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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
MONBAT AD
32A, Cherni Vrah Blvd., Sofia

Report on the Audit of the Separate financial statements

Qualified Opinion

We have audited the separate financial statements of „Monbat“ AD („the Company“), which comprise the separate statement of financial position as at 31 December 2020 and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” section of our report, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Qualified Opinion

As at 31 December 2020, Monbat AD has not performed an impairment test of its investment in the subsidiary Monbat Immobilien GmbH, with a book value of BGN 26 562 thousand, and loans and receivables from it in the amount of BGN 7 749 thousand as at 31.12.2020. Management believes that this investment is fully recoverable through the fair value of the main asset - investment property in Austria. Given the uniqueness of this property and the lack of fully comparable market analogues, we were not provided with an assessment regarding the fair value of this property prepared by a valuation specialist and in accordance with the requirements of IFRS at the reporting date. Therefore, we did not obtain reasonable assurance about the full recoverability and, accordingly, the degree of impairment adjustment required regarding the subsidiary Monbat Immobilien GmbH in accordance with the requirements of IAS 36 “Impairment of Assets”, and its loans and receivables in accordance with the requirements of IFRS 9 “Financial instruments” as at 31 December 2020.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 41 Events after the reporting period of the separate financial statements, which describes the possible effects of non-adjusting, post-reporting date events. The note provides description of the circumstances arising in connection with criminal proceedings initiated by the specialized prosecutor’s office of the Republic of Bulgaria against several persons, including the ultimate owners of the parent company, as well as a review of the activities of the Company and its subsidiary Monbat Recycling EAD related to waste management, and compliance with environmental requirements for the recycling of lead-acid batteries, including an overview of the risks associated with waste management activities. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Basis for Qualified Opinion" section we have determined the matters described below to be the key audit matters to be communicated in our report.

Related parties of Monbat AD: disclosure and assessment of the recoverability of loans and receivables	
The disclosures of the Company regarding the related parties, as well as the assessment of the recoverability of loans and receivables from them are presented in Notes 35 and 36 to the separate financial statements.	
Key audit matter	How this matter was addressed during the audit
<p>The Company's operations include significant transactions and settlements with related parties, as presented in Notes 35 and 36 of the separate financial statements.</p> <p>The identification of the relationships and the nature of the transactions are essential for the completeness and appropriateness of the presentation and disclosure of related parties. This process requires management to analyse the contractual arrangements, as well as specific facts and circumstances, on the basis of which to assess the financial impact of the transactions, estimates and necessary disclosures.</p> <p>As at 31 December 2020 the carrying amount of receivables and related party loans is BGN 74 066 thousand (or 21% of the total assets of the Company). Of these, BGN 26 992 thousand are loans and receivables from the Prista Oil Group (the group of the ultimate parent company Prista Oil Holding AD, which is outside the group of Monbat AD).</p> <p>IFRS 9 requires the Company to determine at each reporting date the impairment loss of its financial assets, based on a change, if any, in the credit risk of the financial instrument. As disclosed in Notes 35 and 36 to the separate financial statements, the Company has determined that no impairment loss on loans and receivables from related parties outside the Group of "Monbat" AD is required, based on the assessment of the recoverability as at 31 December 2020. This assessment is related to a complex analysis and numerous judgments by the Company's management, regarding the expected time and amount of repayments by related parties based on different scenarios, as well as considerations for the existence of additional non-operational sources of repayment (e.g. possible sales of businesses or assets outside the core business.) Management's analysis and judgments focus on a recoverability assessment scenario that includes repayment over a period of time and is based on the projected cash flows of the "Prista Oil" Group's lubricants business for the period 2021 - 2025, as well as an assessment of the capacity for distribution of dividends of "Monbat" Group, based on its projected cash flows for the same five-year period.</p>	<p>In this area, our audit procedures included, among others, analysis of the Company's contractual agreements with related parties, as well as specific facts and circumstances, in order to identify the nature of the transactions and their effect on the financial condition and results of the company's operations. We also received confirmation letters of balances and related party transactions, as well as statements from management, which we analysed in the context of the available documentation for these transactions. In addition, we performed analysis of specific documents and databases in order to identify relationships and transactions with related parties that have not been previously identified or disclosed by management.</p> <p>Also, we focused on the assessment of the presentation and disclosure of transactions and balances with related parties in view of their consistency with our understanding of the business model of the Company, as well as the results of our audit procedures in other relevant areas.</p> <p>Regarding management's assessment of the recoverability of loans and receivables from related parties outside the "Monbat" Group, we added to the audit team our internal business modeling and valuation specialists to perform procedures, which focused in particular on:</p> <ul style="list-style-type: none"> - Gaining an understanding of the different scenarios considered by management in their recoverability analysis and assessing the applicability of the methods used, in particular, discounted cash flows in the scenario that involves repayment over a period of time; - Analysis of the projected cash flows for the period 2021 - 2025 of the lubricants business of the "Prista Oil" Group by reviewing the reasonableness of key assumptions such as revenues, expenses, profitability before interest, taxes and depreciation against historical data and industry data. We also performed a test on the relevance of the recoverability of the loans and receivables of the "Prista Oil" Group, using an

