of 2016.</p> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat AD for August, 2017 is BGN 1 866 000 which represents a profit decrease by 36.70 % compared to the generated consolidated profit before taxes for August, 2016.</p> <p>The summarized data for the first eight months of 2017 show that the companies in the economic group of Monbat AD have generated profit before taxes in the amount of BGN 20 548 000, which represents a profit increase by 5.40 % compared to the generated consolidated profit before taxes for the same period of 2016.</p> <p>In August, 2017 the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 3 035 000 which represents a decrease by 29.50 % compared to the achieved in August, 2016.</p> <p>The summarized data for the first eight months of 2017 show that the companies in the economic group of Monbat AD have reached EBITDA in the amount of BGN 31 495 000 which represents an increase by 7.10 % compared to the same period of 2016.</p>
26.09.2017	<p>MONBAT AD announced the following announcement:</p> <p>Monbat AD will acquire recycling facilities in Italy - the licensed recycling plant - Piombifera Italiana S.p.A in Brescia, Italy, through its subsidiary Monbat Recycling AD.</p>

Piombifera Italiana S.p.A. was incorporated in 1978 in Italy and today is one of the three largest companies for batteries recycling in the country. The licensed recycling plant has the capacity to process 70 000 tons per year.

The recycling plant will be integrated into the structure of Monbat Recycling AD as part of the newly established subsidiary Monbat Italy SpA.

The acquisition of new recycling facilities is part of the group's strategy for growth through geographic diversification of capacities. The acquisition decision was adopted by the management after a successful completion of the due diligence process. The management of Monbat AD expects the acquisition agreement to be signed by the end of September 2017.

The decision for acquisition of additional recycling facilities is due to the increased demand for raw materials for production of lead batteries of the plants of Monbat AD and Start AD as the scrap market in Italy is one of the most developed in Europe.

After signing the acquisition agreement, Monbat AD will notify the public and relevant regulatory authorities immediately.

27.09.2017

INVESTOR AND MEDIA DAY

## **2. IMPACT OF THE IMPORTANT DEVELOPMENTS FOR MONBAT AD THAT OCCURRED DURING THE THIRD QUARTER OF 2017 ON THE RESULTS IN THE FINANCIAL STATEMENTS**

As at 30.09.2017 MONBAT AD reports consolidated net sales revenues in the amount of BGN 232 058 000 which represents an increase by 29.37 % compared to the consolidated net sales revenues generated as of 30.09.2016 in the amount of BGN 179 376 000.

The consolidated profit before taxes generated by MONBAT AD as at 30.09.2017 is in the amount of BGN 25 995 000 compared to the consolidated profit before taxes as at 30.09.2016 in the amount of BGN 21 383 000. This represents an increase of the profit before taxes by 21.57 %.

The consolidated net profit of MONBAT AD as at 30.09.2017 is in the amount of BGN 23 393 000 and reports an increase by 22 % compared to the consolidated net profit of the company as at 30.09.2016 which is in the amount of BGN 19 174 000.

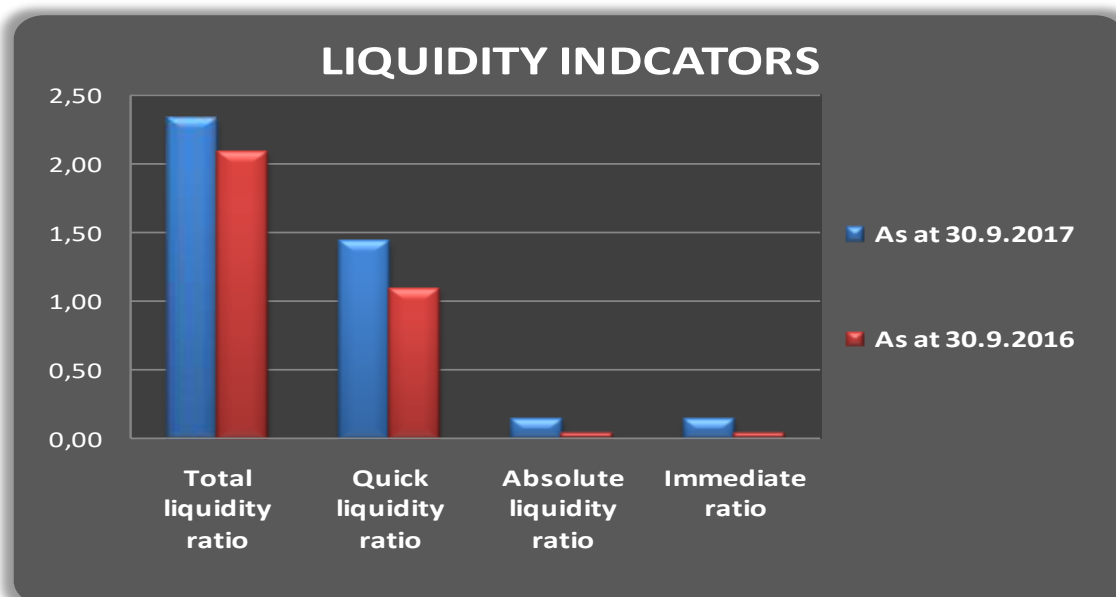
As at 30.09.2017 EBITDA (profit before interest +amortization, decreased with financial incomes and increased with financial expenses) of MONBAT AD on a consolidated basis is in the amount of BGN 38 310 000 compared to EBITDA reported as at 30.09.2016 on a consolidated basis in the amount of BGN 32 794 000. This represents an EBITDA increase by 16.58 %.

