

# Notes to the consolidated financial statements

## 1. Corporate information

The main activities of Monbat AD and its subsidiaries (“The Group”) include manufacturing, maintenance and sale of batteries; engineering and development activity; production and trade of equipment used in battery manufacturing; domestic and foreign trade and establishment of commercial networks; specialized stores and representative offices; recycling of lead and lead containing alloys.

The parent company Monbat AD (“The Company”) has the same main activity. The Company is registered as a joint stock company under company file 4636/1999 of the Sofia City court, UIC 111028849.

The Company’s headquarters and registered address is: 32A Cherni Vrah bld., Sofia.

The correspondence address is: 32A Cherni Vrah bld., Sofia.

The Company was registered at the Bulgarian stock exchange on 22.12.2006.

The Company is managed through a one-tier management system consisting of Board of Directors.

During 2020 until 05.10.2020 the Company’s Board of Directors was composed by the following board members:

1. Atanas Stoilov Bobokov- chairman and executive board member
2. Peter Nikolov Bozadjiev
3. Jordan Atanasov Karabinov
4. Plamen Stoilov Bobokov
5. Alexander Viktorov Chaushev
6. Nikolay Georgiev Trenchev
7. Stoyan Zhivkov Stalev
8. Evelina Slavcheva
9. Florian Huth

By a decision of the General Meeting of Shareholders taken on 18.09.2020, entered in the Commercial Register on 05.10.2020, the composition of the Board of Directors was changed as its composition is valid as at 31.12.2020 and consists of the following members:

1. Chavdar Donchev Danev - chairman
2. Peter Nikolov Boadjiev
3. Jordan Atanasov Karabinov
4. Petar Hristov Petrov
5. Dimitar Nikolov Kostadinov – executive board member
6. Evelina Slavcheva
7. Florian Huth

As at 31.12.2020 the Company is being represented by Dimitar Kostadinov and Petar Hristov Petrov.

Until October 5, 2020, the Company was also represented by Atanas Bobokov in his capacity as an executive member of the Board of Directors.

The ultimate parent of the Company is Prista Oil Group B.V. Atanas Bobokov and Plamen Bobokov are the individuals exercising joint control over Prista Oil Group B.V.

Management of the Company includes its Board of Directors and its procurators.

The principal place of the activity is town of Montana, 76 ‘Industrialna’ str.

Information about the name, country of incorporation, percentage of share and voting power of the subsidiaries, included in the consolidation, is provided in note 5 Basis of consolidation.

The activity of any company part of the Group is not limited by a term or other termination condition.

## 2. Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments and equity investments in private companies that are measured at fair value.

The consolidated financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Group. All amounts are presented in thousands of Bulgarian leva (BGN '000) (including the comparative information for 2019) unless otherwise stated.

In addition, when there is a retrospective restatement or reclassification of items in the consolidated financial statements, the Group presents an additional statement of financial position at the beginning of the earliest presented period. An additional statement of financial position is presented in these consolidated financial statements as of 1 January 2019 due to the retrospective application of accounting policies resulting from the correction of accounting errors from prior periods. Refer to note 4.

### **Statement of compliance**

The consolidated financial statements of the Group ("financial statement") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). Reporting framework "IFRS as adopted by the EU" is essentially the defined national basis of accounting "IAS, as adopted by the EU", specified in the Bulgarian Accountancy Act, and defined in paragraph 8 of its Additional provisions.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Monbat AD has prepared and presented separate financial statements for the year ended 31 December 2020, where investments in subsidiaries are presented at acquisition cost less accumulated impairment losses. The separate financial statements of Monbat AD were authorized for issuance by a decision of the Board of Directors on 26 March 2021.

*State of emergency in Bulgaria from March 13, 2020 to May 13, 2020*

During the reporting period, the Group's activities were affected by the global Covid-19 pandemic. In early 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. On March 11, 2020, the World Health Organization announced the presence of a coronavirus pandemic (Covid-19).

