

Independent auditor's report

To the shareholders of

Monbat AD

Report on the Audit of the Separate Financial Statements

Qualified Opinion

We have audited the accompanying separate financial statements of Monbat AD (the Company), which comprise the separate statement of financial position as at 31 December 2019, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and 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 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 2019, 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 European Union (EU).

Basis for Qualified Opinion

As disclosed in Note 7 to the accompanying separate financial statements, during July 2019, Monbat AD acquired 94% of the shares of Aurora Immobilien GmbH, Wels Austria (renamed subsequently to Monbat Immobilien GmbH and referred to as "Aurora" below) through a complex process of debt replacement and divestment in Octagon International EOOD.

As a result, investment in Aurora subsidiary was recognized at cost of BGN 26,562 thousand determined as the carrying amount of the transferred financial assets (receivables and loans, and cash). Further, loans and receivables from Aurora of BGN 7,158 thousand were recognized at the aggregate value of cash transferred and the carrying value of the existing before the transaction liabilities of Aurora to related parties. Monbat AD did not perform a valuation of the fair value of transferred financial assets and assumed existing liabilities as of the transaction date, which would serve as basis for initial measurement of the acquired net investment in Aurora (investment in subsidiary and loans and receivables) in accordance with IFRS. In addition, the main part of the recognized carrying value of the net investment in Aurora consisted of the carrying value of receivables from Octagon International GmbH and Octalight Bulgaria EAD as of 1 January 2019 at the amount of BGN 25,878 thousand, on whose full recoverability and respectively, the extent any impairment adjustments might

have been found necessary, the predecessor auditor issued a modified auditor's report on the separate financial statements dated 1 April 2019.

As of 31 December 2019 the Company did not perform recoverability assessment of the net investment in Aurora (investment in subsidiary and loans and receivables), as it was considered fully recoverable through the fair value of Aurora's main asset - investment property in Austria. However, in view of the uniqueness of the property and the absence of market comparables, we were not provided with a specialist's appraisal of the fair value of this property, measured in accordance with IFRS, as of the reporting date. Hence, we were unable to corroborate the full recoverability and respectively, the extent of any impairment required, of the investment in Aurora subsidiary and loans and receivables from Aurora as of 31 December 2019.

As a result of the above, we did not obtain sufficient and appropriate audit evidence that the initial and subsequent measurement of the investment in subsidiary and of loans and receivables from Aurora was determined in accordance with the requirements of IFRS. Due to the absence of IFRS-compliant fair valuations as mentioned above and the pre-existing audit issues regarding the full recoverability of the loans and receivables from Octagon International EOOD and Octalight Bulgaria EAD, it is not practicable for us to determine the effects on the Company's financial position as at 31 December 2019 and 1 January 2019, and its financial performance for 2019 and 2018, had the relevant IFRS, as adopted by EU, requirements been complied with.

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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. 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 40 Events after the reporting date to the separate financial statements which discloses significant non-adjusting event related to coronavirus pandemic (COVID-19). The disruption of the normal economic activity in Bulgaria and worldwide resulting from COVID-19 may affect adversely the operations of the Company. Due to the unpredictable dynamic of COVID-19, it is not practicable to provide a reliable estimate of the potential effects of the pandemic. 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. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described in the table below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Related parties outside Monbat Group: Disclosures and Recoverability Assessment for loans and receivables</p> <p>The Company's disclosures about related parties outside Monbat Group and impairment assessment of loans and receivables from related parties are included in Notes 32, 33 and 34 to the separate financial statements.</p>	
<p>The operations of the Company involve material transactions and balances with related parties outside Monbat Group, as disclosed in Notes 32, 33 and 34.</p> <p>The identification of these relationships and substance of the transactions are fundamental for the completeness and appropriateness of the presentation and disclosures of related parties. This process requires management to analyze contractual agreements, as well as specific facts and circumstances, based on which it can assess the financial effect of the transactions, balances and related disclosures.</p> <p>Further, as of 31 December 2019 the carrying amount of the Company's</p>	<p>Our audit procedures included, among others, analysis of the contractual agreements of the Company, as well as specific facts and circumstances, with the aim to identify the substance of the transactions with related parties outside Monbat Group and their effect on the financial position and operating results of the Company. We also obtained confirmation letters for balances and transactions with related parties outside Monbat Group, as well as management representations which we analyzed in the context of the available documentation for such transactions. We also performed analysis of documents and records for existence of related party relationships or transactions that management has not previously identified or disclosed.</p>

