

ANNUAL INDIVIDUAL ACTIVITY REPORT  
OF Monbat AD, SOFIA  
FOR THE FINANCIAL  
**2019**

THIS REPORT WAS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE. 39 OF THE ACCOUNTANCY ACT, ARTICLE 100N, PARAGRAPH 7 OF THE LAW ON PUBLIC OFFERING OF SECURITIES AND ANNEX № 10 TO ART. 32, PARA. 1, ITEM 2 OF ORDINANCE № 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.

**MONBAT®**

## **FORWARD-LOOKING STATEMENTS**

The Annual Report may contain statements which reflect the current vision of the Company's Board of Directors regarding the achievement of future financial results, execution of business strategy, plans and objectives of the management.

These forward-looking statements are related to the operations of MONBAT AD, as well as the sectors where the entity operates. Statements that include the words "expects", "intends", "plans", "projects", "accepts", "will", "aims", "strives", "can", "could be", "continues", and other similar statements with regard to the future presentation of the company are forecasts for the purposes of the Bulgarian securities legislation and other.

Where forward-looking statements are presented, they concern the future performance of the company which involves risks and uncertainties. It is possible that different factors and events may arise that could cause a significant difference between the actual results of MONBAT AD and those specified in the forward-looking statements. These factors include but are not limited only to the one described in the section entitled RISK FACTORS and should be considered an integral part of the whole financial and economic information presented in this document. The forward-looking statements are up to date as of the date of the Annual Report. In compliance with the obligations under Bulgarian legislation and the approved policy of MONBAT AD, the company's Board of Directors will continue announcing publicly, under the legally provided procedure, new forecasts as well as updating already presented forward-looking statements that need to be corrected.

Before making an investment decision, potential investors should carefully consider the factors stated in the Annual Report which may cause the actual results of MONBAT AD to differ from the ones presented in this document.

## **PRESENTATION OF FINANCIAL, MARKET, ECONOMIC AND STATISTICAL INFORMATION**

The financial information in the Annual Report has been prepared in compliance with the International Financial Reporting Standards (IFRS).

The market, economic and statistical information, as well as information regarding the financial and economic situation in the Republic of Bulgaria and the Bulgarian securities market used in the Report has been extracted from various sources, explicitly referred in the respective parts where such information is presented. Information presented in this document regarding a part of the systematic risks for MONBAT AD is extracted from publicly available information, including publications and information disclosed in compliance with the requirements of the applicable securities legislation and other regulations. The information presented in this Report regarding the economic sectors where MONBAT AD operates is extracted from publicly available information, including publications and information disclosed in compliance with the requirements of the applicable securities legislation and other regulations. MONBAT AD does not guarantee the accuracy and exhaustiveness of this information or the presence of complete uniformity in the information from all these sources. With this regard, MONBAT AD takes responsibility only for the accurate reproduction of extracts from relevant sources of information.

The Board of Directors of MONBAT AD confirms that the information extracted from publications and other publicly available sources is reproduced correctly by the relevant sources and, to the best of its knowledge, no facts which could render the reproduced information inaccurate or misleading are missed. Nevertheless, the Board of Directors of MONBAT AD informs that it has relied on the accuracy of this information without conducting an independent review.

**DEAR SHAREHOLDERS,**

We, the members of the Board of Directors of MONBAT AD, led by the desire to manage the company in the interest of its shareholders and pursuant to the provisions of art. 39 of the Accountancy Act, article 100m, paragraph 7 of the LPOS and Annex № 10 to art. 32, paragraph 1, item 2 of Ordinance No. 2 of FCS, prepared this Activity Report ("the Report").

The Report presents comments and analysis of the financial statements and other essential information regarding the financial situation and the operational results of the company. The Report reflects correctly the state and the development prospects of the company.

In 2019 have occurred some circumstances that the Company's management believes could be a relevant information for investors in taking a decision to acquire, sell or continue holding publicly traded securities.

They have been disclosed within the terms and procedures as provided by the LPOS to the investors, the regulated securities market and the Financial Supervision Commission. The same are also available on the company's website [www.monbatgroup.com](http://www.monbatgroup.com)

As of 31.12.2019 MONBAT AD generated individual net sales revenues in the amount of BGN 312 265 000 which represents 6,28 % increase compared to the generated as of 31.12.2018 net sales revenues in the amount of BGN 293 803 000

As of 31.12.2019 MONBAT AD generated profit before taxes in the amount of BGN 7 586 000 which represents 24,70 % a profit decrease compared to the profit before taxes generated in 2018 at the amount of BGN 10 075 000.

The individual net profit of MONBAT AD as of 31.12.2019 is BGN 6 981 000 and reports a 28,27 % profit decrease compared to the individual net profit of the entity for 2018 which was BGN 9 732 000.

**I. GENERAL INFORMATION ABOUT THE COMPANY**

The company was incorporated in the Republic of Bulgaria in accordance with the Bulgarian legislation. The legal and organizational form of MONBAT AD is a joint stock public company. The company has its registered seat and business address at blv. Cherni vrah № 32A, 1407 Sofia.

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**Website: [www.monbatgroup.com](http://www.monbatgroup.com)**

As of the date of this Activity Report the share registered capital of the company is in the amount of BGN 39 000 000, distributed in 39 000 000 dematerialized registered shares with a nominal value of BGN 1.00 each.

In 2017, 2018 and 2019 there were no changes in the amount of the capital of MONBAT AD.

As of 31.12.2019 there is one legal entity that exercises control over the public company MONBAT AD. The following entity is PRISTA OIL HOLDING EAD, Sofia. PRISTA OIL HOLDING EAD is related to another shareholder with considerable holdings, which is MONBAT TRADING OOD.

**As of 31.12.2019 the capital structure of MONBAT AD is the following:**

**Table № 1**

Name of the shareholder	Number of shares	Percentage of the capital
PRISTA OIL HOLDING EAD, Sofia	16 666 371	42.73 %
MONBAT TRADING Ltd., Sofia	2 752 800	7.06 %
PRISTA HOLDCO COOPERATIEF U.A.	8 103 758	20.78 %
UPF Doverie	2 553 813	6.55 %
MUPF Allianz	2 069 948	5.31 %
Other individuals and legal entities	6 853 310	17.57 %

As of 31.12.2019 the Board of Directors of Monbat AD is the following:

- Atanas Bobokov – Executive member of the Board of Directors
- Plamen Bobokov – Member of the Board of Directors
- Stoyan Stalev – Member of the Board of Directors
- Alexander Chaushev – Member of the Board of Directors
- Nikolay Trenchev – Member of the Board of Directors
- Evelina Slavcheva – Member of the Board of Directors
- Florian Huth – Member of the Board of Directors
- Peter Bozadzhiev – Member of the Board of Directors
- Yordan Karabinov – Member of the Board of Directors

## **II. OVERVIEW OF THE ACTIVITIES AND THE STATE OF THE COMPANY**

### **1. Principal Activity**

The principal activity of MONBAT AD is production of lead-acid starter and stationary batteries and their servicing. The products of the company can be divided in the following main groups:

## Starter Batteries



Comprehensive lineup of starter batteries, featuring the classic construction "Dynamic", "Maintenance Free", "Premium", "Heavy Duty" and "JIS" series and the AGM range under the label GEM. The batteries application cover the entire range of passenger and commercial vehicles, heavy trucks and agricultural machines, operating in normal and extreme environmental conditions.

## Stationary Batteries



Valve-regulated lead-acid (VRLA-AGM) batteries, constructed in accordance with the following standards and reference norms: IEC 60 896-21/22, EN 60896-2, BS 6290-4, IEC 707 FVO, UL 94 VO, BS 6334 FVO, BDS 10457 / 88 and EUROBAT specification: Long life. Product range of 2-, 4-, 6- and 12-volt batteries with capacities from 50 to 600 Ah.

## Deep cycle batteries



Megalight Power range features advanced AGM technology with absorbed electrolyte. Designed as reliable storage solutions for renewable energy applications.

Monolith Power Light Traction range is specially designed for application requiring a permanent and long-lasting supply electrical energy.

Monolith Power Deep Cycle range is specially design for powering electrical equipment for longer periods of time with increased ability of deep discharge cycles.

## Special Batteries



Batteries for military application, suitable for both Russian and NATO designed tanks and armoured vehicles.

## Locomotives Batteries



Railroad source of starter power - batteries designed to facilitate diesel engines initial cranking and to provide the electronic and control circuits power supply in the electrolocomotives.

## Leisure batteries



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

## 2. Major raw materials

The major raw materials essential to the Company's activities are lead with purity of 99.99% and 99.985%, lead alloys - antimony and calcium, polypropylene trade-mark 7523, polyethylene separator and sulfuric acid. The availability of these materials that MONBAT AD supports ensures the production process for a period of between 15 and 30 days. Prices of lead and lead alloys and polypropylene are variable and directly dependent on the exchange prices of lead on the London Metal Exchange and the stock exchange price of oil.

During the last few years management of MONBAT AD has made considerable capital expenditure to ensure resource availability of lead and propylene from own production. The following is executed by building its own recycling facilities, namely: opened two recycling lead facilities in Serbia and Romania.

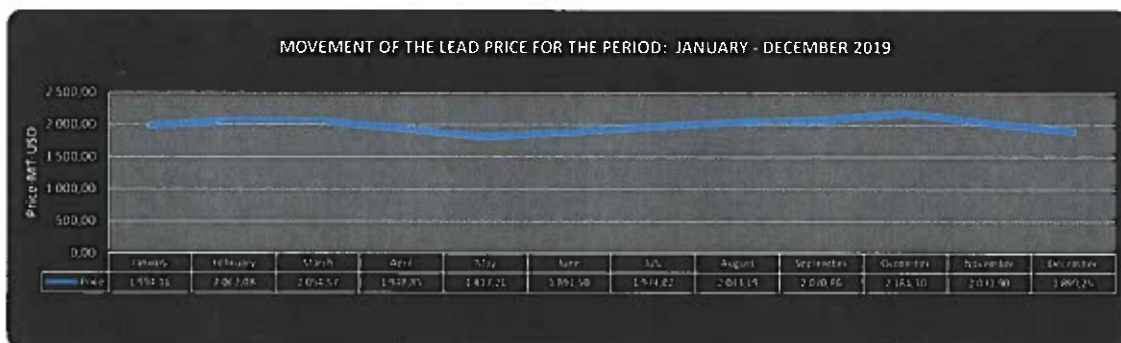
The share of own recycled lead that MONBAT AD buys from its subsidiaries, used in the production for 2017 represented 80 % of total lead consumed, and the share of the recycled polypropylene from own production was nearly 100 %.

The share of own recycled lead, that MONBAT AD buys from its subsidiaries, used in the production for 2018 represented 66 % of total lead consumed, and the share of the recycled polypropylene from own production was 58 %.

The share of own recycled lead, that MONBAT AD buys mainly from its subsidiaries, used in the production for 2019 represented 70.45 % of total lead consumed, and the share of the recycled polypropylene from own production was 73.52 %.

By creating its own recycling facilities, the management of the company strives to reduce the risk of change in the price of the major raw materials.

**The movement of the lead price in 2019 is shown in the following diagram:**



**\* Average lead price for the period 01.01.2019 – 31.12.2019 is – 1997.66 USD/MT**

As of 31.12.2019 lead takes approximately 72 % from the cost structure per unit of battery.

The production is dependent on the price of electricity and natural gas, which are currently state-regulated. However, these prices do not significantly affect the cost price of a single unit, as the production of lead-acid batteries is not energy consuming - up to 2.2 % of the cost price of the output is determined by electricity consumption and 0.8 % of the natural gas consumption.

## MARKETS AND SALES

As a result of its marketing and distribution strategy MONBAT AD has a good market diversification, with sales in more than 75 countries in 2019. Major markets for 2019 include countries like Germany, France, Romania, Saudi Arabia and Spain. With its well-developed distributor network Monbat generate sales from all the major markets in the EU. Starter

batteries ultimately are sold through automotive retailers and repair shops. Stationary batteries are sold directly to telecom companies and other entities.

The company has granted deferred payment terms for the domestic market up to 30 days and for the foreign market – up to 120 days. In case of deferred payments, sales are being insured by BAEZ AD (the Bulgarian Export Insurance Agency).

A direct competitor on the Bulgarian market is Elchim-Iskra AD. As of 31.12.2019 MONBAT AD owns 97,80 % of the equity capital from the third largest producer in the lead-acid batteries business in Bulgaria – START AD, Dobrich.

As of 31.12.2019 MONBAT AD has reported revenues from contracts with customers on stand-alone basis amounting to BGN 312 265 000 which represents an increase by 6.28 % compared to sales revenues generated in 2018 of BGN 293 803 000.

The generated sales revenues on the domestic market on an stand-alone basis in 2019 were for the amount of BGN 45 194 000 (generated sales revenues on the domestic market include technological waste and scrap, sold to Monbat Recycling Bulgaria as well as materials and other goods sold to other related parties) and represents 14,47 % of the total sales, and the generated revenues from abroad including intra-community supplies were in the amount of BGN 267 071 000 and represents 85.53 % of the net sales revenues of the company.

MONBAT AD is geographically diversified with a market presence throughout the globe.

**Table № 2**

Country	31.12.2019		31.12.2018	
	Export (EUR)	%	Export (EUR)	%
Other	25 119 477	18,40%	23 251 972	18,92%
GERMANY	14 244 612	10,43%	12 070 019	9,82%
FRANCE	14 040 646	10,28%	20 544 784	16,71%
UNITED KINGDOM	9 990 810	7,32%	10 596 388	8,62%
SAUDI ARABIA	8 373 260	6,13%	791 449	0,64%
ROMANIA	6 993 576	5,12%	6 051 063	4,92%
NETHERLANDS	6 968 204	5,10%	6 175 559	5,02%
SOUTH AFRICA	6 130 913	4,49%	4 137 460	3,37%
SPAIN	5 324 554	3,90%	3 708 958	3,02%
RUSSIA	5 198 924	3,81%	4 708 888	3,83%
ITALY	5 165 308	3,78%	8 809 691	7,17%
POLAND	4 623 234	3,39%	3 101 379	2,52%
TAIWAN	4 137 343	3,03%	247 733	0,20%
SERBIA	3 653 802	2,68%	2 896 156	2,36%
SWEDEN	3 427 112	2,51%	2 415 980	1,97%
LEBANON	3 224 510	2,36%	4 745 205	3,86%
CUBA	2 810 636	2,06%	1 550 031	1,26%
FINLAND	2 699 013	1,98%	2 450 185	1,99%
UKRAINE	2 265 583	1,66%	1 607 946	1,31%
BELGIUM	2 159 979	1,58%	3 063 230	2,49%
<b>TOTAL</b>	<b>136 551 496</b>	<b>100,00%</b>	<b>122 924 076</b>	<b>100,00%</b>

During 01.01.2019 - 31.12.2019 the major market of MONBAT AD was Germany. Over the referenced period the entity has generated revenues for EUR 14 244 000 which represents 10.43 % from export sales on individual base .