<p>Due to the importance of disclosures and balances of loans and receivables from related parties, as well as the annual assessment of their recoverability, including complex analysis and multiple assumptions by Company's management, we have identified this area as a key audit matter.</p>	<p>estimate of the Group's equity value using the market comparables and the net asset value methods, as well as a sensitivity analysis of "Prista Oil" Group's ability to repay amounts due in the context of assumptions regarding adverse effects on its operating activities. We also considered the availability of additional non-operational sources of repayment (e.g. possible sales of businesses or assets outside the main activity), which are included as other considerations in the recoverability analysis;</p> <ul style="list-style-type: none"> - Assessment of the dividend distribution capacity of "Monbat" Group, based on projected cash flows for the period 2021 - 2025, by analysing the reasonableness of key assumptions such as income, expenses, earnings before interest, taxes and depreciation against historical data and industry data. We also took into account the history of the dividends distributed and the dividend distribution policy of the "Monbat" Group. <p>In addition, we further assessed the adequacy of the Company's disclosures in the attached separate financial statements regarding related parties, including the assessment of the recoverability of loans and receivables from them.</p>
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Effect of the Covid-19 pandemic on the separate financial statements of Monbat AD	
<p>The Company's disclosures regarding the effect of the Covid-19 pandemic are presented in Note 2 to the separate financial statements.</p>	
Key audit matter	How this matter was addressed during the audit
<p>In March 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors.</p> <p>Covid-19 has an influence on the Company, both in terms of operations related to production, export of products abroad, and in the management of cash flows related to sales, deliveries and financing.</p> <p>The main revenues of the Company are from exports of products abroad and the Covid-19 pandemic affected deliveries outside the Republic of Bulgaria.</p> <p>Covid-19 affected the financial results of the Company for 2020. As presented in notes 25, 27 and 10 of the separate financial statements, revenues in 2020 decreased by BGN 17 601 thousand, cost of materials by BGN 13 560 thousand and inventories as of 31.12.2020 have increased by BGN 7 894 thousand. The profit for 2020 amounts to BGN 5 356 and decreases by BGN 1 626 thousand compared to 2019. Part of the effects are the result of the impact of the Covid-19 pandemic on business and the supply chain, which have been mitigated by the following management actions:</p> <ul style="list-style-type: none"> - compensating for the current decline in trade in the months from March to May 2020; 	<p>In this area, our audit procedures, among others, included:</p> <ul style="list-style-type: none"> • Monitoring the development of the Covid-19 pandemic worldwide and in Bulgaria and analyzing how it could affect the activities of the Company or lead to disruptions in normal business activities; • Forming conclusions about the going concern assumption and performing audit procedures, including: <ul style="list-style-type: none"> - Making enquiries of management to understand the potential and actual effects of the Covid-19 pandemic on the Company's financial situation and financial performance during the year; - Performing historical research and analysis of the processes for budgeting and forecasting, incl. taking into account the analyzes performed by the management in preparing an updated Business Plan for 2020 in May 2020 as a result of the Covid-19 pandemic;

- securing the supply of raw materials;
- application under the 60/40 program according to the measures taken by the Bulgarian government;
- and other measures described in Note 2.

The Company's management has analyzed the effect of the pandemic on the value of investments in subsidiaries in view of the application of IAS 36 "Impairment of Assets" and expected credit losses in respect of trade receivables from related and unrelated parties under IFRS 9 "Financial Instruments".

Measures have been taken to counter the volatile economic environment, and although the Covid-19 pandemic will continue to affect activity in 2021, its effect is not expected to be as negative, with management's business plans expected to materialize without undergoing significant changes as a result of unforeseen events related to Covid-19.

- Applying our experience and knowledge of business, industry and economic data in reviewing and critically analysing the assumptions used by management while preparing projected cash flows and the five-year Business Plan, the Strategic Plan, in which the potential impact of Covid-19 has been taken into account in developing scenarios, analysing the production work program and possible changes in it; taking into account subsequent events, which occurring after the end of the reporting period and the results for the first months of 2021 and comparing them with the forecasts made by the management;

- review and critical analysis of the sources of financing, the status of renewal of the bank overdrafts and compliance with the financial covenants and the sufficiency of collateral for them;

- analysis and assessment of assumptions and calculations according to the adopted models of the Company for testing the value of investments in subsidiaries in view of the application of IAS 36 "Impairment of assets" and the expected credit losses in respect of trade receivables from related and unrelated parties under IFRS 9 "Financial instruments". Our work was supported by internal experts and appraisers of the audit firm. Verification, recalculation and comparison with comparable market information and historical data, where applicable, were also performed.