As at 30.09.2017 EBIT (profit before interest, decreased with financial incomes and increased with financial expenses) of MONBAT AD on a consolidated basis is in the amount of BGN 27 823 000 compared to EBIT on a consolidated basis in the amount of BGN 23 409 000 as at 31.09.2016. This represents an EBIT increase by 18.86 %.

## FINANCIAL INDICATORS

**Table 2**

<b>LIQUIDITY INDICATORS</b>	<b>30.9.2017</b>	<b>30.9.2016</b>
Total liquidity ratio	2,32	2,08
Quick liquidity ratio	1,43	1,08
Absolute liquidity ratio	0,14	0,04
Immediate ratio	0,14	0,04



**Table 3**

<b>PROFITABILITY INDICATORS</b>	<b>30.9.2017</b>	<b>30.9.2016</b>
Profitability of capital	0,60	0,49
Return on equity (ROE)	0,11	0,10
Return assets (ROA)	0,06	0,06

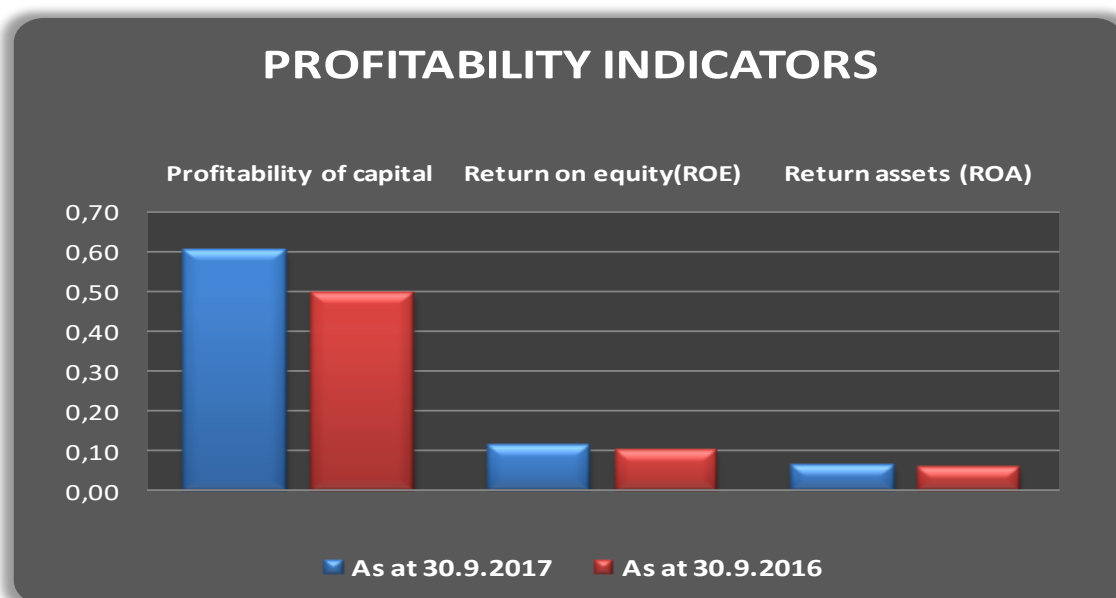


Table 4

LEVERAGE INDICATORS	30.9.2017	30.9.2016
Financial leverage indicatir	0,76	0,75
Debt/Assets	0,44	0,43
Financial autonomy indicator	1,31	1,34