## QUALITY

### ISO 9001

MONBAT AD continuously strives to improve the way it operates, in all possible aspects: developing innovative products and technologies; increasing market share; managing risk more effectively; improving customer satisfaction. The established quality management system provides a reliable framework which is capable to monitor and improve business performance.

### AQAP 2110

MONBAT AD has obtained a certificate which stipulates that the company's quality management system is in compliance with the NATO Alliance Publication - AQAP 2110. Certification has been carried out by the Military Standardization, Quality and Codification Directorate at the Ministry of Defense. AQAP 2110 (Allied Quality Assurance Publication) is a NATO Alliance that reflects Alliance quality assurance requirements.

### ISO/TS 16949

An international industry standard developed for the automotive industry on the basis of ISO 9000 standards. It describes the requirements of the Quality Management System in enterprises that are involved in the design, manufacturing, regulation and servicing of production for the automotive industry.

## OPERATING RESULTS

As a result of its business activities carried out in 2019 MONBAT AD has generated profit before taxes in the amount of BGN 7 586 000 which represents a decrease by 24,70 % compared to the profit before taxes generated in 2018 (BGN 10 075 000).

The stand-alone net profit of MONBAT for the period of 01.01-31.12.2019 is BGN 6 981 000 which represents a decrease by 28.27 % compared to the company's individual net profit for 2018 (BGN 9 732 000).

Table № 3

FINANCIAL INDICATORS	31.12.2019	31.12.2018
EBITDA	18 413	12 108
EBIT	11 980	6 171
REVENUE FROM CONTRACTS WITH CUSTOMERS	312 265	293 803

\*Data presented is in BGN '000.

**Table № 4**

(in BGN '000)					
SHAREHOLDERS' EQUITY	2017	%	2018	%	2019
a	1		2		3
<b>A. SHAREHOLDERS' EQUITY</b>					
I. Share capital	39 000	0%	39 000	0%	39 000
II. Reserves	92 477	0%	92 477	0%	92 477
III. Financial result					
1. Retained earnings from previous periods	22 535	-11,02%	20 051	28,59%	25 783
undistributed profit	22 535	-11,02%	20 051	28,59%	25 783
loss not covered	0	0%	0	0%	0
one-time effect from changes in accounting policy	0	0%	0	0%	0
2. Current year profit	6 352	53,21%	9 732	-28,27%	6 981
3. Current year lost	0	0%	0	0%	0
III. Total	28 887	3,10%	29 783	10,01%	32 764
<b>TOTAL SHAREHOLDERS' EQUITY "A" (I+II+III)</b>	<b>160 364</b>	<b>0,56%</b>	<b>161 260</b>	<b>1,85%</b>	<b>164 241</b>

**Revenue from contracts with customers**

**Table № 5**

(in BGN '000)			
REVENUES	2018	%	2019
	1		2
<b>A. Revenue from contracts with customers</b>			
I. Revenue from:			
1. Sale of Finished Goods	286 843	7,36%	307 942
2. Sale of Materials	4 318	-39,69%	2 604
3. Rendering of Services	2 269	-32,17%	1 539
4. Other revenue	373	51,74%	180
I. Total	293 803	6,28%	312 265

**Operating expenditures by category**

**Table № 6**

(in BGN '000)			
EXPENSES	2018	%	2019
<b>Expenditures</b>			
I. Operating expenses			
1. Materials	184 981	6,21%	196 476
2. Hired services	18 232	7,67%	19 631
3. Depreciation and amortization	5 937	8,35%	6 433
4. Salaries	11 538	16,37%	13 427
5. Social security	2 168	22,19%	2 649
6. Net book value of assets sold (finished goods excluded)	59 650	-2,35%	58 247
7. Changes in the balance of finished goods and work in progress	603	62,85%	982
8. Other expenditure	6 069	-48,85%	3 105
I. Total	289 178	4,07%	300 950

EY has provided to Monbat AD services other than statutory audit, which are included in other expenditure in 2019 as follows:

- Due diligence consulting services for BGN 86 thousand;
- Tax services for BGN 22 thousand;

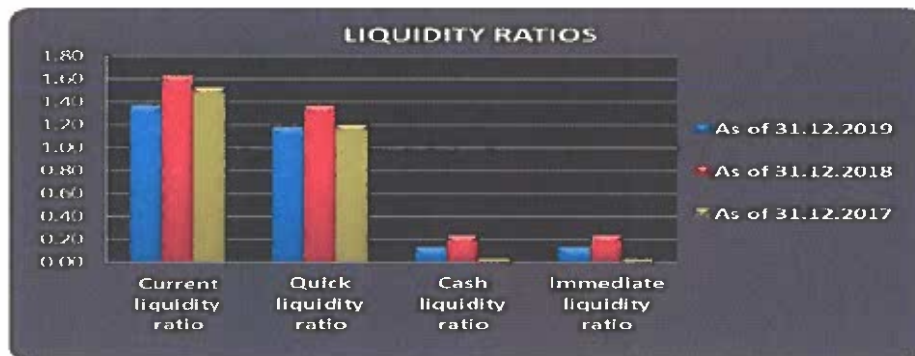
**III. ANALYSIS OF FINANCIAL AND NON-FINANCIAL KEY INDICATORS ON THE RESULTS FROM THE ACTIVITIES RELATED TO THE BUSINESS INCLUDING INFORMATION ON ISSUES RELATED TO ECOLOGY AND HUMAN RESOURCES. IN THE PREPARATION OF THE MANAGEMENT REPORT THERE MIGHT BE REFERENCE TO THE AMOUNT OF EXPENDITURE INCLUDED IN THE STAND ALONE FINANCIAL STATEMENT.**

**1. FINANCIAL RATIOS**

**LIQUIDITY**

**Table № 7**

<b>LIQUIDITY RATIOS</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Current liquidity ratio</b>	<b>1,37</b>	<b>1,63</b>	<b>1,53</b>
<b>Quick liquidity ratio</b>	<b>1,18</b>	<b>1,37</b>	<b>1,20</b>
<b>Cash liquidity ratio</b>	<b>0,13</b>	<b>0,24</b>	<b>0,03</b>
<b>Immediate liquidity ratio</b>	<b>0,13</b>	<b>0,24</b>	<b>0,03</b>



The trend of the liquidity ratio over time provides the most valuable information. Liabilities to creditors of Monbat AD are being paid off in cash rather than using inventories or equipment. I.e., these factors describe the company's ability to pay off its debts on time.

**CURRENT LIQUIDITY RATIO**

The current ratio is one of the earliest formulated ratios and is considered to be universal. The current ratio represents the ratio of current assets to current liabilities. It could be expected that current assets will be at least equal to current liabilities, whereas it is normal for them to be even slightly higher than the current liabilities. Therefore, optimal values of this ratio are over 1-1.5. However, some entities operate with ratios of less than 1.

For 2019 the current ratio is 1.37 and it decreased in comparison with the ratios for 2018. The decrease in the ratio for 2019 in comparison to 2018 is due to the decrease in the amount of the company's current assets by 5.58 % and the increase in the amount of the company's current liabilities by 12.30 %.

**IMMEDIATE LIQUIDITY RATIO**

The value of the immediate liquidity ratio of MONBAT AD for 2019 is 0.13 and registers a decrease compared to its rate from 2018. The decrease in the value of the immediate liquidity ratio for 2019 compared to 2018 is due to the decrease in cash of the company by 39.71 % and an increase in the current liabilities by 12.30 %.

**QUICK LIQUIDITY RATIO**

The quick ratio represents the ratio of current assets minus inventories to current liabilities. Its traditional rate, setting stability for the company is between 1.5-2 but much higher rates would indicate that company's assets are not being used in the best way.

The quick liquidity ratio of the company for 2019 is 1.18 and registers a decrease compared to its rate of 1.37 for 2018. In 2019 compared to 2018 the group of inventories decreased by 16.74 % and short-term assets decrease by 5.58 %, when there is an increase of short term liabilities by 12.30 %.

**CASH LIQUIDITY RATIO**

The cash ratio is calculated as the ratio of cash and short-term liabilities and indicates company's ability to meet its short-term liabilities with its available cash.

The cash ratio of the company for 2019 is 0.13. For 2019 the company's cash reports a decrease by 39.71 % compared to the previous 2018 while the rate of the short-term liabilities reports an increase by 12.30 %.

**CAPITAL RESOURCES**

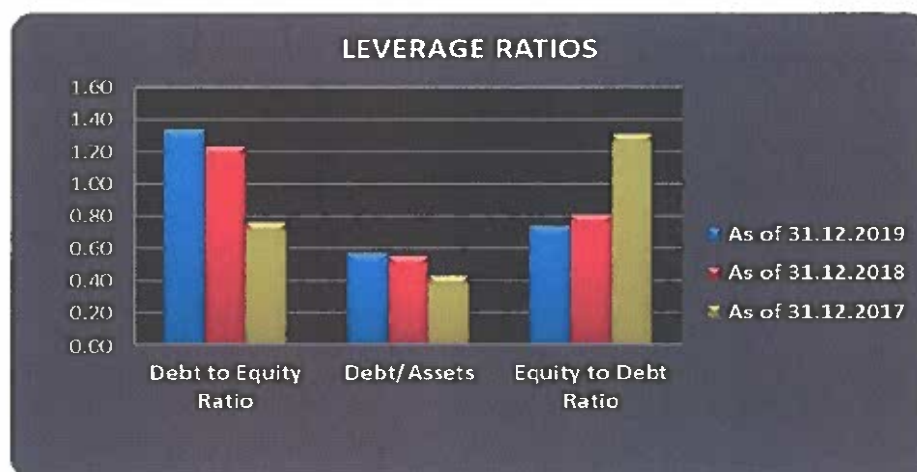
The financial autonomy and financial leverage indicators report on the ratio between own funds and borrowed funds in the capital structure of the company. High rates of the financial autonomy indicator, respectively, the low rates of the financial leverage indicator, provide guarantee both for investors /creditors/ and for the owners themselves, on the ability if the company to pay regularly its long-term liabilities.

The effect of using borrowed funds (debt) by the company with a view to increase the final total net income from the funds involved in the activity (equity and borrowings) is called financial leverage. The benefit of using financial leverage appears when the company benefits from the investment of borrowed funds more than the expenses (interest) on their attraction. When a company achieves higher yields when using borrowed funds in its capital structure than the expenses on their attraction are, leverage is justified and should be considered in a positive way (with the reservation that the rate of leverage does not significantly negatively influence other financial indicators of the company).

**THE FINANCIAL LEVERAGE RATIOS**

**Table No 8**

<b>LEVERAGE RATIOS</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Debt to Equity Ratio</b>	<b>1,34</b>	<b>1,24</b>	<b>0,76</b>
<b>Debt to Assets Ratio</b>	<b>0,57</b>	<b>0,55</b>	<b>0,43</b>
<b>Equity to Debt Ratio</b>	<b>0,74</b>	<b>0,81</b>	<b>1,31</b>



### **DEBT TO EQUITY RATIO**

The indicators for the share of capital, obtained through loans show what part of the total capital represent the borrowings. The higher the share of long-term debt compared to shareholders' equity is, the higher will be the likelihood of failure in the payment of fixed liabilities.

The value of the debt to equity ratio of MONBAT AD for 2019 is 1.34 and reports an increase compared to its rate registered in 2018 and 2017. In 2019 the shareholder's equity registered an increase by 1.85 % and company's debt result in an increase by 10.79 %.

### **EQUITY TO DEBT RATIO**

The equity to debt ratio provides information regarding what percentage of the total liabilities is the entity's equity.

As of 31.12.2019 equity to debt ratio is 0.74 compared to 0.81 as of 31.12.2018 and 1.31, reported for 2017. During the analyzed financial period the equity to debt ratio decreased compared to the previous 2018 and 2017. The decrease in the ratio in 2019 compared to 2018 is due to the increase of the company's debt by 10.79 % and the increase of equity with 1.85 %.

### **DEBT TO TOTAL ASSETS RATIO**

The rate of the ratio shows what part of the assets is being financed through debt.

As of 31.12.2019 the value of the Debt/Assets ratio is higher compared to its rate for 2018. The registered increase in the value of this ratio in 2019 compared to 2018 is due to the increase in the company's total debt by 10.79 % together with an increase in the value of the company's assets by 6.79 %.

## PROFITABILITY RATIOS

Table№ 9

PROFITABILITY RATIOS	31.12.2019	31.12.2018	31.12.2017
Profitability of capital	0,18	0,25	0,16
Return on equity (ROE)	0,04	0,06	0,04
Return assets (ROA)	0,02	0,03	0,02



### RETURN ON EQUITY (ROE)

The Return on Equity ratio is calculated as the profit after taxation from the total income statement is related as a percentage of the company's shareholders' equity. This ratio measures the return to shareholders in terms of their absolute investments. This ratio reports stable high rates for the last three financial periods due to the generated profit for these years.

For 2019 the value of the Return on Equity ratio from 0.04 reports a decrease compared to its rate of 0.06 registered in 2018. The decrease in the value of the Return on Equity ratio is due to the decrease of the company's net profit by 28.27 % with a registered increase of the shareholders' equity by 1.85 %.

### RETURN ON ASSETS (ROA)

The Return on Assets indicator shows the effectiveness of using the total assets in the company. The decrease in the value of the Return on Assets indicator in 2019 compared to 2018 is due to the decrease of the company's net profit by 28.27 % and the increase of the total assets by 6.79 %.

### PROFITABILITY OF CAPITAL

As of 31.12.2019 the profitability of capital ratio is 0.18 which represents a decrease compared to 2018. In the comparison between 2019 with 2018 the reported net profit of the company has decreased by 28.27 % and the company's registered capital is the same as prior year.