On March 13, 2020 the National Assembly of the Republic of Bulgaria decided to declare a state of emergency for one month. On March 24, 2020 the Parliament adopted the Law on Measures and Actions during the State of Emergency announced by a decision of the National Assembly of March 13, 2020 and on overcoming the consequences (Title ext. SG No. 44 of 2020 effective 14.05.2020)

Subsequently, the state of emergency was extended for another month and remained in force until 13 May 2020.

#### *Emergency epidemic situation in Bulgaria from May 14, 2020 to April 30, 2021*

On May 13, 2020, the Council of Ministers declared an epidemic emergency situation, as of May 14, 2020, which was extended periodically before its expiration. As of the date of preparation of these consolidated financial statements, the emergency epidemic situation was extended by the government to April 30, 2021.

#### *Effect of Covid-19 on the Group's consolidated financial statements in 2020*

The initial impact was related to the following previously identified risks by the Group's management and the relevant actions taken are also disclosed:

- (1) 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 reserve stock of batteries with consideration to utilization of the production capacity of the Group and sale in case of future increase in demands
- Focus on production and sale of product segments for which there is an increase in demand- stationary batteries with telecom operators as customers.
- Applying for state aid to support employment under measures 60/40 (note 27.1)

- (2) 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

- (3) 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 Group.

- (4) Decline in stock exchange price of lead (LME lead index)

Measures:

- Assessment of the possibility of partial indexation of sales prices in the starter segment
- Non-indexation of sales prices in product groups, which experienced increased demand - stationary batteries.

- (5) 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.

Despite the difficult economic situation caused by the pandemic, which directly affected the sales of batteries in the second half of March, April and May, the Group recorded an insignificant decrease in the normalized EBITDA for 2020 in comparison to the period ending December 2019. The good normalized performance is driven by the high sales volumes of lead-acid batteries in the second half of 2020 as well as the high collection of lead-containing materials for the same periods with July and October 2020 are record compared to the historical comparative periods of the Group in terms of sales of lead-acid batteries. Besides the growth in the volumes sold in the second half of 2020 compared to the comparative period for 2019, the actions described in point 4 above had a positive effect on the realized results by partially offsetting the effect, including at group level, of the intermediate decline in the LME lead index. In addition, in 2020 there was a significant increase in the sales of stationary batteries with this product segment bringing the highest added value/margins per lead equivalent of sales compared to the other product segments of the Group.

The positive trends in the sale of finished products and collection of lead-containing materials are maintained in the first quarter of 2021.

Despite the successful actions taken by management to address the consequences of the pandemic, the pandemic had an impact on the operational activities of some of the Group's subsidiaries:

- (1) Energy Battery Nigeria, whose activity was affected by the devaluation of the Nigerian naira and difficult access to foreign currency and
- (2) Monbat Batterien Austria.

In this regard, the Group has recorded an impairment of goodwill related to Energy Batteries Nigeria to the amount of BGN 237 thousand (Note 9.2) and foreign exchange losses to the amount of BGN 1,201 thousand in the same company, with significant part of foreign exchange rate losses being related to the conversion of intra-group liabilities of the company to Monbat AD. The Group also recorded impairments related to the investment in Monbat Battery Austria (Note 7), as well as part of the receivables from the company (Note 36).

Although as at the end of the year, as well as in 2021, there were no significant delays in the collection of receivables from customers, the activity of several specific clients in certain geographic markets, where in previous periods there was already a delay in collection, was further complicated and in this regard the Group recorded impairments related to trade receivables of the same to the amount of 2 317 thousand BGN in 2020 (2019: BGN 1 423 thousand). The Group is in the process of drawing up a plan for the collection of overdue receivables which includes limiting the transactional sales flow with the respective customers in 2020 and 2021. The deterioration of the global economic situation caused by the COVID 19 pandemic also led to an increase in the total amount of the recorded impairments of financial assets and advances.