Based on the work performed we are satisfied that the effect of the pandemic is appropriately evaluated and reflected in the separate financial statements of the Company and we concur with management's assessment that the Covid-19 pandemic has not had a significant negative impact on the going concern assessment.

We also assessed the adequacy of the disclosures related to Covid-19 in the enclosed separate financial statements.

Other Matter

The separate financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed a qualified opinion on those statements on 14 May 2020.

Information Other than the Separate Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management report, including the corporate governance statement and the report on compliance with the remuneration policy, prepared in accordance with Bulgarian Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless explicitly stated in our report and to the extent that it is stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in section "Basis for Qualified Opinion" above, we were unable to obtain sufficient appropriate audit evidence that the initial and subsequent valuation of the investment in the subsidiary Monbat Immobilien GmbH and its loans and receivables have been determined in accordance with the requirements of IFRS adopted by the EU. Accordingly, we have concluded that the other information contains material misstatement, for the same reason, related to the financial indicators and related disclosures included in the other information affected by the investment in the subsidiary Monbat Immobilien GmbH as well as the loan and receivables from it.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Accounting Standards (IAS), adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council (IFRS adopted by the EU and the Bulgarian legislation), and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Bulgarian Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Separate Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act, as well as Article 100m, paragraph 14 in relation to Article 116c, paragraph (1) of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the management report is consistent with the separate financial statements for the same reporting period, on which we have issued qualified opinion in the section "Report on the Audit of the Separate Financial Statements" above;
- (b) the management report is prepared in accordance with the applicable legal requirements;
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report, except for the possible effect of the matter described in section "Information Other than the Separate Financial Statements and Auditor's Report Thereon" of the "Report on the Audit of the Separate Financial Statements";
The Company's management report does not include the required information for loans and guarantees provided to or received by the parent company, other than those provided to Monbat AD, according to items 8 and 9 of Annex 10 to Ordinance 2 / 17.09.2003, in connection with Art. 100 (n), para. 7, item 2 of Bulgarian Public Offering of Securities Act.

- (d) the corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements, including Article 100m, paragraph (8) of Bulgarian Public Offering of Securities Act;
- (e) the report on compliance with the remuneration policy has been prepared in accordance with the requirements of the ordinance pursuant to Article 116c, paragraph 1 of Bulgarian Public Offering of Securities Act and the information in it is consistent with the separate financial statements for the same reporting period.

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Company and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Company in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the corporate governance statement, being a component of the annual management report.

Additional reporting concerning the audit of separate financial statements in connection with Article 100m, paragraph (4), subparagraph (3) of Bulgarian Public Offering of Securities Act

– *Statement on Article 100m, paragraph 4, subparagraph (3), item "b" of Public Offering of Securities Act*
Related party transactions are disclosed in note 35 to the separate financial statements. Based on the performed audit procedures on related party transactions as part of our audit of separate financial statements as a whole, no facts, circumstances or other information have come to our attention that caused us to conclude that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended on 31 December 2020, in all material respects, in accordance with the requirements of IAS 24 „Related Party Disclosures“. The results of our audit procedures on related party transactions were taken into consideration for the purposes of issuing an auditor's opinion on the separate financial statements as a whole, not for issuing a separate opinion only on related party transactions.

– *Statement on Article 100m, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act*
Our responsibilities for audit of the separate financial statements as a whole, described in our report in section „Responsibilities of the Auditor for the Audit of Separate Financial Statements“, include assessment whether the financial statements present fairly the significant transactions and events. Based on the performed audit procedures on the significant transactions, which are fundamental to the separate financial statements for the year ended on 31 December 2020, no facts, circumstances or other information have come to our attention that caused us to conclude that there are instances of unfair presentation and disclosure in accordance with the requirements of IFRS, as adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Company, which are material to the separate financial statements, were taken into consideration for the purposes of issuing an auditor's opinion on the separate financial statements as a whole, not for issuing a separate opinion only on the significant transactions.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Grant Thornton OOD was appointed as statutory auditor of the separate financial statements of "Monbat" AD for the year ended on 31 December 2020 by the general meeting of shareholders, held on 07.12.2020, for a period of one year.
- The audit of the separate financial statements of the Company for the year ended on 31 December 2020 has been made for a first consecutive year.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters“ of this report.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.

- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Company in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Company and its controlled undertakings in addition to the statutory audit.

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit firm

31 March 2021
Bulgaria, Sofia, 26, Cherni Vrah Blvd.