### KEY RATIOS

In the following table is presented summarized information regarding key financial ratios of Monbat AD for the last two financial years:

Table № 10

	(in BGN'000)(*;%;ratio)	
Indicators	2019	2018
Revenue from contracts with customers	312 265	293 803
Equity	164 241	161 260
Non-current liabilities	62 676	58 484
Current liabilities	158 026	140 718
Non-current assets	168 630	131 368
Current assets	216 313	229 094
Working capital	58 287	88 376
Cash and cash equivalents	20 033	33 228
Total debt	220 702	199 202
Interest expenses	4 877	4 872
Inventories	30 119	36 173
Short-term receivables	165 444	158 958
Operating expenses	300 953	289 181
Material expenses	196 476	184 981
P/E	0,18	0,25
P/BV	1,60	2,11
P/S	8,01	7,56
Financial Maneuver Coefficient	0,35	0,55
Return on sales	2,24%	3,30%
ROFA *	0,04	0,04

The P/E, P/BV&P/S indicators are calculated based on the average share price of MONBAT AD as of 31.12.2019, 31.12.2018.

\* Financial maneuver coefficient – working capital / shareholders' equity;

\*ROFA (return on non-current assets) – net profit/non-current assets;

\*P/S – (net sales revenues / registered capital) x100

\*P/BV – market capitalization/ total shareholders' equity

\*P/E – net profit / registered capital

\*Profitability of sales - net profit / Net sales revenues x100

## 2. ECOLOGY

The responsibility of MONBAT AD as the largest producer of accumulator batteries in Bulgaria and a dynamically developing public company is also towards the environment. The management of MONBAT AD considers the activities directed towards pollution prevention or reduction aimed at achieving a maximum level of human health and environmental protection as a major priority and a crucial factor in the long-term and sustainable development. It is a company's long standing practice to provide clear and accurate environmental information on its products, services and activities to customers, suppliers and the general public.

The management of MONBAT AD makes efforts to reduce the impact of the company on the environment through:

- effective use of electricity and heat power/thermal energy;
- minimizing and recycling waste;
- preventing pollution through reducing and minimizing detrimental emission in the air and water;
- using the best available techniques and best management practices when expanding the production;
- internal monitoring in terms of air, water and soil pollution;

Self-control system - the establishment and operation of an internal control system is designed to achieve continuous compliance with the environmental, health and safety regulations based on an Integrated Management System. The self-control system evaluates the efficiency and effectiveness of the management system and the operations of MONBAT AD in general.

Pursuant to the requirements of the Law for Health and Safe Labor Conditions and the respective subordinate legislation and the Disaster Protection Act, MONBAT AD has developed an emergency plan to carry out rescue and emergency recovery activities in case of disasters, emergencies and accidents which have occurred in the production process. The purpose of the protection plan is to preventively ensure the necessary materials, equipment and resources in order to effectively prevent the consequences of disasters and accidents; preparation of the personnel on the site for action; way of announcing and preparing the personnel; managing the personnel's activities; procedures for putting the plan into action and informing the competent authorities; ways, means and procedures for notifying, when possible, the endangered population near the site; the procedure for carrying out the relevant rescue and emergency recovery activities on the territory of the site; procedures for restoring the activities on the site; ensuring the necessary measures for recreation of the environment.

The development strategy of Monbat AD includes participation in long-term socially useful projects within the environment protection area. The Company has a system for separate waste collection and disposal by means of building a network of containers for collecting old accumulator batteries with the distributors of Monbat AD. Old batteries are among the widespread harmful waste and the company significantly contributes to environmental protection by collecting, neutralizing and recycling such batteries. Lead and polypropylene derived from recycling are put again in the production of new accumulator batteries and thus waste has been efficiently utilized. The company has established the only individual system for collecting old batteries in Bulgaria and operates under its own Program for management of used lead-acid accumulator batteries.

The Company has successfully passed through the certification process under ISO 14001 - an internationally recognized standard defining how a company can create and implement an effective management system in relation to the environment. The standard focuses on the delicate balance between maintaining efficiency and reducing environmental impact by engaging all levels of the organization to achieve both objectives.

### **3. HUMAN RESOURCES**

The average number of the Entity's employees as of 31.12.2019 is 478. As Monbat AD is a manufacturing entity, it keeps focus on employees involved in the production cycle with relevant adequate administrative support.

#### **Compensations and Benefits**

The structure of our remuneration packages differs among the organizational hierarchy and depends both on the specific position and on the individual's personal contribution to the value creation in the group. For all employee grades there are predefined ranges of remuneration. The remuneration of each employee is structured within these limits based on his personal experience, skills, knowledge and performance.

Making employees part of the company's economic success, Monbat offers wages that are usually above average.

#### **Professional Development**

Monbat exploits the potential for professional growth and the career development for all employees through training courses and the opportunity to study while working.

An additional supplement to the development of employees is the mentoring program for practical knowledge sharing and personal development planning. The following is based on assessment results and its concept is targeting to close the gap between actual performance and personnel expectations.

Sometimes even the smallest project can bring you together with colleagues and inspire you to take a step forward.

Monbat actively supports all professional and personal development, as well as enhancement opportunities for its employees.

#### **Global Work**

Exciting opportunities can loom up at your current place of residence or guide you to a new home via Monbat's relocation program.



For all relevant positions the group supports its candidates with relocation packages based for the respective position.

#### **Work-life Balance**

Individual needs and flexible working conditions complement the personal approach throughout the job-matching process. As a result, for some positions within the entity there is an option for working on shifts.

Placing quality and responsibility at the heart of its operations, Monbat always chooses to support to the utmost its employees in their efforts to deliver high performance, regardless of their field of work.

#### **Health Management**

Regardless of position, location or age, being healthy and active is considered a core value within the group. As a result, Monbat takes illness prevention and health promotion seriously.

The Company has successfully passed through the certification process under OHSAS 18001 - an internationally recognized standard in terms of management systems of production safety. The standard was developed by selected leading commercial and certification organizations, based on the international standards, and directed towards a segment where a single international policy has lacked until now.

### **NON-FINANCIAL DISCLOSURE**

In compliance with the requirements of Directive 2014/95/EU of the European Parliament for reporting non-financial information and the provisions of the Accounting Act, an obligation occurs for some of the companies to publish non-financial information independently or as part of the annual reports of the company operation.

This obligation is essential for large entities of public interest, which as of December 31 of the reporting period have surpassed the criteria for average number of employees during the financial year of 500 or more employees. Entities of public interest are: public companies and other issuers of securities; lending institutions; financial institutions; insurers and re-insurers, pension security companies and funds managed by pension security companies; investment mediators; commercial companies, which produce, transfer and sell electric and heating power; commercial companies importing, transferring, distributing and transiting natural gas; commercial companies, which provide water supply, sewerage and telecommunication services; "Bulgarian State Railways" EAD and its subsidiary companies.

Entities which have net sales revenue of 76 million BGN, or balance value of the assets of 38 million BGN have been defined as large entities.

Owing to the principles of the Accounting Act a conclusion has been made that there is no obligation for Monbat AD to report non-financial information on stand-alone base or as part of the Management Report.

**IV. PRINCIPAL RISKS WHICH THE ISSUER FACES**

**SYSTEMATIC RISKS**

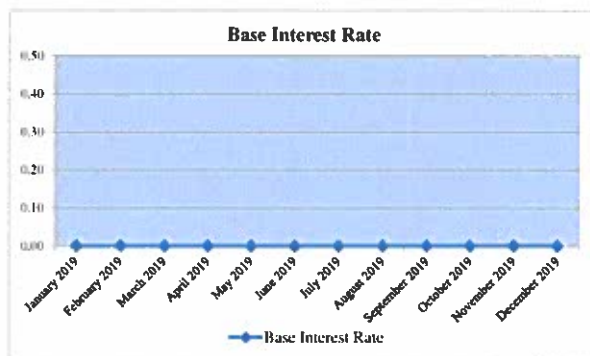
Systematic risks are related to the market and the macro-environment where the entity execute its operations, and therefore could not be managed or controlled by the company management team. The following are examples of systematic risks: political risk, macroeconomic risk, inflation risk, currency risk, interest rate risk, tax risk.

Table 11

Risk type	Description
POLITICAL RISK	<p>Political risk is the probability of changing the government or a sharp change in the direction of its policy, the risk of occurrence of domestic political shocks and adverse changes to the European and/or national legislation, which results in a way that the environment for operation of the domestic business entities would suffer an adverse change and investors would accrue losses.</p> <p>International political risks for Bulgaria, on one hand, are related to the commitments undertaken for major structural reforms in the country, in its capacity as a full member of EU, improving social stability, limiting inefficiency costs, and on the other hand, major destabilization of the Middle East states, intensifying threats of terrorist attacks in Europe, waves of refugees and instability of key countries in direct proximity to Bulgaria.</p> <p>Bulgaria, as all other EU member states in this region, continues to be severely affected by the general European problems with the intensive wave of refugees coming in from the Middle East.</p> <p>Other factors also affecting this risk are possible legislative changes, in particular changes referring to the business and investment climate in the country.</p>
OVERALL MACROECONOMIC RISK	<p>According to data of the National Institute of Statistics, in December 2019 the overall business climate indicator increased by 0.9 points compared to the previous month as a result of improvement in the indicators in industry, construction sector and services sector.</p> <p style="text-align: center;"><b>Business climate – total</b></p> <p style="text-align: right;">Source: NIS</p> <p>The composed index 'Business climate in industry' increased by 0.7 points in December 2019, owing to managers' favorable assessments of the current business situation of enterprises. The survey also noted a certain increase in the production security with orders, which, however, was not accompanied by high expectations for production activity over the next three months. The main factors hampering the activity of enterprises remain linked to labor shortages and uncertain economic environment. In terms of sales prices in the industry, managers'</p>

	<p>expectations are to maintain their level over the next three months.</p> <p>According to data from the National Institute of Statistics, in December 2019 the composed index 'Business climate in the construction sector' increased by 2.6 points as a result of improved estimates of construction entrepreneurs for the current business situation of enterprises. In their view, new orders received over the past month have been maintained, but activity forecasts have deteriorated over the next three months. Labor shortages, uncertain economic environment and industry competition continue to be major problems limiting business in the sector. Regarding sales prices in construction, most managers expect them to remain unchanged over the next three months.</p> <p>According to data of the National Institute of Statistics the composed index 'Business climate in the retail sector' retains approximately its level from the previous one. Retailers' forecasts of both sales volume and orders to suppliers from the external market over the next three months are favorable. The most serious obstacles to the activity of enterprises remain competition in the industry, insufficient demand and uncertain economic environment. In terms of sales prices, the prevailing expectations of traders are to maintain their level over the next three months.</p> <p>According to data of the National Institute of Statistics, in September, the composed index 'Business climate in the services sector' increased by 0.9 points as a result of more favorable assessments and expectations of managers for the business state of enterprises. They are also more optimistic about their demand for services over the next three months. Competition in the industry, uncertain economic environment and labor shortages remain the main obstacles to business development. In terms of sales prices in the sector, managers expect them to remain unchanged over the next three months.</p> <p>The economic evaluation of the Executive board of the European Central Bank by December 12, 2019 states that in the third quarter of 2019 a 0.2% real GDP growth of the eurozone was observed on a quarterly basis - unchanged from the previous quarter. Still weak international trade in an environment of ongoing global uncertainty continues to have a detrimental effect on the eurozone manufacturing sector and stifle investment growth. At the same time, incoming economic data and observational information, although generally weak, show some stabilization of the slowdown in eurozone economic growth. Both services sector and construction sector remain sustainable despite some slowdowns in the second half of 2019. In the future, the economic recovery in the eurozone will continue to be supported by favorable financing conditions, by further employment increases along with rising wages, by a slight eurozone's expansionary fiscal stance and also by the continuing - albeit slower - growth in global economic activity.</p> <p>According to the macroeconomic forecasts of the experts from the European Central Bank, as of December 2019 the annual GDP growth is projected to be 1.2% in 2019, 1.1% in 2020 and 1.4% in 2021 and 2022. Compared to the macroeconomic forecasts of the Eurosystem experts from September 2019, the real GDP growth forecast is revised slightly downwards for 2020. Risks regarding Eurozone growth, linked to geopolitical factors, increased protectionism, and the vulnerability of emerging market economies, continue with a tend to be overestimated, but meanwhile less defined.</p>
INTEREST RISK	<p>Interest risk is related to possible contingent negative changes in interest rate levels, implemented by the financial institutions of the Republic of Bulgaria.</p> <p>At the meeting of the Executive board of the European Central Bank held on September 12, 2019, based on a thorough evaluation of the prospects for the development of the Eurozone economy and inflation, and taking into account recent macroeconomic forecasts of Eurosystem experts, a decision was made to keep the ECB's key interest rates unchanged and to confirm its benchmarks for interest rates on monetary policy operations, net asset purchases and reinvestments. Data reported since the last Board meeting at the end of October still indicate moderate inflationary pressures and weak eurozone growth dynamics, although there are some initial signs of slowing growth and a slight increase in core inflation in line with previous expectations. Continuing employment growth and rising wages are still contributing to the sustainability of the eurozone economy.</p> <p>Under these circumstances and given the prospect of weak inflation, the Governing Council reaffirmed the need for monetary policy to remain highly non-restrictive for a sustained period</p>

of time in order to stimulate underlying inflationary pressures and general inflation in the medium term. In addition, the Governing Board's guidance ensures that financial conditions will change in line with changes in the prospect for inflation. In any case, the Governing Board remains prepared, where appropriate, to make adjustments to all its instruments to ensure that inflation is sustainably aligned with its objective and in accordance with its commitment to symmetrical action.



\*Source: BNB

### INFLATION RISK

Inflation risk is an overall increase in prices, where money is devaluated and there is a probability of households and companies to accrue losses.

According to data of NIS, the consumer price index for January 2019 compared to December 2018 is 100.5%, i.e. the monthly inflation is 0.5%. The annual inflation for January 2019 compared to January 2018 is 3.0%. The average annual inflation for the period February 2018 - January 2019 compared to the period February 2017 - January 2018 is 2.9%.

According to data of NIS, the harmonized consumer price index for January 2019 compared to December 2018 is 100.0%, i.e. the monthly inflation is 0.0%. The annual inflation for January 2019 compared to January 2018 is 2.2%. The average annual inflation for the period February 2018 - January 2019 compared to the period February 2017 - January 2018 is 2.7%.