receivables from and loans granted to related parties outside Monbat Group is BGN 32,912 thousand (or 9% of the total assets of the Company). These balances are substantially comprised of amounts due from Prista Oil Group (the group of the ultimate parent, outside Monbat group) of BGN 23,666 thousand (72 % of the total loans and receivable balances with related parties, outside Monbat group). IFRS 9 requires at each reporting date, the Company to measure a loss allowance for its financial assets based on change, if any, in the credit risk on the financial instrument. As disclosed in Notes 32, 33 and 34 to the separate financial statements, the Company has determined that no loss allowance for loans and receivables from related parties outside Monbat Group is necessary based on recoverability assessment performed as at 31 December 2019. This assessment requires the Company's management to make complex analysis and multiple judgements about the expected timing and amounts of related party repayments under different scenarios and to consider availability of additional non-operating sources of repayment (e.g. possible non-core asset/business disposals). The Management has focused its recoverability assessment on the repayment over time scenario and has analysed the 2020-2024 business plans of the lubricants business of Prista Oil Group and the dividend distribution capacity of Monbat Group based on its business plan for the same 5-year period.

Due to the significance of the disclosures and the loan and receivable balances with related parties outside Monbat Group as well as the management's complex analysis and judgments made in their annual recoverability assessment, we consider this area as a key audit matter.

We also focused on the assessment of the presentation and disclosures of the transactions and balances with related parties outside Monbat Group for consistency with the knowledge we gained for the Company's business and the results from our audit procedures in other relevant areas.

In respect of the management's recoverability assessment of loans and receivables from related parties outside Monbat Group, we involved our internal business modelling and valuation specialists in the audit procedures which focused specifically on:

- Obtaining understanding of the different scenarios considered by Management in their recoverability assessment and evaluating the appropriateness of the methodology applied, in particular, discounted cash flow method under the repayment over time scenario.
- Analyzing the 2020-2024 business plans of the lubricants business of Prista Oil Group by considering the reasonability of the key assumptions as revenue, costs and EBITDA profitability against historical and industry data. We also performed relevance test of the recoverability of the loans and receivables from Prista Oil Group using equity value method as well as sensitivity test of the repayment capacity of Prista Oil Group to adverse operation assumptions. Further, we considered the availability of additional non-operating sources of repayment (e.g. possible non-core asset/business disposals) included in the management recoverability analysis
- Evaluating the dividend distribution capacity of Monbat Group based on its business plan for 2020-2024 by analyzing the reasonability of key

	<p>assumptions as revenue, costs and EBITDA profitability against historical and industry data. We also considered the history of dividend disbursements and the dividend payouts policy of Monbat Group.</p> <p>We further assessed the adequacy of the Company's disclosures in the separate financial statements regarding related parties outside Monbat Group and recoverability assessment of loans and receivables from them.</p>
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Information Other than the Separate Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the 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 and to the extent explicitly specified in our report.

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 our knowledge obtained in the audit or otherwise 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 the Basis for Qualified Opinion section above, we did not obtain sufficient and appropriate audit evidence that the initial and subsequent measurement of the investment in subsidiary and of loans and receivables from Aurora was determined in accordance with the requirements of IFRS as adopted by EU. Consequently, we have concluded that the other information is materially misstated for the same reason with respect to the amounts, financial indicators and the accompanying disclosures included in the other information affected by the investment in Aurora subsidiary and loans and receivables from Aurora.



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

Management is responsible for the preparation and presentation of the separate financial statements that give a true and fair view in accordance with IFRS, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of 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 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 an 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 true and 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

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Separate Financial Statements and Auditor's Report Thereon* section, in relation to the management report, including the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements on which we expressed a qualified opinion in the Report on the Audit of the Separate Financial Statements section above.
- b) Except as noted below, the management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.

The management report of the Company does not include the information on loans and guarantees of the parent Prista Oil Holding EAD and the subsidiaries, provided and/ or received except Monbat AD, as required under p. 8 and p. 9 of Appendix 10 to the Ordinance 2/17.09.2003 in connection to Art. 100(m), paragraph 7, p. 2 of the POSA.

- c) The corporate governance statement referring to the financial year for which the separate financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(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, do not contain any material misrepresentations.



Additional Reporting on the Audit of the Separate Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related party transactions is disclosed in Notes 32, 33 and 34 to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2019, 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 addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves true and fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRS as adopted by the EU. The results of our audit procedures on Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

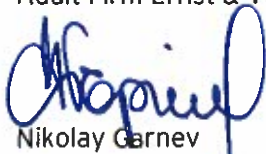


Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Ernst & Young Audit OOD was appointed as a statutory auditor of the separate financial statements of Monbat AD (the Company) for the year ended 31 December 2019 by the general meeting of shareholders held on 28 June 2019 for a period of one year.
- The audit of the separate financial statements of the Company for the year ended 31 December 2019 represents first total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.

Audit Firm Ernst & Young Audit OOD:



Nikolay Garnev

Legal Representative and Registered Auditor in
charge of the audit

Sofia, Bulgaria

14 May 2020