The general uncertainty about the capital markets and the world economy also affected the Management's assessment of the possibility of implementing certain business projects as part of the development plan of the Group's recycling division, which requires debt financing or investing a significant amount of own funds. In this regard, the Group has recorded an impairment of property, plant and equipment in 2020 in the amount of BGN 1,341 thousand, reported under "Depreciation, amortization and impairment of non-financial assets" in the consolidated income statement.

### **Going concern**

The consolidated financial statements are prepared under the going concern principle and taking into account the possible effects of the continuing effects of the Covid-19 coronavirus pandemic. It is likely that there will be future impacts on the Group's activities related to the business model, supply chain, legal and contractual relationships, employees, consumers and working capital as a result of Covid-19.

Even at the date of preparation of the consolidated financial statements, travel bans, quarantine measures and restrictions are in force. Businesses have to deal with challenges related to reduced revenues and disrupted supply chains. While some countries have begun to ease restrictions, the granting of the measures is gradual in Bulgaria in the event of uncertainty about the extension of measures for indefinite future periods. .

The pandemic has led to significant volatility in the financial and commodity markets in Bulgaria and globally. Various governments, including the Bulgarian one, have announced measures to provide both financial and non-financial assistance to the sectors and the business organizations concerned.

In these circumstances, the Group's management has made an analysis and assessment of the Group's ability to continue its activities as a going concern based on available information about the foreseeable future. The analysis

includes an assessment, supported by historical experience that the Group has with financial institutions, as well as ongoing negotiations and agreements, that the maturity of all short-term loans (Note 22) will be renegotiated by a minimum of 12 months from their due date, or they will be refinanced with a borrowed resource at maturity of at least 12 months.

In view of the above, management expects that the Group has sufficient financial resources to continue its operating activities in the near future and continues to apply the going concern principle in the consolidated financial statements.

## 2.1 New and amended standards and interpretations

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by EU, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2020 but do not have a significant impact on the Group's financial performance or position:

- IAS 1 and IAS 8 (amended)- definition of material, effective from January 1, 2020, adopted by the EU
- Amendments to References to the Conceptual Framework in IFRS Standards, effective from January 1, 2020, adopted by the EU
- IFRS 3 (amended) - Definition of a Business, effective from January 1, 2020, adopted by the EU
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, effective from January 1, 2020, adopted by the EU
- Amendment to IFRS 16 Leases Covid 19 - Related Rent Concessions, effective from June 1, 2020, adopted by the EU

## 2.3 Existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2020 and have not been applied early by the Group. They are not expected to have a material impact on the Group's consolidated financial statements. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement

The changes refer to the following standards:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current effective from 1 January 2023 not yet adopted by the EU
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 not yet adopted by the EU
- Annual Improvements 2018-2020 effective from 1 January 2022 not yet adopted by the EU
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 effective from 1 January 2021 not yet adopted by the EU
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 effective from 1 January 2021 not adopted by the EU
- IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not yet adopted by the EU
- IFRS 17 “Insurance Contracts” effective from 1 January 2023, not yet adopted by the EU

## 3. Summary of accounting policies

### 3.1. General

The most significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### **3.2. Presentation of financial statements**

The consolidated financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”. The Group has elected to present the statement of comprehensive income in two statements: an income statement and a statement of comprehensive income.

The statement of financial position presents two comparative periods when the Group:

- a) applies an accounting policy retrospectively.
- b) makes a retrospective restatement of items in the financial statements.

### **3.3. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in hired services expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### **3.4. Transactions with non-controlling interests**

Changes in the Group's share in the equity of a subsidiary that do not result in a loss of control are treated as transactions with owners of the Group. The carrying amounts of the Group's interest and non-controlling interests are adjusted to reflect the change in their relative share in the subsidiary's capital. Any difference between the amount by which the non-controlling interests are changed and the fair value of the consideration received or paid is recognized directly in equity and relates to the owners of the parent.

### **3.5. Investments in associates**

Associates are those entities in which the Group has significant influence, but not control or joint control. Investments in associates are initially recognized at cost and then accounted for using the equity method. The cost of the investments includes transaction costs.

Goodwill or adjustments to the fair value of the Group's interest in the associate are included in the cost of the investment.