The consumer price index for February 2019 compared to January 2019 is 100.5%, i.e. the monthly inflation is 0.5%. Inflation since the start of the year (February 2019 compared to December 2018) is 1.1%, and the annual inflation for February 2019 compared to February 2018 is 3.2%. The average annual inflation for the period March 2018 - February 2019 compared to the period March 2017 - February 2018 is 3.0%.

The harmonized index of consumer prices for February 2019 compared to January 2019 is 100.3%, i.e. the monthly inflation is 0.3%. Inflation since the start of the year (February 2019 compared to December 2018) is 0.5%, and the annual inflation for February 2019 compared to February 2018 is 2.4%. The average annual inflation for the period March 2018 - February 2019 compared to the period March 2017 - February 2018 is 2.8%.

The consumer price index for March 2019 compared to February 2019 is 100.1%, i.e. the monthly inflation is 0.1%. Inflation since the start of the year (March 2019 compared to December 2018) is 1.2%, and the annual inflation for March 2019 compared to March 2018 is 3.6%. The average annual inflation for the period April 2018 - March 2019 compared to the period April 2017 - March 2018 is 3.1%.

The harmonized index of consumer prices for March 2019 compared to February 2019 is 100.2%, i.e. the monthly inflation is 0.2%. Inflation since the start of the year (March 2019 compared to December 2018) is 0.7%, and the annual inflation for March 2019, compared to March 2018, is 2.8%. The average annual inflation for the period April 2018 - March 2019, compared to the period April 2017 - March 2018, is 2.9%.

The consumer price index in April 2019 compared to March 2019 is 100.5%, i.e. the monthly inflation is 0.5%. Inflation since the beginning of the year (April 2019 r. compared to December 2018) is 1.7%, and the annual inflation for April 2019 compared to April 2018 is 3.7%. The average annual inflation for the period May 2018 - April 2019 compared to the period May 2017

	<p>- April 2018 is 3.3%.</p> <p>The harmonized index of consumer prices for April 2019 compared to March 2019 is 100.6%, i.e. the monthly inflation is 0.6%. Inflation since the beginning of the year (April 2019 compared to December 2018) is 1.3%, and the annual inflation for April 2019 compared to April 2018 is 3.1 %. The average annual inflation for the period May 2018 - April 2019 compared to the period May 2017 - April 2018 is 3.0%.</p> <p>The consumer price index in May 2019 compared to April 2019 is 100.1%, i.e. the monthly inflation is 0.1%. Inflation since the beginning of the year (May 2019 compared to December 2018) is 1.8%, and the annual inflation for May 2019 compared to May 2018 is 3.5%. The average annual inflation for the period June 2018 - May 2019 compared to the period June 2017 - May 2018 is 3.3%.</p> <p>The harmonized index of consumer prices for May 2019 compared to April 2019 is 100.2%, i.e. the monthly inflation is 0.2%. Inflation since the beginning of the year (May 2019 compared to December 2018) is 1.5%, and the annual inflation for May 2019 compared to May 2018 is 2.9 %. The average annual inflation for the period June 2018 - May 2019 compared to the period June 2017 - May 2018 is 3.0%.</p> <p>The consumer price index in June 2019 compared to May 2019 is 99.4%, i.e. the monthly inflation is negative 0.6%. Inflation since the beginning of the year (June 2019 compared to December 2018) is 1.2%, and the annual inflation for June 2019 compared to June 2018 is 2.8%. The average annual inflation for the period July 2018 - June 2019 compared to the period July 2017 - June 2018 is 3.3%.</p> <p>The harmonized index of consumer prices for June 2019 compared to May 2019 is 100.0%, i.e. the monthly inflation is 0.0%. Inflation since the beginning of the year (June 2019 compared to December 2018) is 1.5%, and the annual inflation for June 2019 compared to June 2018 is 2.3%. The average annual inflation for the period July 2018 - June 2019 compared to the period July 2017 - June 2018 is 3.0%.</p> <p>The consumer price index for July 2019 compared to June 2019 is 100.8%, i.e. monthly inflation was 0.8%. The inflation since the beginning of the year (July 2019 compared to December 2018) is 2.0%, while the annual inflation for July 2019 compared to July 2018 is 2.9%. The average annual inflation for the period August 2018 - July 2019 compared to the period August 2017 - July 2018 is 3.3%.</p> <p>The harmonized index of consumer prices for July 2019 compared to June 2019 is 101.3%, i.e. the monthly inflation is 1.3%. The inflation rate since the beginning of the year (July 2019 compared to December 2018) is 2.8% and the annual inflation for July 2019 compared to July 2018 is 2.6%. The average annual inflation for the period August 2018 - July 2019 compared to the period August 2017 - July 2018 is 2.9%.</p> <p>The harmonized index of consumer prices for July 2019 compared to June 2019 is 101.3%, i.e. the monthly inflation is 1.3%. The inflation rate since the beginning of the year (July 2019 compared to December 2018) is 2.8% and the annual inflation for July 2019 compared to July 2018 is 2.6%. The average annual inflation for the period August 2018 - July 2019 compared to the period August 2017 - July 2018 is 2.9%.</p> <p>The consumer price index for August 2019 compared to July 2019 is 100.1%, i.e. monthly inflation is 0.1%. The inflation since the beginning of the year (August 2019 compared to December 2018) is 2.1%, while the annual inflation for August 2019 compared to August 2018 is 2.9%. The annual average inflation for the period September 2018 - August 2019 compared to the period September 2017 - August 2018 is 3.2%.</p> <p>The harmonized index of consumer prices for August 2019 compared to July 2019 is 100.2%, i.e. monthly inflation was 0.2%. The inflation since the beginning of the year (August 2019 compared to December 2018) is 3.0%, while the annual inflation for August 2019 compared to August 2018 is 2.5%. The average annual inflation for the period September 2018 - August 2019 compared to the period September 2017 - August 2018 is 2.8%.</p> <p>The consumer price index for September 2019 compared to August 2019 is 99.7%, i.e. monthly inflation was minus 0.3%. Inflation since the beginning of the year (September 2019 compared to December 2018) is 1.7%, while the annual inflation for September 2019 compared to September 2018 is 2.3%. The average annual inflation for the period October 2018 - September</p>
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2019 compared to the period October 2017 - September 2018 is 3.1%.

The harmonized index of consumer prices for September 2019 compared to August 2019 is 98.8%, i.e. monthly inflation was minus 1.2%. Inflation since the beginning of the year (September 2019 compared to December 2018) is 1.8% and the annual inflation for September 2019 compared to September 2018 is 1.6%. The average annual inflation for the period October 2018 - September 2019 compared to the period October 2017 - September 2018 is 2.6%.

The consumer price index for October 2019 compared to September 2019 is 100.8%, i.e. monthly inflation was 0.8%. The inflation since the beginning of the year (October 2019 compared to December 2018) is 2.5%, while the annual inflation for October 2019 compared to October 2018 is 2.4%. The average annual inflation for the period November 2018 - October 2019 compared to the period November 2017 - October 2018 is 3.0%.

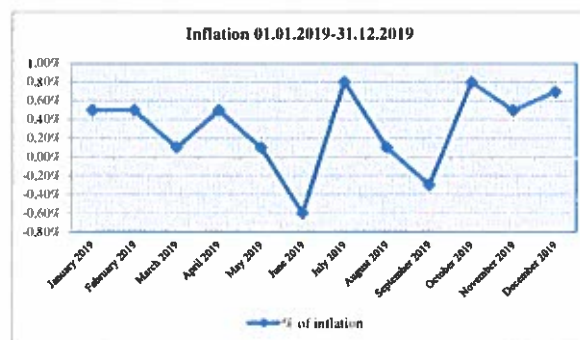
The harmonized index of consumer prices for October 2019 compared to September 2019 is 100.2%, i.e. monthly inflation was 0.2%. The inflation since the beginning of the year (October 2019 compared to December 2018) is 2.0% and the annual inflation for October 2019 compared to October 2018 is 1.6%. The average annual inflation for the period November 2018 - October 2019 compared to the period November 2017 - October 2018 is 2.5%.

The consumer price index for November 2019 compared to October 2019 is 100.5%, i.e. monthly inflation is 0.5%. The inflation since the beginning of the year (November 2019 compared to December 2018) is 3.1% and the annual inflation for November 2019 compared to November 2018 is 3.0%. The average annual inflation for the period December 2018 - November 2019 compared to the period December 2017 - November 2018 is 3.0%.

The harmonized index of consumer prices for November 2019 compared to October 2019 is 100.3%, i.e. monthly inflation was 0.3%. The inflation since the beginning of the year (November 2019 compared to December 2018) is 2.3% and the annual inflation for November 2019 compared to November 2018 is 2.2%. The average annual inflation for the period December 2018 - November 2019 compared to the period December 2017 - November 2018 is 2.4%.

The consumer price index for December 2019 compared to November 2019 is 100.7%, i.e. monthly inflation is 0.7%. Annual inflation for December 2019 compared to December 2018 is 3.8%. The average annual inflation for the period January - December 2019 compared to the period January - December 2018 is 3.1%.

The harmonized index of consumer prices for December 2019 compared to November 2019 is 100.8%, i.e. monthly inflation was 0.8%. Annual inflation for December 2019 compared to December 2018 is 3.1%. The average annual inflation for the period January - December 2019 compared to the period January - December 2018 is 2.5%.



\*Source: NIS

**CURRENCY RISK**

The currency risk exposure is the dependence on and the effects of the currency exchange rates changes. The systematic currency risk is the probability of possible change in the currency regime of the Country (Currency Board), which would result either in devaluation of the Bulgarian lev (BGN) or in appreciation of the BGN against foreign currencies.

Currency risk will have impact on companies with market shares, which are completed in a currency other than BGN and EUR. Due to the laws in force in the country, the Bulgarian lev is

	<p>fixed to the Euro at an exchange rate of EUR 1 = BGN 1.95583, and the Bulgarian National Bank has to maintain a level of Bulgarian leva in turnover equal to the currency reserves of the bank, the risk of devaluation of the BGN compared to the European currency is minimum, and for the most part consists in a possible elimination of the currency board in the country. At this stage, this appears to be very unlikely because the Currency Board is expected to be removed at the time of accepting the Euro as official legal tender in Bulgaria.</p> <p>Theoretically, the currency risk could be increased when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime in which the country has to maintain the currency exchange rate against the Euro within the limits of +/-15% from central parity. In practice, all countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia and Malta) have experienced fluctuations at a rate significantly lower than the eligible <math>\pm 15\%</math>.</p> <p>By April 2020, Bulgaria is expected to enter the ERM II exchange rate mechanism, known as the "Eurozone waiting room". At the same time, our country must cooperate closely with the unified banking supervision. In order to join ERM II, Bulgaria must fulfill all the criteria of the Maastricht Treaty, which set debt and deficit limits for each country in the EU. There is also a criteria related to inflation.</p> <p>The fixed exchange rate of BGN to EUR does not eliminate the risk for the Bulgarian currency of adverse changes in the exchange rate of EUR to the exchange rate of the other main currencies (the US dollar, the British pound, the Swiss franc) on the international financial markets, but at present the company does not consider such a risk as being significant as regards to its operations. The company could be affected by the currency risk depending on the type of transaction of financial proceeds and the type of currency of any contingent loans of the company.</p>
TAX RISK	<p>Preservation of the current taxation regime is of defining importance for the financial result of the companies. There is no guarantee that the tax laws, which are of direct consequence for the operation of the company, would not be changed in a direction which would result in a significant overhead expenses and respectively would have an adverse effect on the profit of the company. The taxation system in Bulgaria is still undergoing the process of development and consequently the existence of contradictory tax practices is a possibility.</p>

## UNSYSTEMATIC RISKS

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

The main 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. The main materials used in the entity's production process are lead and lead alloys, polypropylene, polyethylene separator and sulfuric acid. Over the last three years the cost of lead from total cost structure per unit of battery is as follow: 2017 – 80 %, for 2018 – 74 % and for 2019 – 72%.

The risk of price change in prime material – lead is being managed by means of construction of company's own recycling facilities and by monthly indexation of the sales prices of the batteries. In 2019 the used lead produced by own recycling facilities is 72 %.

#### **DEPENDENCE OF MONBAT AD FROM DISTRIBUTORS, SUPPLIERS, CUSTOMERS**

There is no dependence of MONBAT AD from customers because the 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 mitigated.

MONBAT AD is an export-oriented company. The company exports in 2019 most of its products as the most important markets as Germany, France, Romania, Saudi Arabia and Spain.

#### **DEPENDENCE OF MONBAT AD FROM KEY PERSONNEL**

The professional activities and efforts, qualifications, motivation and reputation of the members of board of directors and the senior officials of MONBAT AD and entities within the group are essential for achieving the strategic and investment objectives of the Company. The leave or release of any member of boards of directors or key executive official would negatively affect the smooth conduct of the company's business activities in the short term.

Nevertheless, the established management system and consistently applied corporate policy for provision of incentives to motivate employees within the group, guarantee to a certain extent the long-term participation of board of director members and key management personnel in the activities of the entity.

#### **RISK OF CHANGE IN THE DEMAND AND INTRODUCTION OF NEW TECHNOLOGIES**

This risk is related to demographic, economic, technological changes or introduction of new products which may affect the demand for company's products over time. With introduction of new technologies in the automotive industry (hybrid and electric cars), consistent with environmental protection and reduction of the separate carbon dioxide emissions to a minimum, the need for alternative energy sources such as new generation lead-acid batteries grows. At the same time, the need for multifunctional products - accumulator batteries - as a spare source for the photovoltaic power supply and lighting systems also grows. These new generation products could negatively affect the demand for an existing and approved product as a result of the fact that they are or at least they are perceived by consumers as more effective, more refined, combining new features, as well as due to the fact that they are more advertised.

Monbat AD has not yet been exposed to such a risk, but in the future could be relatively exposed to such a risk since the principal products of the company are lead-acid batteries for various applications: starter batteries, stationary batteries for telecommunication application, semi-traction batteries, special batteries for military application and locomotive batteries.

#### **LIQUIDITY RISK**

Liquidity risk consists of the likelihood that MONBAT AD is unable to pay its current liabilities. The absolute liquidity ratio is calculated as the ratio of cash and short-term

liabilities and indicates company's ability to meet its short-term liabilities with its available cash.

The absolute liquidity ratio of the company for 2019 is 0.13. For 2019 the company's cash reports a decrease by 39.71 % compared to the previous 2018 while the rate of the short-term liabilities reports an increase by 12.30 %.