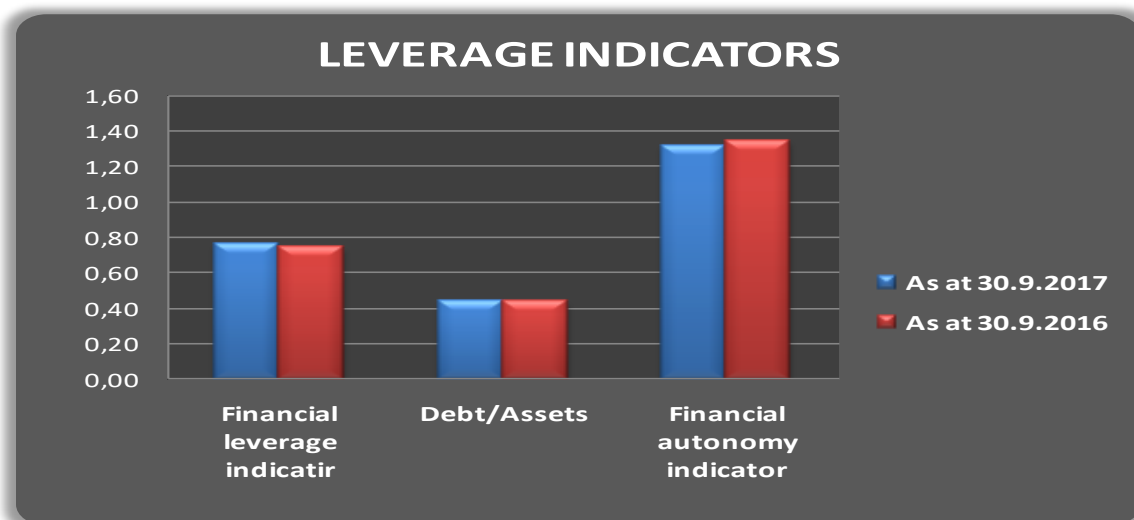
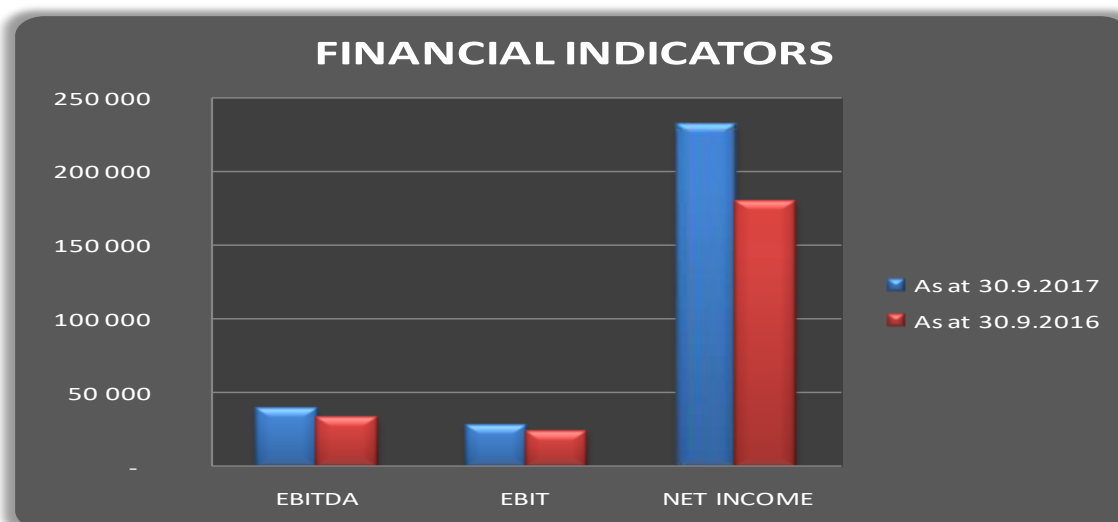