All subsequent changes in the amount of the Group's interest in the equity of the associate are recognized in the carrying amount of the investment. Changes due to the profit or loss realized by the associate are reflected in the consolidated statement of profit or loss and other comprehensive income of the line "Profit / (Loss) from investments accounted for using the equity method". These changes include the subsequent depreciation or impairment of the fair value of the assets and liabilities of the associate determined at acquisition.

Changes in the other comprehensive income of the associate, as well as in items directly recognized in the equity of the associate, are recognized in the other comprehensive income or in the equity of the Group, respectively. In cases where the Group's share of the associate's realized losses exceeds the amount of its interest in the associate, including unsecured receivables, the Group does not recognize its share of the associate's further losses, unless The Group has no contractual or actual obligations or has made payments on behalf of the associate. If the associate subsequently makes a profit, the Group recognizes its share to the extent that the share of the profit exceeds the cumulative share of losses that were not previously recognized.

Unrealized gains and losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in those entities. When unrealized losses on the sale of assets are eliminated, the related assets are tested for impairment from the Group's point of view.

The amounts recognized in the consolidated financial statements of associates have been restated, where necessary, to ensure compliance with the Group's accounting policies.

Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment in it at fair value. Any difference between the carrying amount of the investment in the associate in the event of a loss of significant influence and the amount of the fair value of the retained interest and the proceeds of the write-off is recognized in profit or loss.

If the interest in the associate is reduced but without loss of significant influence, only a proportionate part of the amounts recognized in other comprehensive income is reclassified to profit or loss.

### **3.6. Foreign currency transactions**

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (the official spot exchange rate of the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss.

Non-monetary measured at historical cost are translated using the exchange rates at the transaction date (not revalued). Non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The functional currencies of entities within the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into BGN at the closing rate at the reporting date. Income and expenses have been translated into the presentation currency at the average rate<sup>1</sup> over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into BGN at the closing rate.

The Bulgarian lev is fixed to the euro in the ratio 1 EUR = 1.95583 BGN.

### **3.7. Revenue**

Revenue of the Group arises mainly from the sale of goods, materials and services

To determine whether and how to recognize revenue, the Group follows a 5-step process

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognize revenue when/ as performance obligation (s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of products, materials and services is described in Note 27.

Disclosures about significant accounting estimates, judgements and assumptions related to revenue from contracts with customers are provided in Note 3.26.

### **Sale of finished goods**

Revenue from sale of finished goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished product. The normal credit term is between 30 to 90 days after delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of finished goods, the Group considers the effects of variable consideration, existence of a significant financing component and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Some contracts for the sale of finished goods provide customers with volume rebates and a right to return the finished goods. The rights of return and volume rebates give rise to variable consideration.

### **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds the threshold specified in the contract. Rebates are offset against the amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

### **Rights of return**

Certain contracts provide customers with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration that the Group will be entitled. The requirements of IFRS 15 on constraining estimated of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. A refund liability, instead of revenue, is recognized for the goods that are expected to be returned. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover the goods from a customer.

### **Sale of materials**

Revenue from sale of materials is recognized at a certain point in time when control of the asset is transferred to the customer, which is usually the case for the delivery of the materials. The normal credit term is 30 to 60 days after delivery.

The Group assesses whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

## Rendering of services

The services provided by the Group mainly include transportation for the delivery of goods. The Group recognizes the services as a single performance obligation and recognizes revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group uses the input method based on the cost incurred, relative to the total amount of input expected to satisfy the performance obligation, in order to assess the progress of the satisfaction of the performance obligation

## Contract balances

### Trade receivables

Receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration due). Please refer to the accounting policies of financial assets set out in Note 3.15.

### Contract assets

A contract asset is the right to consideration in exchange for the goods or services transferred to the customer. If the Group performs by transferring of the goods or services to a customer before the client pays the consideration or before payment is due, a contract asset is recognized for the earned consideration which is conditional.

### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer, for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

### Right of return assets

Right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded to its expected level of returns as well as any additional decreases in the value of the returned goods.

### Refund liabilities

A refund liability is the obligation to refund some, or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Please refer to the variable consideration accounting policy described above.

## Practical expedients

The Group benefited from the following practical expedients:

- Not to consider significant financial components where the time difference between receiving a consideration and transferring control of the products (or services) to a customer is less than or equal to one year; and
- Recognition in the income statement of additional costs for contracting when the depreciation period of an asset otherwise recognized would be less than or equal to one year.

## Finance income

Interest income is recognized on an ongoing basis using the effective interest rate method. Dividend income is recognized when the right to receive payment arises.

### 3.8. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Guarantees costs are recognized and charged against the respective provision when the related revenue is recognized.

### 3.9. Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in line item 'Finance costs'.

### 3.10. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The Group has adopted a threshold of BGN 700 for recognition of intangible assets.

The useful lives of intangible assets are assessed by the Group as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Estimated useful life of the individual assets as follows:

- Development costs up to 10 years
- Others up to 7 years;
- Software up to 2 years;
- Licenses and prototypes Indefinite useful life;

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

#### ***Research and development costs***

Research costs are expenses as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- And its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

### ***Patents and licenses***

The Group made upfront payments to acquire licenses. Licenses for the use of intellectual property are granted for indefinite period. As a result, those licenses are assessed as having an indefinite useful life.

### **3.11. Property, plant and equipment**

Items of property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent measurement of property, plant and equipment except assets under construction are measured at price of acquisition, less accumulated depreciation and impairment.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

The residual value estimates and useful life of property, plant and equipment are measured by management as of each reporting date.

Property, plant and equipment acquired under leases are depreciated on the basis of the expected useful life, determined by comparison with similar own assets of the Company, or on the basis of the lease agreement, if its term is shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follow:

- |             |                |
|-------------|----------------|
| • Buildings | up to 40 years |
| • Equipment | up to 20 years |
| • Machines  | up to 10 years |
| • Vehicles  | up to 7 years  |
| • Fixtures  | up to 7 years  |
| • Computes  | up to 2 years  |
| • Others    | up to 3 years  |

Depreciation has been included in the income statement within 'Depreciation, amortization and impairment of non-financial assets'.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the income statement within 'Gain/(Loss) on sale of non-current assets'.

The Group has adopted a threshold of BGN 700 for recognition of property, plant and equipment.

### **3.12. Investment properties**

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. The costs of replacing part of an existing investment property are recognized in its carrying amount at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at cost model. Depreciation of investment properties is calculated using the straight- line method over the estimated useful life of individual assets as follows:

- Investment properties up to 40 years

Depreciation expenses are included in the income statement under the line item „Depreciation, amortization and impairment of non-financial assets“.

The residual value and useful life of investment properties are reviewed by Management at each reporting period.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Profit or loss arising from withdrawal from use or disposal of the investment property is recognized in the income statement at the time of withdrawal from use or disposal.

The Group transfers investment property to inventory (property held for sale) only when there is a change in use evidenced by commencement of development with a view to sale. When investment property is transferred to inventory, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss. When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains classified as investment property at the time of development. When the Group decides to sell an investment property without developing it and the criteria for classification as property held for sale are met, the property is classified as held for sale and measured at fair value.

### **3.13. Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

#### **Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e., leases with a lease term up to 12 months) and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date, estimated costs which would be incurred by the lessee for dismantling and transportation of the asset, restoration of the site on which it is located or restoration of the asset to the condition required under the lease terms, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 3 to 5 years
- Vehicles 3 to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in note 3.15 Financial Instruments.

#### **Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in

an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### **Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### **3.14. Impairment of non-financial assets**

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as of 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### 3.15. Financial instruments

Financial assets and liabilities are recognized when the Group becomes party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to receive the cash flow from the financial asset, i.e., the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset.

A financial liability is derecognized upon its settlement, repayment, cancellation of the transaction or expiration.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All financial assets are recognized on their transaction date.