#### **ECOLOGICAL RISK**

The responsibility of MONBAT AD as the largest producer of accumulator batteries in Bulgaria and a dynamically developing public company is also oriented towards environment. Management of MONBAT AD considers the activities directed towards pollution prevention or reduction aimed at achieving a maximum level of human health and environmental protection as a major priority and a crucial factor in the long-term and sustainable development. It is a company's long-standing practice to provide clear and accurate environmental information on its products, services and activities to customers, suppliers and the general public.

#### **FORCE MAJEURE**

A few force majeure circumstances such as natural disasters, accidents, epidemics or intentional acts, could cause substantial property damages that could lead to temporary suspension and even cessation of the activities of the company. MONBAT AD has a full property insurance of the production facilities and storages of materials and production but in case of a continuous violation of the sequence of production activities, that fact could hardly compensate the lost profits.

The declared COVID-19 pandemic worldwide can also affect the company's operations. At present, the management board determines the spread of the contagion for an unaffected event which occurred after 31.12.2019. Given the dynamics of the pandemic, it is impossible to make a reliable measurable assessment of the potential effect of the pandemic. The management will continue to monitor the situation and take all possible steps to reduce the negative consequences.

#### **V. IMPORTANT EVENTS WHICH OCCURRED AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS**

All important events, which have occurred after the date of the annual financial statements, were disclosed through the information disclosure system of MONBAT AD, namely - to the regulated securities market, the Financial Supervision Commission and the public. The information is also available on the website of the company [www.monbatgroup.com](http://www.monbatgroup.com).

On 17.03.2020 the entity and Project Ruse AD have signed a contract for a guarantee, with which Project Ruse AD undertakes to be responsible for the obligation of Prista Oil Holding EAD, under the additional agreement from 01.02.2019 with respect to the deposit agreements between Monbat AD and Prista Oil holding EAD.

The Coronavirus disease (COVID-19) was confirmed by the World Health Organization in the early 2020 and spread from China around the world, disrupting the ordinary business activity. On March 13, 2020, the National Assembly of the Republic of Bulgaria declared a state of emergency in the country due to the coronavirus and intensified anti-epidemic measures and restrictions were introduced.

The main risks identified by the Company's management in relation to its operating activities, which are a direct or indirect consequence of the coronavirus, and the measures taken to address them are:

1. Decrease in sales due to problems with transportation of production

Measures:

- exploring the possibility of alternative transport solutions

2. Decrease in demand for batteries due to traffic and certain commercial activity restrictions accepted by a number of European countries

Measures:

- diversification of sales to geographical areas outside Europe
- production of a buffer stock of batteries with consideration to utilization of the production capacity of the Company and sale in case of future increase in demand
- focus on the production and sale of product segments that are not so affected by the imposed restrictive measures (batteries produced by AGM technology) or for which there is an increase in demand (stationary batteries with telecom operators)

3. Delay in payments by customers

Measures:

- strict monitoring of delayed payments and timely communication with BAEZ for possible arrears
- preparation of monthly forecasts with a longer horizon of expected cash inflows and necessary payments and cash flow management by renegotiating trading conditions

4. Inability to provide full intragroup supplies of lead and lead alloys needed for battery production due to the potential limitation of the production activity of the recycling plant in Italy - Piombifera Italiana

Measures:

- examination of the possibility of finding alternative providers
- increase in the collection of lead-containing materials in the other subsidiaries of the Company.

5. Decline in stock exchange price of lead

Measures:

- assessment of the possibility of partial indexation of sales prices in the starter segment
- non-indexation of sales prices in product groups, which call for increased demand - stationary batteries.

6. Disturbance of the supply chain of base materials required for the production of lead-acid batteries

Measures:

- creating a buffer stock of materials from suppliers in critical geographical areas such as Italy, England and Turkey.

7. Lack of manpower due to illness of employees with COVID-19

Measures:

- all the recommended measures have been taken to limit the spread of the infection, including informing employees of their implementation, providing protective equipment and disinfectants, restricting travel, restricting access by outsiders, promoting home work.

At the date of preparation of the report in the company there were no registered cases of infected by COVID-19 employees. There are no terminated deliveries of raw materials and materials needed to secure the production process at this stage.

Management considers the spread of the outbreak to be a non-adjusting event occurring after the balance sheet date.

Management has assessed on the basis of its historical experience with financial institutions, as well as on the basis of ongoing negotiations and agreements, that the maturity of all short-term loans (Note 19.1) will be renegotiated with a minimum of 12 months from their maturity date or be refinanced with an attracted resource with a maturity of at least 12 months.

Due to the fact that the situation develops extremely rapidly, it is practically impossible to make a reliably measurable assessment of the potential effect of the pandemic. Management will continue to monitor the progress of the situation and will take all possible measures to reduce the negative consequences.

Apart from the above, no other significant events have occurred since December 31 that would require additional adjustments and/or disclosures in the separate financial statements of the Company for the year ended December 31, 2019.

## **VI. CURRENT TRENDS AND PROBABLE FUTURE DEVELOPMENT OF THE COMPANY**

In the upcoming three years the entity is expected to enter a new stage and implement new approach to access target markets through a hybrid strategy for growth (production and distribution), as well as to create conditions for specialization in three categories: products derived from the recycling activities of the company, carried out by the subsidiaries of Monbat AD; adoption of new technologies for the production of batteries and increase the number of product and technology solutions in the field of energy management.

Monbat Group will use its financial strength and excellent relations with customers across more 75 countries to enrich its portfolio of products and services in order to meet emerging trends in the battery industry.

## **VII. RESEARCH AND DEVELOPMENT ACTIVITIES**

Management of MONBAT AD highly appreciates the importance of continuous development through elaborating new technologies and continuously invests significant resources and efforts in this direction.

The activities related to development and adoption of new products are being carried out jointly by the Marketing and Trade Departments, Technical Department, Production Department and Testing Laboratory.

The company's own research and development laboratory – STARBAT is equipped with modern, specialized electronic devices.

The highly qualified staff of both MONBAT and STARBAT ensures company technological and innovative growth. We conduct various chemical, physical and electrical tests required under the internationally recognized standards for lead-acid batteries.

MONBAT Research and Development department works in close cooperation with the Institute of Electrochemistry and Energy Systems (IEES) of the Bulgarian Academy of Sciences.

The amount spent on research and development activities within the period 2017 – 2019 form a part of the overall amount spent on remunerations for the experts in the separate departments Marketing and Trade Department, Technical Department, Production Department and Testing Laboratory. Investments in research and development activities form a part of the overall expenditure of the company for the respective periods. As a result, the following expenditure cannot be explicitly presented.

## **VIII. INFORMATION REQUIRED PURSUANT TO ART. 187D AND ART. 247 OF THE COMMERCIAL LAW**

**1. The number and the nominal value of the acquired and transferred through the year own stocks; the share of the capital which they represent, as well as the price at which the acquisition or transfer have been executed**

As of 31.12.2019 the company does not hold any buyback shares.

**2. The grounds for the acquisitions made through the year**

Pursuant to the provisions of the company's Articles of Association the Board of Directors of MONBAT AD has the power to initiate redemption procedures based on respective particular resolutions.

**3. The number and the nominal value of the possessed own stocks and the share of the capital which they represent**

As of 31.12.2019 the entity does not have any by backed shares.

#### 4. The total remuneration received during the year by the members of the boards

In 2019 the members of the Board of Directors and the procurator have received the following remuneration:

**Table № 12**

Full name	Position	Net/BGN
Atanas Bobokov	Chairperson and Executive member of the Board of Directors	567 640
Plamen Bobokov	Member of the Board of Directors	646 000
Alexandar Chaushev	Member of the Board of Directors	36 000
Nikolay Trenchev	Member of the Board of Directors	36 000
Florian Huth	Member of the Board of Directors	0
Peter Bozadzhiev	Member of the Board of Directors	36 000
Yordan Karabinov	Member of the Board of Directors	36 000
Evelina Slavcheva	Member of the Board of Directors	36 000
Petar Petrov	procurator	259 750

The General Assembly of Shareholders held on 28.06.2019 authorized the Board of Directors of the Company to provide additional remuneration related to performance for financial year 2018 to the members of the Board of Directors of MONBAT AD for an amount up to BGN 500 000.

In 2019 there have been paid the following additional net payroll remuneration to the member of the Board of Directors - Peter Bozadzhiev, who performs the functions of Group Executive Director, as follows: BGN 408 104 net remuneration which is not included in the table above.

#### 5. The acquired, possessed and transferred stocks and bonds of the company by the members of the Board of Directors during the year

As of 31.12.2019 equity shares of MONBAT AD are hold by members of the Board of Directors as follows:

Atanas Bobokov – Chairperson of the Board of Directors – 110 shares

Alexandar Chaushev – Member of the Supervisory Board - 8 630 shares

#### 6. The rights of the members of the Board of Directors to acquire stocks and bonds of the company

Members of the Board of Directors of the Company may freely acquire shares of the company's capital on the regulated securities market subject to the provisions of the Market abuse regulation and the Law on Public Offering of Securities.

**7. The participation of the members of the board of directors in commercial companies as unlimited liable partners, the possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperation as procurators, managers or members of boards**

**ATANAS STOILOV BOBOKOV – CHAIRPERSON OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER**

**Names of all the companies and partnerships of which Mr. Atanas Bobokov has been a partner as of 31.12.2019:**

He has not participated in companies and partnerships as an unlimited liability partner;

He holds more than 25% of shares within the following companies:

- Managing partner with equity interest of 36% in LUBRICO TRADING OOD, UIC: 130343881, 9 L. Kashut Str., 1606 Sofia;
- Managing partner with 40% equity interest in MONBAT ECO PROJECTS OOD, UIC: 204021314, 66A Tsar Asen Str., 1463 Sofia;
- Owner of 100% equity interest in TORLASHKA SRESTA EOOD. UIC: 200280522, 74A Asen Balkanski Str., Chuprene;
- Owner of 100% equity interest in MONBAT TRADE EOOD. UIC: 203736851, 32A Cherny Vrah Blvd., 1407 Sofia;
- Shareholder with 45 % equity interest in PRISTA INVEST 2016 AD, UIC: 204082281, 20 Zlaten Rog Str., 1407 Sofia;
- Shareholder with 50 % equity interest in INTERNATIONAL COMPANY FOR INVESTMENT AND DEVELOPMENT AD, UIC: 175153395, 20 Zlaten Rog Str., Sofia;
- Shareholder with 2596 out of 10 000 equity shares in PRISTA RECYCLING SA UIC CH-660-0828011-9, Geneva, Switzerland
- Shareholder with 50 % equity interest in PRISTA REAL ESTATE AD, UIC: 175021319, 9, L. Koshut Str.,1606 Sofia
- Shareholder with 40 % equity interest in MONBAT ECO PROJECTS OOD with UIC: 204021314 Sofia 1463, Triaditsa district, 66A Tsar Asen Str.

**Information of all the companies and partnerships of which Mr. Atanas Bobokov has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

- Member of the Supervisory board of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;

- Manager of MONBAT ECO PROJECTS OOD, UIC: 204021314, 66A Tsar Asen Str., 1463 Sofia;
- Manager of TORLASHKA SRESTA EOOD. UIC: 200280522, 74A Asen Balkanski Str., Chuprene;
- Manager of MONBAT TRADE EOOD. UIC: 203736851, 32A Cherny Vrah Blvd., 1407 Sofia;
- Executive Member of the BoD of PRISTA REAL ESTATES AD, UIC: 175021319, 9 Laos Kashrut Str., 1606, Sofia;
- Member of the BoD of START AD, UIC: 124712007, 32A Cherny Vrah Blvd, Sofia
- Member of the BoD of MONBAT RECYCLING EAD, UIC: 200801562, 4 Golo Burdo Str., Sofia
- Member of the BoD of VUELTA EUROPE AD, UIC: 117546396, 106 Lipnik Str., 7013 Rousse, released on 27.05.2019
- Member of the BoD of WINERY HOUSE RUSE AD, UIC: 117630264, 73 Borisova Str., 7012 Rousse.
- Member of the BoD of MONBAT NEW POWER AD, UIC: 204333335; 32A Cherny Vrah Blvd., Sofia;
- Executive member on the BoD of PRISTA INVEST 2016 AD, UIC: 204082281, 20 Zlaten Rog Str., Sofia;
- Member of the BoD of ARTMONBAT AD, UIC 205774610, 32A Cherny Vrah Blvd., Sofia;
- Member of the BoD of Discordia AD, UIC 117015342, 7 Iskarsko shosse Blvd., Sofia
- Managing Director of MONBAT TRADING OOD, UIC: 130137657, 92 Treti mart Str., Montana;
- Member of the Managing Board of BOBOKOVI BROTHERS FOUNDATION, UIC 117630243, Rousse
- Member of the Managing Board of NUMISMATIC MUSEUM ROUSSE FOUNDATION, UIC 175662435, Rousse

**PLAMEN STOILOV BOBOKOV - MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships in which Mr. Plamen Bobokov has been a partner as of 31.12.2019:**

He has not participated in companies and partnerships as an unlimited liability partner;

He holds more than 25% of shares within the following companies:

- Shareholder with 36% equity interest in LUBRICO TRADING OOD, UIC: 130343881, 9 Laos Kashrut Str., 1606 Sofia;
- Shareholder with 25 % equity interest in PRISTA INVEST 2016 AD, UIC: 204082281, 20 Zlaten Rog Str., Sofia;
- Shareholder with 50 % equity interest in INTERNATIONAL COMPANY FOR INVESTMENT AND DEVELOPMENT AD, UIC: 175153395, 20 Zlaten Rog Str., Sofia;
- Shareholder with 2596 out of 10 000 shares of PRISTA RECYCLING SA UIC CH-660-0828011-9, Geneva, Switzerland

**Information of all the companies and partnerships of which Mr. Plamen Bobokov has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

- Member of the BoD of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;
- Manager in LEVENTA OOD., UIC: 117632621, 73 Borisova Str., 7012 Rousse;
- Manager of MONBAT TRADING OOD., UIC: 130137657, 9 Laos Kashrut Str., 1606 Sofia;
- Member of the BoD of PRISTA REAL ESTATES AD, UIC: 175021319, 9 Laos Kashrut Str., 1606, Sofia;
- Member of the BoD of VUELTA EUROPE AD, UIC: 117546396, 106 Lipnik Str., 7013 Rousse, released on 27.05.2019
- Member of the BoD of WINERY HOUSE RUSE AD, UIC: 117630264, 73 Borisova Str., 7012 Rousse.
- Manager of Prista Port OOD, UIC 203258566, 20 Zlaten Rog Str., Sofia;
- Manager of Arena Rousse Memagement EOOD, UIC 203313194, 20 Zlaten Rog Str., Sofia;
- Member of the BoD of PRISTA RECYCLING AD, UIC 201144074, 20 Zlaten Rog Str., Sofia;
- Member of the BoD and Executive Director of PRISTA INVEST 2016 AD, UIC: 204082281, 20 Zlaten Rog Str., Sofia
- Member of the BoD of START AD, UIC: 124712007, 32A Cherny Vrah Blvd, Sofia
- Member of the Managing Board of BOBOKOVI BROTHERS FOUNDATION, UIC 117630243, Rousse
- Member of the Managing Board of Process – Prostranstvo FOUNDATION, UIC 1766566093, 73 Borisova Str., 7012 Rousse.
- Member of the Managing Board of NUMISMATIC MUSEUM ROUSSE FOUNDATION, UIC 175662435, Rousse

## **STOYAN ZHIVKOV STALEV – MEMBER OF THE BOARD OF DIRECTORS**

**As of 31.12.2019, Mr. Stalev:**

Has not participated in companies and partnerships as an unlimited liability partner;

Did not hold more than 25% of shares within any companies;

Has not been a member of the administrative, management or supervisory bodies and /or another senior manager position.