Table 5

FINANCIAL INDICATORS	30.9.2017	30.9.2016
EBITDA	38 310	32 794
EBIT	27 823	23 409
NET INCOME	232 058	179 376

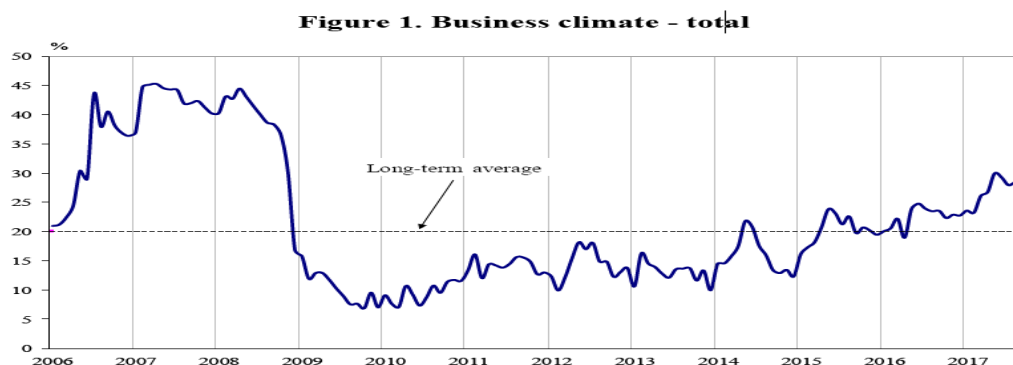


**4. DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES WHICH MONBAT AD AND THE COMPANIES IN THE GROUP WILL FACE DURING THE FOLLOWING FINANCIAL PERIOD**

**SYSTEMATIC RISKS**

**OVERALL MACROECONOMIC RISK**

Pursuant to data of the National Statistical Institute in September 2017, the total business climate indicator decreases by 0.8 percentage points in comparison with August which is due to the more unfavourable business climate in construction, retail trade and service sector.



Source: NSI

The composite "business climate in industry" indicator increases by 1.9 percentage points compared to the previous month as a result of the more optimistic industrial entrepreneurs' assessments and expectations about the business situation of the enterprises. The present production activity is assessed as slightly improved, as the expectations about the activity over the next 3 months remain favourable. The main factors limiting the enterprises continue to be connected with the uncertain economic environment and shortage of labour, although in the last month a decrease of the negative impact of the first factor is observed.

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

Pursuant to data of the National Statistical Institute the composite "business climate in retail trade" indicator decreases by 3.5 percentage points as a result of the shifting of the retailers' assessments and expectations about the business situation of the enterprises from 'good' towards 'satisfactory' (normal for the season). Their forecasts about the volume of sales and order places with suppliers over the next 3 months are also more reserved. The most serious problem limiting the activity of the enterprises remains the competition in the branch, followed by the uncertain economic environment and the insufficient demand.

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

The assessment of economy and finance state of the ECB Governing Council as of September 7, 2017 shows that with ECB monetary policy measures supporting domestic demand, economic growth in the euro area remains and becomes more and more sustainable. In the second

quarter of 2017, in real terms, the euro area GDP grew by 0.6 % on a quarterly basis, after an increase by 0.5 % in the first quarter. Real GDP growth is mainly supported by domestic demand. Private consumption is due to increased employment to which the labor market reforms and the growing wealth of households also contributes. The very favorable financing conditions and the improved profitability of companies continue contributing to investment returns. Short-term indicators and business observation data confirm the forecast for a significant acceleration of growth in the near future.

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

### **INTEREST RATE RISK**

The interest rate risk is related to possible, contingent adverse changes in the interest rates, set by the financial institutions in the Republic of Bulgaria.

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

In this respect, the ECB Governing Council retains its monetary policy position and will decide in the autumn on the exact parameters of its policy instruments after the end of the year.

#### **Base interest rates set by the Bulgarian National Bank for the period 01.01.2017 – 30.09.2017**

**Table 6**

Month	Base Interest Rate
January 2017	0.00 %
February 2017	0.00 %
March 2017	0.00 %
April 2017	0.00 %
May 2017	0.00 %
June 2017	0.00 %
July 2017	0.00 %
August 2017	0.00 %
September 2017	0.00 %

\*Source:BNB

## **INFLATION RISK**

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

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

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

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

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

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

The harmonized index of consumer prices in September 2017 compared to August 2017 was 99.8 %, i.e. the monthly inflation was -0.2 %. The groups 'Recreation and culture' and 'Restaurants and hotels' had the biggest downward impact on the total HICP that measures the change in prices of goods and services, consumed by all households (including foreign households) on the economic territory of the country. Differences between CPI and HICP are due to different coverage of the HICP and CPI in respect of treatment of the consumption by both non-resident and institutional households. The inflation rate since the beginning of the year (September 2017 compared to December 2016) has been 0.7 % and the annual inflation in September 2017 compared to September 2016 was 1.3 %. The annual average inflation, measured by HICP, in the last 12 months (October 2016 - September 2017) compared to the previous 12 months (October 2015 - September 2016) was 0.6 %.