Financial assets and financial liabilities are subsequently measured as described below.

#### 3.15.1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met;
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference

between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

All income and expenses relating to financial assets are recognized in profit or loss when acquired regardless how the financial assets' carrying amount is measured and are presented within 'Finance costs', 'Finance income' or 'Other financial items', except for impairment of trade receivables which is presented within 'Impairment of financial assets and advances'.

### **Classification of financial assets**

#### **Loans and receivables**

Loans and receivables originated by the Group are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit loss (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL for individually significant receivables is based on factors that are specific for the debtors.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Impairment losses of trade receivables are presented within 'Impairment of financial assets and advances'.

#### **3.13.2 Financial liabilities**

The Group's financial liabilities include bank loans, overdrafts, trade and other payables, finance lease liabilities and convertible bonds.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Finance costs' or 'Finance income'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank loans are raised for support of long-term funding of the Group's operations. They are recognized in the consolidated statement of financial position of the Group, net of any costs.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

### **Compound instruments**

The Group makes the following accounting policy choices with regards to analysis of embedded derivative separation requirements:

- a) each embedded derivative is assessed on an individual basis
- b) host contract includes these embedded features which do not require separation

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a variable number of the Group's own equity instruments is a derivative instrument.

Conversion features that fail equity classification and are accounted for as derivative liabilities are accounted for separately from the host instruments.

The embedded derivative liability is calculated first, and the residual value is assigned to the debt host liability component. The embedded derivative liability is accounted for at fair value through profit or loss and is remeasured at each reporting date. Transaction costs related to the derivative liability component are expensed as incurred. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

The embedded derivative is presented as a non-current asset liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

The debt host liability component is measured at amortized cost after adjusting for transaction costs attributable to the debt host liability using the effective interest method.

### **3.15.3 Derivative financial instruments**

Derivatives are initially recognized at fair value and subsequently measured at fair value in the consolidated statement of financial position. Changes in the fair value of derivatives are recognized in profit or loss for the period.

### **3.15.4 Contracts for sale and redemption of securities**

Securities can be sold or rented if a commitment is made for their redemption (repo). Those securities continue to be recognized in the statement of financial position, when all material risks and benefits, arising from the rights on those shares, continue to be property of the Group. In such case a liability to the other counterparty is recognized in the statement of financial position, when the Group receives the remuneration.

Similarly, the Group rents or buys securities by committing to re-sell them back to the seller (reverse repo) but does not acquire the material risks and benefits of the securities. The transactions with securities are treated as collateralized loans when the monetary remuneration is paid. In this case the securities are not recognized in the statement of financial position.

The difference between the selling and redemption price is recognized as installments for the whole term of the agreement, by using the effective interest rate method. The securities, rented to counterparties, are recognized in the statement of financial position. The borrowed securities are not recognized in the statement of the financial position, excluding the case in which they are sold to third parties, where the redemption obligation is recognized as a trade liability at fair value and the subsequent gain or loss is included in the net operating activities' result.

### 3.16. Inventory

Inventories include raw materials, work in progress, and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of the impairment of inventory up to its net realizable value is recognized as an expense for the period of the impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses and cost of completion. When inventory have already been impaired up to the net realizable value and when in a subsequent reporting period it is clear that the circumstances that have led to the impairment no longer exist, then the new net realizable value is adopted. The amount of the reversal may only be up to the carrying amount of the inventory before impairment. The reversal of the write-down is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Group determines the cost of inventories by using the weighted average cost. When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

### 3.17. Income taxes

#### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current taxes are recognized directly in equity or in other comprehensive income (not in the statement of profit and loss) when tax relates to items recognized directly in equity or in other comprehensive income.

#### Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at

the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

### **Value added tax (VAT)**

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable, and
- When receivables and payables are stated with the amount of VAT included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **3.18. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, current bank accounts and deposits up to 3 months.

### **3.19. Non-current assets and liabilities held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single plan to dispose of a separate major line of business or geographical area of operations;

or

- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 6. All other notes to the consolidated financial statements include information about continuing operations, unless otherwise stated.