**ALEXANDER VIKTOROV CHAUSHEV – MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships of which Mr. Chaushev has been a partner as of 31.12.2019:**

He has not participated in companies and partnerships as an unlimited liability partner;

He holds more than 25% of shares within the following companies:

- Partner with 50 % equity interest in ACCA Asset Management OOD., UIC: 131156297, 1b, Dimcho Debelianov str., Sofia;
- Owner of Alpha In EOOD, UIC: 131156322, 1b, Dimcho Debelianov str., Sofia;

**Information of all the companies and partnerships of which Mr. Chaushev has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

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

**NIKOLAY GEORGIEV TRENCHEV – MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships of which Mr. Trenchev has been a partner as of 31.12.2019:**

He has not participated in companies and partnerships as an unlimited liability partner;

He has not hold more than 25% of the shares of the companies

**Information of all the companies and partnerships of which Mr. Trenchev has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

- Member of the BoD of START AD, UIC: 124712007, 32A Cherny Vrah Blvd, Sofia

**FLORIAN HUTH – MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships of which Mr. Huth has been a partner as of 31.12.2019:**

- Owner of Valenta 2017 EOOD, UIC: 204670224, 32A Cherny Vrah Blvd, Sofia;  
Has not participated in companies and partnerships as an unlimited liability partner;

**Information of all the companies and partnerships of which Mr. Huth has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

- Member of the Supervisory Board of PRISTA OIL HOLDING EAD, UIC: 121516626, 20 Zlaten Rog Str., Sofia;
- Member of the BoD of SETCAR HOLDINGS LTD, Cyprus;
- Member of the Supervisory board of AND GNG EAST UKRAINE LTD, BVI
- Manager of Valenta 2017 EOOD, UIC: 204670224, 32A Cherny Vrah Blvd, Sofia

**PETER BOZADZHIEV – MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships of which Mr. Bozadzhiev has been a partner as of 31.12.2019:**

- Owner of First CLAPPER EOOD, UIC 204947066, 21 Ivan Rilski Str. Sofia
- Has not participated in companies and partnerships as an unlimited liability partner;

**Information of all the companies and partnerships of which Mr. Bozadzhiev has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

- Member of the BoD of MONBAT NEW POWER AD, UIC: 204333335; 32A Cherny Vrah Blvd., Sofia;
- Manager of First CLAPPER EOOD UIC 204947066, 21 Ivan Rilski Str. Sofia

**YORDAN KARABINOV – MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships of which Mr. Karabinov has been a partner as of 31.12.2019:**

He has not participated in companies and partnerships as an unlimited liability partner;

He holds more than 25% of the shares of the following companies:

- Managing partner with 80% in CONTRO OOD, UIC: 201971539, 4 Budilnik Str., Sofia;
- Manager and owner in J&K PARTNERS LTD, EOOD: 175277788, 4 Budilnik Str., Sofia;
- Manager and owner in KRAIMORIE BEACH EOOD, UIC: 201642757, 70B Ivan Ivanov, 1303 Sofia;

**Information of all the companies and partnerships of which Mr. Karabinov has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

- Chairman of the Bulgarian Institute of Internal Auditors;

- Managing partner in CONTROL OD, UIC: 201971539, 4 Budilnik Str., Sofia;
- Manager and owner in J&K PARTNERS EOOD, UIC: 175277788, 4 Budilnik Str., Sofia;
- Manager and owner in KRAIMORIE BEACH, EOOD: 201642757, 70B Ivan Ivanov, 1303 Sofia;
- Member of BoD the AMERICAN UNIVERSITY ASSOCIATION IN BULGARIA, UIC 000019449
- Member of Management board the AUBG Alumni Association, UIC 176854876
- Member of the Management Board of the ANTI-CORRUPTION INSTITUTE Foundation, UIC: 205401771, Sofia 1000, Oborishte district, 29 Georgi Benkovski Str., Fl.1

**EVELINA SLAVCHEVA - MEMBER OF THE BOARD OF DIRECTORS**

**Names of all the companies and partnerships of which Mrs. Slavcheva has been a partner as of 31.12.2019:**

She has not participated in companies and partnerships as an unlimited liability partner;

She holds more than 25% of the shares of the following companies:

- Managing partner with 50% in ELHIM ENERGY, OOD: 200171341, 12 Ivan Milanov Str., 1505 Sofia;

**Information of all companies and partnerships of which Mrs. Slavcheva has been a member of the administrative, management or supervisory bodies and /or other senior manager as of 31.12.2019:**

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

**8. Executed contracts in 2019 with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements**

In 2019 there have not been executed contracts with members of the Board of Directors or their related persons beyond the usual activity of the company or substantially diverted from the market requirements.

**9. Planned economic policy for the next year, including the expected investments and development of the personnel, the expected revenue from investments and development of the company, as well as the forthcoming transactions of substantial importance for the activity of the company**

The Company presents consolidated data on sales revenue, profit and EBITDA on a monthly basis.

**IX. PRESENCE OF BRANCHES OF THE ENTERPRISE**

The company does not have registered branches in Bulgaria or abroad.

**X. FINANCIAL INSTRUMENTS USED BY THE COMPANY**

In 2019 MONBAT AD has not used financial instruments for hedging the risks from FX changes, interest rates or cash flows. During the reported year the company has not made any transactions to hedge the currency risk, as there were not enough large-scale and remote in time transactions in USD or other currencies floating against the BGN exchange rate.

The company could have exposure to liquidity, market, interest rate, currency and operational risks arising from the use of financial instruments.

**XI. ADDITIONAL INFORMATION UNDER SECTION VI A OF APPENDIX NO 10 OF ORDINANCE NO 2 OF FSC**

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

**GROSS SALES OF LEAD-ACID BATTERIES FOR THE PERIOD OF 2017 - 2019**

Table № 13

Year	2019	2018	2017
<b>Number of batteries sold</b>	<b>3 174 798</b>	<b>2 860 925</b>	<b>2 549 921</b>

**BREAKDOWN OF SALES BY TYPES OF BATTERIES**

Table № 14

BREAKDOWN OF SALES BY TYPES OF BATTERIES (%)	2019	2018	2017
<b>Starter Batteries</b>	<b>88.12</b>	<b>89.05%</b>	<b>88,67 %</b>
<b>Stationary Batteries</b>	<b>5.27%</b>	<b>4.74%</b>	<b>4,63 %</b>
<b>Semi traction Batteries</b>	<b>6.60%</b>	<b>6.21%</b>	<b>6,71 %</b>
<b>Total:</b>	<b>100 %</b>	<b>100%</b>	<b>100%</b>

Table № 15

BREAKDOWN OF SALES BY TYPES OF BATTERIES (value in BGN):	2019	2018	2017
<b>Starter Batteries</b>	<b>72.74%</b>	<b>74.67%</b>	<b>75.24%</b>
<b>Stationary Batteries</b>	<b>16.10%</b>	<b>14.53%</b>	<b>13.47%</b>
<b>Semi traction Batteries</b>	<b>11.16%</b>	<b>10.79%</b>	<b>11.29%</b>
<b>Total:</b>	<b>100 %</b>	<b>100%</b>	<b>100%</b>

In 2019 the weighted average capacity per unit of battery sold is 86 Ah (2018 - 86 Ah)

2. Information about the revenues allocated in separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the issuer

Information about the revenues allocated to major categories of activities

**Table № 16**

(in BGN '000)			
REVENUES	2018	%	2019
<b>A. Revenue</b>			
<b>I. Net revenue from contracts with customers from:</b>			
1. Sale of Finished Goods	286 843	7,36%	307 942
2. Sale of Materials	4 318	-39,69%	2 604
3. Rendering of Services	2 269	-32,17%	1 539
4. Other revenue	373	-51,74%	180
<b>I: Total</b>	<b>293 803</b>	<b>6,28%</b>	<b>312 265</b>
<b>II. Revenues from financing</b>	<b>668</b>	<b>0%</b>	<b>668</b>
incl. government grants			
<b>II: Total</b>	<b>668</b>	<b>0%</b>	<b>668</b>
<b>III. Financial income</b>			
1. Interest income	1 255	10,36%	1 385
2. Dividend income	7 500	0%	0
3. Gains from operations with financial assets and instruments	0	0%	0
4. Gains from foreign exchange operations	2 418	-55,17%	1 084
5. Other financial income	0	0%	0
<b>III: Total</b>	<b>11 173</b>	<b>-77,90%</b>	<b>2 469</b>
<b>B. Total revenues (I+II+III)</b>	<b>305 644</b>	<b>3,19%</b>	<b>315 402</b>

Information about the revenues based on market segmentation represented in table No. 2.

### 3. Information about concluded considerable transactions

In 2019, MONBAT AD did not conclude significant transactions within the meaning of Ordinance 2 of the FSC.

4. Information about the transactions concluded between the issuer and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial state.

In 2019 MONBAT AD has concluded transactions with related parties as follows:

**Table № 17**

Related party	Type of relation	Transactions
Monbat Trading OOD	Shareholder in Monbat AD	Purchase of goods and services by Monbat AD, and sale of services to Monbat Trading OOD. Loan granted by Monbat AD
Prista Oil Holding EAD	Shareholder in Monbat AD and ultimate parent company	Purchase of goods and services by Monbat AD, loan and deposit granted by Monbat AD.
START AD	Subsidiary company of Monbat AD	Sale of finished goods, materials, services and PPE by MONBAT AD. Purchases of materials, services and goods by MONBAT AD.
MONBAT PLC DOO	Subsidiary company of Monbat Recycling EAD	Purchase of materials by MONBAT AD.
YU Monbat DOO	Subsidiary company of Monbat PLC DOO	Sale of materials and goods by MONBAT AD.
SC MONBAT RECYCLING SRL	Subsidiary company of Monbat Recycling EAD	Purchase of materials & services by MONBAT AD. Sale of services by MONBAT AD
MONBAT RECYCLING EAD	Subsidiary company of MONBAT AD, where the shareholding interest is 100%	Sale of materials, technological waste and scrap, goods, services and others by MONBAT AD; Purchase of materials, services, receivables and others by MONBAT AD.
SC MONBAT ROMANIA SRL	Subsidiary company of SC MONBAT RECYCLING SRL	Sale of materials and finished goods by MONBAT AD.
MONBAT HOLDING GmbH	Subsidiary of Monbat Recycling EAD , as MONBAT AD owns 10% of the capital	Loan granted by Monbat AD
MONBAT NEW POWER GmbH	Subsidiary of Monbat Holding GmbH	Loan granted by Monbat AD
Monbat Italy SRL	Subsidiary company of Monbat Recycling EAD	Loan granted by Monbat AD
„MONBAT SPED” LTD	Subsidiary company of MONBAT AD	Sale of services and material by MONBAT AD; Purchase of services by MONBAT AD; Loan granted by Monbat AD
Monbat SA Proprietary Limited	Subsidiary company of Monbat Tunisia BV	Loan granted by Monbat AD; Sale of goods by Monbat AD;
A.R.T. Monbat AD	Subsidiary company of MONBAT AD	Loan granted by Monbat AD
Monbat Tunisia BV	Subsidiary company of MONBAT AD	Loan granted by Monbat AD
Monbat Immobilien GmbH	Subsidiary company of MONBAT AD	Loan granted by Monbat AD
Monbat Batterien Austria	Subsidiary company of MONBAT AD	Loan granted by Monbat AD; Sale of goods by Monbat AD;
Piombifera Italiana SPA	Subsidiary company of MONBAT ITALY SRL	Purchase of services by Monbat AD; Sale of services by Monbat AD;
Octa Light Bulgaria EAD	Subsidiary company of MONBAT AD until July 2019	Providing a loan from MONBAT AD; Purchase of services by MONBAT AD

Related party	Type of relation	Transactions
Oktagon International OOD	Associate of MONBAT AD until July 2019	Sale of Trade receivables by Monbat
Discordia AD	Other related party to Monbat AD	Purchase of services by Monbat AD
Leventa OOD	Other related party to Monbat AD	Purchase of assets by Monbat AD
Prista Port	Other related party to Monbat AD	Loan granted by Monbat AD
Arena Ruse AD	Other related party to Monbat AD	Purchase of services by Monbat AD
Torlashka Sreshta EOOD	Other related party to Monbat AD	Loan granted by Monbat AD
Atanas Bobokov	Key management personnel and a person exercising joint control over Prista Oil Holding EAD	Loan granted by MONBAT AD and remunerations received for work performed
Plamen Bobokov	Key management personnel and a person exercising joint control over Prista Oil Holding EAD	Loan granted by MONBAT AD and remunerations received for work performed

No transactions with related parties have been concluded which are outside its usual activity or substantially deviate from the market conditions.

Information about the transactions concluded between the issuer and related parties during the reporting period can be found in the published report of the issuer.

**5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year**

During 2019 has not occurred an unpredictable and unforeseen circumstance of an extraordinary nature, which has had an impact on the company.