**Inflation for the period 01.01.2017 – 30.06.2017 is as follows:**

**Table 7**

<b>Month</b>	<b>% of inflation</b>
January 2016	1.3 %
February 2016	0.0 %
March 2016	-0.5 %
April 2017	0.7 %
May 2017	- 0.3 %
June 2017	- 0.5 %
July 2017	0.3 %
August 2017	0.1 %
September 2017	0.2 %

\*Source: NSI

## **POLITICAL RISK**

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

Political risks for Bulgaria in the international aspect are associated with the commitments for implementation of significant structural reforms in the country in its capacity of a full-right EU member, enhancing social stability, reducing inefficient expenses, on one hand, and the strong destabilization of the Middle East countries, more frequent threats of terrorist attacks in Europe, waves of refugees and instability in key countries close to Bulgaria.

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

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

## **CURRENCY RISK**

Exposure to currency risk is the dependence on and the effects from changes in the currency exchange rates. Systematic currency risk is the likelihood of any possible change of the currency regime in the country (currency board) which would either lead to devaluation of the BGN or the appreciation of the BGN against foreign currencies.

Currency risk will have impact over companies having market shares, payments to which are made in currencies different from the Bulgarian lev and the euro. In view of the fact that according to the current legislation in the country the Bulgarian lev is pegged to the euro at the rate of EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian lev in circulation equivalent to the foreign exchange reserves of the Bank, the risk of devaluation of the lev against the European currency is minimal and consists in a possible elimination of the currency board in Bulgaria ahead of term. At this stage it appears to be unlikely since the Currency Board is expected to be repealed upon adoption of the euro as an official legal tender in Bulgaria.

Theoretically, currency risk could increase when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime under which the country must maintain the currency rate against the euro within a + / -15% from central parity. In practice, all

countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) have witnessed fluctuations that were significantly smaller than the allowed  $\pm 15\%$ .

The fixed rate of the BGN to the EUR does not eliminate the risk for the Bulgarian currency of adverse movements in the euro exchange rate against other major currencies (U.S. dollar, British pound, Swiss franc) in the international financial markets, but at present the company does not consider that this risk would be significant in terms of its activity. The company might be affected by the currency risk, depending on the type of currency of its cash and the type of currency of the company's contingent loans.

## LIQUIDITY RISK

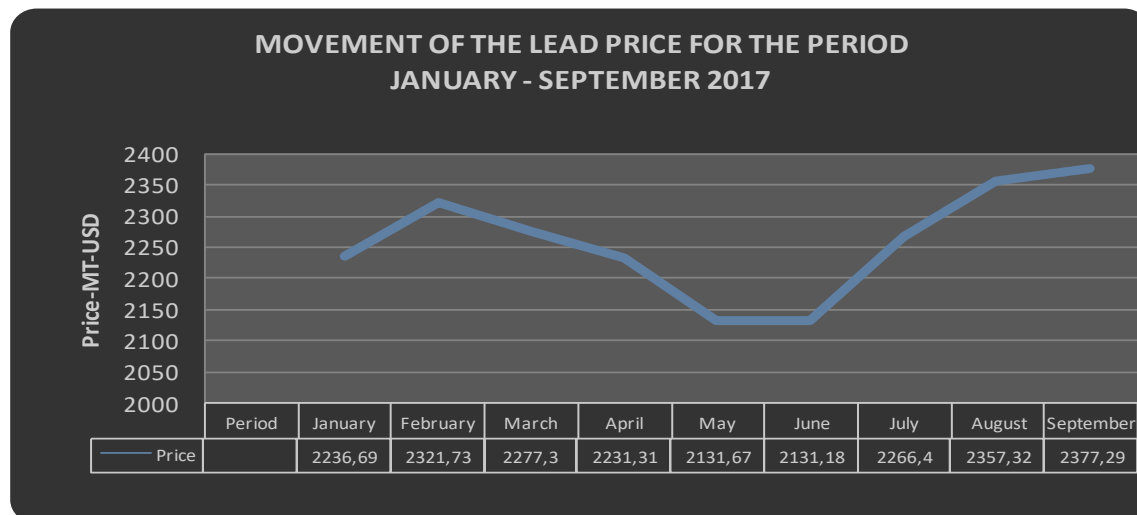
The appearance of liquidity risk with regard to the company is being associated with the possible lack of timely and/or sufficient cash to meet all current liabilities. This risk may occur, either in case of significant delays in payments from debtors of the company, or in case of insufficiently effective management of the company's cash flows.