**6. Information about off-balance kept transactions in 2019 – nature and business purpose , indication of the financial impact of the transactions on the activity , if the risk and benefits of these transactions are substantial for the assessment of the issuer’s financial state.**

In 2019 were not concluded off-balance transactions.

**7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing**

As of 31.12.2019 MONBAT AD has direct and indirect holdings in the following subsidiary companies within the economic group of the issuer:

**Table № 18**

Company’s name	Principal activity	Capital share or percentage of votes at the General Assembly as of 31.12.2019

Company's name	Principal activity	Capital share or percentage of votes at the General Assembly as of 31.12.2019
<b>START AD, Sofia</b>	Production, service and marketing of accumulator batteries; engineering and development-implementation activities; production and marketing of equipment for production of accumulator batteries; foreign and domestic trade and setting up commercial networks, specialized stores and representation offices.	97.80 % of the voting shares
<b>SC MONBAT RECYCLING SRL</b>	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Romania as well as export and import from and to the Republic of Romania of scrap, materials and finished goods.	100 % of the capital
<b>MONBAT RECYCLING EAD –</b>	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of Bulgaria.	100 % of the capital
<b>MONBAT PLC DOO,</b>	Recycling of accumulator batteries and lead scrap, lead alloys, polyethylene and polypropylene materials, trading in accumulator batteries, batteries, lead, polyethylene and polypropylene scrap and materials on the territory of the Republic of Serbia as well as export and import from and to the Republic of Serbia of scrap, materials and finished goods.	100 % of the capital
<b>MONBAT ROMANIA SRL</b>	Trade company with scope of activity: trading, service and marketing of accumulator batteries, accumulator, lead, polyethylene and polypropylene scrap.	100 % of the capital
<b>MONBAT NEW POWER AD</b>	Trading entity	51% of the capital
<b>Energy Batteries Nigeria Limited</b>	Sale of batteries and other battery related materials	100 % of the capital
<b>MONBAT HOLDING GmbH</b>	Holding Company which holds the equity interest in „EAS BATTERIES“ GmbH and „MONBAT NEW POWER“ GmbH	100 % of the capital
<b>EAS BATTERIES GmbH</b>	Production, trade and R&D in the field of Li-ion Batteries	100 % of the capital
<b>„MONBAT NEW POWER“ GmbH</b>	Production, trade and R&D in the field of Li-ion Batteries	100 % of the capital
<b>Monbat Italy Srl.</b>	Holding Company which holds the equity interest in Piombifera Italiana	100% of the capital
<b>PIOMBIFERA ITALIANA SPA</b>	Production, processing and trade of metal alloys, color and ferrous metals, semi, intermediate processing plastics, anhydrous sodium sulfate, and all products, products and / or waste resulting from the processing cycle; the exercise of commissioning systems in reserve, pre-storage, handling and utilization of hazardous waste and / or toxic and harmful and / or dangerous waste, consisting of sludge and waste of used batteries, and / or waste, including scrap minerals or alloys containing lead and / or heavy metals; management of plants for secondary lead smelting slag, including inertia chairs, aimed at producing concrete and / or produced products and / or bituminous products and manufacture of lead acid batteries.	100 % of the capital
<b>“Monbat Batterien“ GmbH</b>	Sale of batteries and other battery related materials	100 % of the capital

Company's name	Principal activity	Capital share or percentage of votes at the General Assembly as of 31.12.2019
<b>YU Monbat DOO</b>	Trade company with the following activities: trade, service and sale of accumulators, accumulator, lead polyethylene and polypropylene scrub	100 % of the capital
<b>MONBAT SPED LTD</b>	Transport services, internal and external transport, spedition, export and import of special goods and objects, opening of a warehouse network in the country, commercial agency and intermediation.	100 % of the capital
<b>MONBAT HOLDING Tunisia BV</b>	Holding Company which holds the equity interest in Monbat SA Proprietary Limited	100 % of the capital
<b>ART MONBAT AD</b>	Manufacturing, trade, development of research in the field of nanostructured materials; sales of nanostructured additives in various industries	51 % of the capital
<b>MONBAT IMMOBILIEN Austria GmbH</b>	Trading entity	94 % of the capital
<b>STC S.R.L</b>	Manufacturing, installation, research & development in the field of chemical and electrochemical, metallurgical and environmental industries; sale and installation of machinery	66,66 of the capital
<b>Monbat South Africa Proprietary Limited</b>	Sale of batteries and other battery related materials	51 % of the capital

**8. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities**

The main contracts for loans of Monbat its subsidiary and main contracts granted to related parties are presented as follows:

**1. Raifaissenbank EAD**

**Contract dated 25.02.2014,**

Maturity date: 15.02.2016

Amount borrowed: EUR 3 200 000

Type of credit: Revolving loan

Interest: 1-month EURIBOR + fixed mark-up

Collateral: Rank collateral of mortgage of own real estate, cadaster № 48489.5.279, cadaster № 48489.5.281, cadaster № 48489.5.396, together with buildings on it, on the territory of Montana, Industrialna Str., owned by Monbat AD and Monbat Recycling EAD.

With annex N 4/ 30.06.2016 r. the amount of the loan was been increased to 4 200 000 EUR:

With annex m.06.2017 r. the amount of the loan was been increased to 9 200 000 EUR:

Maturity date: 15.05.2020 r.

First rank pledge agreement for Monbat's and Monbat Recycling EAD receivables from bank accounts.

Utilized amount as of 31.12.2019 at the amount of EUR 9 199 891 or BGN 17 993 424.

**2. Eurobank Bulgaria AD**

**Contract № 339/07.12.2004**

Maturity date: 07.06.2006

Amount borrowed: EUR 2 200 000

Type of credit: Credit line

Interest: 3 M Sofibor+fixed mark-up

Collateral: Pledge of assets and inventories owned by Monbat AD

With annex from 16.06.2017 and the amount of the loan was been increased to 18 971 401 BGN

Maturity date: 28.08.2020

Utilized amount as of 31.12.2019 at the amount of BGN 18 969 752

**3. Eurobank Bulgaria AD**

**Contract № 100-972 / 23.11.2010**

Maturity date: 23.11.2011

Amount borrowed: EUR 1 000 000

Type of credit: Working capital

Interest: 3-month EURIBOR + fixed mark-up

Collateral:

Real estate 1: ½ ideal part of land with identification N48489.282 on the cadastral map of Montana, buildings and factories, warehouse currently owned by Monbat AD, approved with Directive № RD-18-19-/05.04.2006 of the executive director of AK.

Real estate 2: ½ ideal part of land with identification N48489.282 on the cadastral map of Montana, buildings and factories, warehouse currently owned by Monbat AD, approved with Directive № RD-18-19-/05.04.2006 of the executive director of AK.

Pledges:

Pledge 1: Machines, installations and vehicles, located in the factory of Monbat AD in Montana, 72 "Industrial" str.

Pledge 2: Vehicle weighing machine and security room with an area of 102 sq.m., according to documentary evidence and inventory number 300000003

Pledge 3: Unloading area, with an area of 1980 sq.m., according to documentary evidence and property inventory number 3000000004.

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

Maturity date: 01.09.2020

Amount borrowed: 1 955 830 BGN

Type of credit: Credit line

Interest: 3 M Sofibor + + fixed mark-up

Collateral: Promissory Note for the amount of BGN 1 955 830

Utilized amount as of 31.12.2019 at the amount of BGN 1 918 059

**4. HYPO NOE Gruppe Bank AG**

**Contract from 16.05.2014**

Maturity date: 03.10.2018

Amount borrowed: EUR 10 000 000

Type of credit: Investment loan

Interest: 3 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for 85% of Monbat's shares of Monbat Recycling EAD

With annex from 20.07.2018 the amount of the loan was decreased.

Maturity date: 31.07.2020

Amount borrowed: EUR 8 000 000

Interest: 6 M EURIBOR + fixed mark-up

Utilized amount as of 31.12.2019 at the amount of EUR 8 000 000 or BGN 15 646 640

Under the signed agreement with the Bank, the Company should maintain that its Group Consolidated Net Debt to EBITDA for financial year 2018 is lower than 3.5.

The preliminary unaudited Group Consolidated Financial Statements indicate that the Company is in breach of the covenant. Therefore, the loan has been classified as current.

As of the date of the preparation of the financial statements the breach has not been remedied as the next relevant date for calculation of the covenant is 30 June 2020.

#### **5. DSK Bank EAD**

Contract. №1675/16.09.2015

Maturity date: 10.09.2020

Amount borrowed: EUR 2 500 000

Type of credit: For working capital

Interest: 1 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for receivables and materials

Utilized amount as of 31.12.2019 at the amount of EUR 2 500 000 or BGN 4 889 575

#### **6. DSK Bank EAD**

Contract. №1674/16.09.2015

Maturity date: 10.09.2016

Amount borrowed: BGN 2 000 000

Type of credit: For working capital

Interest: 1 M SOFIBOR + fixed mark-up

With an annex of 13.11.2019, a loan amount is increased up to 9 000 000 BGN.

Maturity Date: 10.09.2020 .

First rank pledge on the fixed assets of Monbat AD .

Next in line special pledge on receivables.

Utilized amount as of 31.12.2019 at the amount of BGN 8 997 883

#### **7. Raifaisenbank EAD**

Contract. of 09.11.2015

Maturity date: 15.05.2020

Amount borrowed: EUR 490 000

Type of credit: Overdraft

Interest: 1 M SOFIBOR + fixed mark-up

Collateral: No collateral

Utilized amount as of 31.12.2019 at the amount of BGN 0

#### **8. Hypo Noe Groupe Bank AG**

Contract. of 21.07.2016

Maturity date: 31.07.2023

Amount borrowed: EUR 3 600 000

Type of credit: Investment loan

Interest: 6 M EURIBOR + fixed mark-up

Collateral: Second pledge agreement for Monbat's shares of Monbat Recycling EAD

With annex from 21.07.2018 the amount of the loan was increased.

Amount borrowed: EUR 5 000 000

Type of credit: For working capital

Interest: 6 M EURIBOR + fixed mark-up

Utilized amount as of 31.12.2019 at the amount of EUR 5 000 000 or BGN 9 779 150

Accrued interest as of 31.12.2019 at the amount of BGN 104 000

Under the signed agreement with the Bank, the Company should maintain that its Group Consolidated Net Debt to EBITDA for financial year 2018 is lower than 3.5.

The preliminary unaudited Group consolidated Financial Statements indicate that the Company is in breach of the covenant. Therefore, the loan has been classified as current. At the date of preparation of this individual report, the covenant is still in breach, since the next reporting period for its calculation is 30.06.2020.

#### **9. Eurobank Bulgaria AD**

Contract. of 05.10.2017

Maturity date: 30.09.2018

Amount borrowed: EUR 2 556 459

Type of credit: Credit line

Interest: 3 M EURIBOR + fixed mark-up

With annex from 15.08.2019 the maturity date was extended to 30.09.2020

Collateral: First pledge agreement for Monbat AD's receivables from the third parties.

Utilized amount as of 31.12.2019 at the amount of EUR 2 024 163 or BGN 3 958 919

**10. Bank credit card** accounts with credit limits BGN 50 000 and utilized amounts as of 31.12.2019 at the amount of BGN 2 thousand.

#### **11. UBB interlease EAD**

Contract of the 18.10.2019.

Maturity Date: 19.11.2024

Amount of Credit: EUR 1 271 250

Type of credit: credit line

Interest: Fixed interest

Collateral: assembly line for lead-acid accumulators and lead-acid furnace

Utilized amount to 31.12.2019 in the amount of 1 228 875 EUR or 2 403 471 BGN

#### **12. UBB Interlease EAD**

Contract of the 29.11.2019

Maturity Date: 29.12.2024

Amount of credit: EUR 219 999

Type of credit: credit line

Interest: Fixed interest

Collateral: Rectifier Systems Type CDR400/420V-8CH -4 pc. and rectifier Systems Type CDR400/360V-10CH -5 pc.

Utilized amount to 31.12.2019 in the amount of 219 999 EUR or 430 280 BGN.

The company has lease contracts about fixed tangible assets sold to UBB Interlease EAD. The management's assessment is that the criteria in IFRS 15 for recognising income in relation to those contracts are not fulfilled, since control of the sold assets has not been transferred. In this respect, concluded leasing contracts are classified as short-term and long-term loans with a repayment plan, which corresponds to contract concluded leasing contracts, and collateral sold fixed tangible assets.

**9. Information about the concluded by the Company, by its subsidiary or the parent company , in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related parties, with indication of the specific conditions there under, including the deadlines for repayment and the purpose for which they have been granted**

Monbat concluded in its capacity of lenders loan contracts in 2019 with:

Name of the company	BGN
MONBAT HOLDING GmbH	1 565 000
Monbat Sped EOOD	390 000
ART MONBAT	2 002 000
MONBAT HOLDING Tunisia BV	49 000
MONBAT IMMOBILIEN	7 025 000
MONBAT BATTERIEN AUSTRIA	196 000
Monbat Taiding	3 000 000
Monbat SA Proprietary Limited	978 000
Torlashka Sresta EOOD	160 000

**10. Information on the use of the funds from a new issue of securities carried out**

At the end of 2017 the company has issued a new issue of bonds. MONBAT AD, has issued first order corporate convertible bonds with ISIN BG2100023170, issued under the conditions of initial public offering as follows:

Principal amount of the issue: EUR 28 015 000 (twenty-eight million and fifteen thousand).

Number of bonds: 28 015 (twenty-eight thousand and fifteen).

Denomination: EUR 1 000 (one thousand) each

Issue Date: 20/01/2018

Maturity Date: 20/01/2025

Type of bonds: convertible, ordinary, registered, dematerialized, interest-bearing, freely transferable, unsecured.

Term to maturity: 84 (eighty-four) months.

Interest rate: floating rate of 6M EURIBOR plus premium of 300 basis points, but not less than 3.00 % on an annual basis.

Interest payment date: 20 January and 20 July of each year during the Maturity Date. If the Interest Payment Date is not a Business Day, the Interest Payment Date shall be postponed to the next Business Day.

Amortization: in three installments at the end of the 5th, the 6th, and the 7th year of the life of the bond; at 20%, 30% and 50% of the nominal value, respectively, which corresponds to the following Interest Payment Dates: 20/01/2023, 20/01/2024 and 20/01/2025. In the event of conversion, the principal repayments will be calculated on the basis of the current bond issue's nominal value at the date of the respective principal payment. In this case, the last principal installment at the end of the 7th year will be equalized and will repay the entire outstanding nominal value of the issue, if such outstanding nominal value exists.

Conversion option: Each bondholder may request the conversion of the bonds he/she holds according to their current nominal amount at the Conversion Price on the 48th, 66th and 78th month after issuance, corresponding to the following Interest Payment Dates, respectively: 20/01/2022, 20/07/2023 and 20/07/2024.

Conversion price: equal to 90% of the weighted average price of a MONBAT's share on the BSE for the six months preceding the respective conversion date.

Minimum conversion threshold: 5% of the outstanding nominal amount of all Bonds on each of the respective conversion dates.

Call option: The Issuer may redeem the residual outstanding part of the Bond issue on the 60th month after issuance at 101% of the current outstanding principal amount. The date of the Call option corresponds with the interest and principal payment on the 60th month or 20.01.2023 with the call option considering the corresponding 20% principal instalment.

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.

As of 31.12.2019, "Monbat" AD has spent 18.8 million Euro, raised by the bond issue 2018 ISIN code BG2100023170.

Utilizing the funds raised from the bond issue issued by "Monbat" AD has started on 26.06.2018, when "Monbat" AD has taken part in the acquisition of shares in the capital of "Monbat Holding Germany" AD (parent company to EAS Germany GmbH ("EAS")), to a full amount of 5.4 million Euro.

The next utilization has been conducted on 05.12.2018 when "Monbat" AD has taken part in the acquisition of shares in the capital of "Monbat Recycling" EAD (parent company of Monbat Italy S.R.L), to the amount of 8 million EUR. On 07.12.2018, "Monbat Recycling" EAD participated in the increase of capital of „Monbat Italy“S.R.L. (the parent company of Piombifera Italiana) through the acquisition of shares amounting to 8 million EUR.

The next utilization has been conducted on 25.03.2019 when "Monbat" AD has taken part in the acquisition of shares in the capital of "Monbat Holding Germany" GmbH (parent company to EAS Germany GmbH ("EAS")), to a full amount of 2,227,500 Euro.

The next utilization to the amount of 1,340,533 EUR has been conducted on 25.07.2019 when "Monbat" AD acquired 66.66% of the share capital of STC S.r.l. for an effective cash consideration of 1,340,533 EUR and contingent consideration of 236,529 EUR.

The next utilization has been carried out on 19.09.2019 when "Monbat" AD has taken part in the acquisition of shares in the capital of "Monbat Holding Germany" GmbH (parent company to EAS Germany GmbH ("EAS")), to a full amount of 1,800,000 Euro.

**11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the financial year, and previously published forecasts for these results**

The Company has not published a forecast for 2019 on a stand-alone base.

**12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual threats and measures that the issuer has undertaken or is to undertake with a view to eliminate them**

The management of the financial resources is subject to the requirement of achieving maximum efficiency with the simultaneous observance of agreed payment terms both with suppliers and customers. This means the predominant use of own funds which leads to lower financial costs. Because the result of such policy related to managing the financial resources, there is reduction in the period for collection of receivables compared to the period for payment of liabilities. This leads to an effective increase of the cash in the entity and to the possibility for the investment costs to be financed without additional financing from banks, which reduces the interest expense. On the other hand, there are finance reserves from unused credit lines, which could be used for both current and investment costs which maintains high liquidity of payments.

**13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity**

In 2020 the management of MONBAT AD plans to implement an investment program as follows:

**Table № 19**

Investment Program 2020, Monbat AD	BGN	EUR
<b>Monbat AD</b>		
New product development	162,334	83,000
Improving the infrastructure	525,104	268,481
Increase in production effectiveness and quality	359,208	183,660
Capacity Increase	730,119	373,304
<b>Total for Monbat AD</b>	<b>1,776,765</b>	<b>908,445</b>
Projects on Group level related to software enhancements and other trainings	438,655	224,281
<b>Total Investment Program 2020</b>	<b>2,215,419</b>	<b>1,132,726</b>

**14. Information about occurred during the reporting period changes in the base principles for management of the issuer and its economic group**

There is no change occurred in the base principles for management of the company.

**15. Information about the main characteristics of the applied by the issuer internal controls risk management systems in the process of preparation of the financial statements**

The company has a functioning internal control and risk management system /ICRM system/ that guarantees the efficient functioning of reporting and information disclosure systems. The ICRM system was created and functions also with a view to identify relevant business risks and managing them. Senior management has the main responsibility and role in terms of developing the internal control and risk management system. It performs both managing, directing and ongoing monitoring function.

The ongoing monitoring of controls by senior management is to assess whether the ICRM system is still suitable for the company in a changed environment, whether it acts as expected and whether it is periodically adjusted to changed conditions. Evaluation of selected areas carried out in this context as a responsibility of the senior management complies with the priorities of the company. Evaluation is also proportionate to the characteristics of the company and the impact of the risks identified.

The senior management reports to the audit committee on the basic characteristics of the ICRM system and also on key issues, including main incidents established and the respectively approved or applied corrective measures.

**16. Information on the changes in the composition of the Board of Directors in 2019**

There is no change in the Board of Directors of Monbat AD.

**17. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the Company and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or rise from profit distribution, including:**

- a) received amounts and non-money remunerations;
- b) contingent or deferred remunerations occurred during the year, even if the remuneration is due later;
- c) amount owed by the issuer or its subsidiaries for payment of pensions, retirement benefit or other similar compensations:

**Table № 20**

Full name	Position	net/BGN
Atanas Bobokov - Chairperson of the Board of Directors of Monbat AD	Member of the Board of Directors of Monbat Recycling EAD	372 000
Plamen Bobokov	Member of the Board of Directors of Start AD	8 400
Nikolay Trenchev	Member of the Board of Directors of Start AD	8 400
Peter Bozhadzhiev - Member of the Board of Directors of Monbat AD	Member of the Board of Directors of New Power AD	0
Atanas Bobokov - Chairperson of the Board of Directors of Monbat AD	Member of the Board of Directors of New Power AD	0
Atanas Bobokov - Chairperson of the Board of Directors of Monbat AD	Member of the Board of Directors of Start AD	8 400

The General Assembly of Shareholders held in 2019 authorized the Board of Directors of the Company to set additional remuneration for 2018 to the members of the Board of Directors of MONBAT AD for an amount of up to BGN 500 000 which is not included in the table above.

**18. Information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options**

As of 31.12.2019 the shares of the capital of MONBAT AD hold by members of the Board of Directors are as follows:

- Atanas Stoilov Bobokov – Chairperson of the Board of Directors – 110 shares
- Alexandar Chaushev – Member of the Board of Directors - 8 630 shares

**19. Information about the known to the company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder**

The management of the company does not have any information about agreements which may lead to future change of ownership of shares by current shareholders.

**20. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at the amount of at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately**

There is not any pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at the amount of at least 10 percent of its equity.

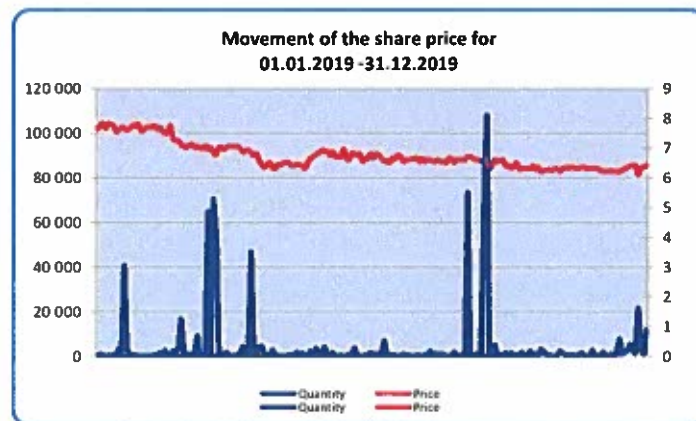
## 21. Information about the investor relations director

Daniela Ilcheva Peeva

tel. +359 2 9882413 ; e-mail [investorrelations@monbat.com](mailto:investorrelations@monbat.com)

1407 Sofia, 32 A Cherni vrah blvd., fl. 4

## XII. CHANGES IN THE PRICE OF THE COMPANY'S SHARES FOR 2019



## XIII. INFORMATION UNDER APPENDIX NO 11 OF ORDINANCE NO 2 OF FSC

**1. Structure of the company's capital, including the securities that have not been admitted for trading on a regulated market in the Republic of Bulgaria or another Member State, with indication of the different classes of shares, the rights and liabilities attaching to any of the classes of shares and the portion of the total capital which each individual class constitutes**

As of 31.12.2019 the capital of MONBAT AD amounts to BGN 39 000 000, divided into 39 000 000 ordinary, registered, dematerialized shares with nominal value of BGN 1.00 each of them. All shares of the company are one class and each share is entitled to one vote at the general assembly of shareholders, the right to receive dividend and a liquidation quota, proportionate to the nominal value of the share. All 39 000 000 shares were registered for trading on the on the "Premium" Market segment from the BSE.

**2. Limitations over the securities transfer, such as limitations for holding of securities or a requirement to obtain approval of the company or another shareholder**

All shares of the company are freely transferable without restrictions or conditions, subject to the requirements of the current legislation in the Republic of Bulgaria. It is not necessary to obtain approval of the company or another shareholder for acquiring and holding equity shares of MONBAT AD.

**3. Information on the direct and indirect holding of 5 or more percent of the voting rights in the company's general assembly, including data about the shareholders, the amount of their holding and the way the shares are owned**

As of 31.12.2019 the capital structure of MONBAT AD is the following:

Table № 21

Name of the shareholder	Number of shares	Percentage from equity
PRISTA OIL HOLDING EAD, Sofia	16 666 371	42.73 %
MONBAT TRADING Ltd., Sofia	2 752 800	7.06 %
PRISTA HOLDCO COOPERATIEF U.A.	8 103 758	20.78 %
UPF Doverie	2 553 813	6.55 %
MUPF Allianz	2 069 948	5.31 %
Other individuals and legal entities	6 853 310	17.57 %

**4. Data about the shareholders with special control rights and description of these rights**

MONBAT AD does not have any shareholders with special control rights.

**5. The control system in exercising the voting right in cases when officials of the company are also its shareholders and when the control is not exercised directly by them**

The company does not have a control system in exercising the voting right in cases when officials of the company are also its shareholders and when the control is not exercised directly by them. Any official who is a shareholder of the company exercise his/her right to vote at his/her own discretion.

**6. Limitations over the voting rights, such as limitations over the voting rights of the shareholders with a given percent or number of votes, deadline for exercising the voting rights or systems whereby with the company's assistance, the financial rights attaching to the shares are separated from the holding of shares**

There are no limitations over the voting rights of any shareholder of MONBAT AD. The right to vote at the general assembly of the shareholders of MONBAT AD shall be exercised, personally or by proxy, by persons that had acquired shares and had been filed with the book of shareholders latest 14 days prior to the date of the assembly. The proxy holder must dispose of an explicit, notary certified proxy in accordance with the requirements of LPOS.

**7. Agreements among the shareholders, which are known to the company and which may result in limitations over the transfer of shares or the voting right**

The Company is not aware of agreements among shareholders which may result in limitations over the transfer of shares or the voting right.

**8. The provisions about the appointment and dismissal of the members of the company's management bodies and about introduction of amendments and supplements to the articles of association**

Pursuant to the Articles of Association of MONBAT AD, the following persons are not eligible as members of the BD of the Company:

1. who have been members of managing or controlling body of a company or co-operation, which have been declared insolvent over the last two years preceding the date of the judgment for declaring insolvency, if there are creditors unpaid;
2. who at the moment of the election is sentenced with an effective verdict for crimes against proprietorship, against economy or against financial, tax or social security system, committed in the Republic of Bulgaria or abroad, unless they are exculpated.

At least one third of the members of the BD must be independent persons.

The independent member of the BD may not be a person who:

1. is employee of the Company;
2. is shareholder, holding directly or through related persons at least 25% (twenty-five per cent) of the votes in the GM or is a person related to the Company;
3. is in long-term business relationship with the Company;
4. is member of management or controlling body of a company under items 2 and 3 of these paragraphs;
5. is a person related to another member of management or controlling body of the Company.

The members of the BD are elected for a term of up to five years. The members of the BD may be reelected without limitation and may be released from duty also prior to the expiry of the mandate, for which they are elected, pursuant to resolution of the GM.

Amends and supplements the Articles of Association could be adopted by the General Assembly of Shareholders.

**9. The powers of the company's management bodies, including the right to take decisions for the issue and redemption of shares in the company**

The members of the Board of directors are obligated:

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

The Company may buy back its own shares without making a tender offer, through

acquisition of not more than 3 per cent own voting shares, both pursuant to a resolution of the General Shareholders Meeting and pursuant to a resolution of the Board of Directors for a term not longer than eighteen months as from the date of the resolution of the relevant body of the Company. The buy-back of own shares pursuant to a resolution of the Board of Directors may be performed without special delegation of powers for that from the General Shareholders Meeting for each separate case, but entirely on the grounds of the powers vested in the Board of Directors by virtue of the present provision of the Articles of Association for a term of up to 2 (two) years after registration of these Articles of Association at the Commercial Register to the Registry Agency.

**10. Significant contracts of MONBAT AD which give rise to action, have been amended or terminated due to change in the control of the company upon carrying out of obligatory tender offer and the consequences thereof, save for the cases when the disclosure of such information may cause serious damages to the company; the exception of the previous sentence shall not apply in the cases when the company must disclose information by virtue of the law**

MONBAT AD has not signed contracts which give rise to action, have been amended or terminated, due to change in the control of the company upon carrying out of obligatory tender offer.

**11. Agreements between the company and its management bodies or employees for payment of compensation upon leaving or dismissing without legal basis or upon termination of the employment relationship for reasons related to tender offering.**

There are no agreements between MONBAT AD and the members of the Board of Directors and employees of the company for payment of compensation upon leaving or dismissal without legal basis or upon termination of the labor relations for reasons related to tender offering

#### **XIV. OTHER INFORMATION AT THE COMPANY'S DISCRETION**

The Company estimates that there is no other information that has not been publicly disclosed by the company and that would be important for the shareholders and investors in taking a well-grounded investment decision.

14.05.2020



Atanas Bobokov – Executive member of the Board of Directors