## UNSYSTEMATIC RISKS

### RISK OF PRICE CHANGES IN THE BASIC PRIME AND RAW MATERIALS

The principal activity of MONBAT AD is production and trading with accumulator and lead-acid batteries – starter batteries, stationary batteries for telecom application, semi-traction batteries, specialized batteries – army power range and locomotive batteries. Major prime and raw materials for the company's production process are lead and lead alloys, polypropylene, polyethylene separator and sulfuric acid.

During the third quarter of 2017, lead takes approximately 70 % of the cost structure per unit:



\* Average lead price for the period 01.01.2017 – 30.09.2017 is – 2258.99 USD/MT

The risk of price change in the basic raw material – lead is being managed through construction of company's own recycling facilities.

## DEPENDENCE OF MONBAT AD ON DISTRIBUTORS, SUPPLIERS, CUSTOMERS

There is no dependence of MONBAT AD on customers due to the fact that company's sales are not being made directly with customers but through the mediation of an extensive distribution network in the country and abroad. Sales with deferred payment in the country and for export are being insured in the Bulgarian Export Insurance Agency (BAEZ) by reason of which the risk of non-payment on the part of the customers is completely eliminated.

MONBAT AD is an export-oriented company.

Breakdown of the markets of MONBAT AD on a consolidated basis as at 30.09.2017 is shown in the table below.

Table 8

Country	30.9.2017		30.9.2016	
	Export (EUR '000)	%	Export (EUR '000)	%
OTHER	28 289,45	27,61	14 818,59	17,95
FRANCE	13 948,82	13,61	12 669,65	15,35
GERMANY	8 950,46	8,74	7 421,36	8,99
SPAIN	4 014,45	3,92	6 743,73	8,17
ITALY	5 832,53	5,69	5 619,72	6,81
ROMANIA	7 518,37	7,34	5 453,64	6,61
GREAT BRITAIN	5 283,14	5,16	4 828,67	5,85
NETHERLANDS	5 434,47	5,30	4 361,43	5,28
UKRAINE	2 583,80	2,52	3 892,38	4,72
GREECE	6 402,78	6,25	2 438,85	2,96
SERBIA	4 039,52	3,94	2 314,91	2,80
BELGIUM	1 878,05	1,83	2 046,68	2,48
FINLAND	1 208,99	1,18	1 949,25	2,36
SOUTH AFRICA	-	0,00	1 531,94	1,86
DENMARK	1 545,57	1,51	1 438,01	1,74
LEBANON	1 760,80	1,72	1 331,39	1,61
IRELAND	1 268,88	1,24	1 296,35	1,57
PORTUGAL	1 389,78	1,36	1 220,90	1,48
CZECH	1 115,63	1,09	1 155,31	1,40
<b>TOTAL</b>	<b>102 465,48</b>	<b>100</b>	<b>82 532,76</b>	<b>100</b>

For the period 01.01.2017 – 30.09.2017 MONBAT AD has generated consolidated revenues from abroad totalling EUR 102 465 480 which represent 86.36 % of the total net sales revenues.

For the period 01.01.2017 – 30.09.2017 major market for MONBAT AD was France with EUR 13 948 000 sales revenues which represents 13.61 % of the total consolidated export of the group.

The generated consolidated sales revenues on the domestic market basis as of 30.09.2017 were in the amount of BGN 31 653 000 (EUR 16 184 000) and represent 13.64 % of the net sales revenues of the Group.

## **5. INFORMATION ABOUT THE CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES DURING THE THIRD QUARTER OF 2017**

Related parties to MONBAT AD are all companies where MONBAT AD holds over 50 % of the capital and the parties related to them.

Related parties to MONBAT AD are also all companies where the main shareholder PRISTA OIL HOLDING EAD holds over 50 per cent of the capital as well as all other companies where the single owner PRISTA OIL HOLDING EAD holds over 50 per cent of the capital.

Large transactions with related parties have not been conducted during the the third quarter of 2017. All transactions with related parties have been announced in the interim consolidated financial statement of MONBAT as of 30.09.2017 г.

Date: 29.11.2017

For MONBAT AD:

*/Atanas Bobokov – Executive member of the Board of Directors /*