### **3.20. Equity, reserves and dividend payments**

Share capital of the Group represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from paid share capital, net of any related income tax benefits.

The revaluation reserve includes gains and losses from the revaluation of non-current assets. General reserves include legal reserves required by the Bulgarian legislation, general reserves from generated profit or loss incurred from prior years.

Retained earnings include financial performance and accumulated profit and uncovered losses from prior years.

Dividend payables to shareholders are included in 'Related party payables' in the statement of financial position when the dividends have been approved at the general meeting of shareholders prior to the reporting date.

All transactions with owners of the parent are recorded separately within statement of owner's equity.

Own equity instruments that are repurchased (own shares) are recognized at cost and deducted from equity. The Group recognizes no gain or loss on the purchase, sale, issuance, or cancellation of its own equity instruments. Any difference between the carrying amount and the consideration, in the event of re-issuance, is recognized as a premium reserve.

### **3.21. Post-employment benefits and short-term employee benefits**

Short-term employee benefits include salaries, wages, interim bonuses, social security contributions

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and annual compensated absences for current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognized as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 21.

The Group operates a defined benefit plan arising from the requirement of the Bulgarian labor legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Group for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Reassessments are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- the date the Group recognizes restructuring costs.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognizes the following changes in the defined benefit obligation in profit or loss for the period:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Payroll expense".
- Interest expense within 'Finance costs'

The Group operates a defined contribution plan arising from the requirement of the Italian labor legislation. Contribution payables to a defined contribution plan are recognized as an expense in the statement of comprehensive income as a percentage of the incurred salary expenses of the Group's employees.

### **3.22. Provisions, contingent assets and liabilities**

#### **General**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### **Restructuring provisions**

Pro Restructuring provisions are recognized only when the Group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features. Provisions are not recognized for future operating losses.

### **Onerous contracts**

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

### **Contingent assets and liabilities**

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Probable inflows of economic benefits that do not meet the criteria for asset recognition are considered contingent liabilities. They are described together with Group's contingent liabilities in note 37.

### **Contingent liabilities recognized in a business combination**

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

#### **3.23. Government grants**

A government grant is a grant provided by the government that is initially recognized as deferred income (financing) when there is reasonable assurance that it will be received by the Group and that the latter has complied with the conditions attaching to it.

Funding related to the offsetting of investment costs for the acquisition of an asset is recognized in current profit or loss on a systematic basis over the useful life of the asset, usually in the amount of depreciation expense recognized. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### **3.24. Fair value measurement**

The Group measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and determined whether there is a need to transfer from one level to another.

The Management of the Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for sale/ distributions to owners.

Typically, external independent valuers are engaged to measure the fair value of significant assets such as non-current assets and liabilities classified as held for sale and their involvement is determined annually by the Group's Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. This includes verification of the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### **3.25. Current and non-current classification**

The Group presents a classified statement of financial position, separating current and non-current assets and liabilities. Current assets are assets that are:

- Expected to be realized in the group's normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period,
- Cash and cash equivalents unless there is a restriction on exchanging or using it to settle a liability for at least 12 months after the reporting period

All other assets are non-current.

Current liabilities are those:

- Expected to be settled within the Group's normal operating cycle
- Held for purpose of trading
- Due to be settled within 12 months
- For which the Group does not have the right at the end of the reporting period to defer settlement beyond 12 months.

Settlement by the issue of equity instruments does not impact classification of the liability.

All other liabilities are classified by the Group as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **3.26 Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### **Sale and leaseback transactions**

The Group has concluded lease agreements related fixed tangible assets sold to leasing institutions.

In cases where management's assessment is that the criteria in IFRS 15 for revenue recognition are not met because control over the assets sold has not been transferred, the leases are classified as short-term or long-term loans and are therefore outside the scope of IFRS 16 with a repayment schedule that corresponds to the concluded lease agreements and collateral for the sold & lease backed asset.

#### **Deferred tax assets**

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

#### **Determining a method for estimating variable consideration and assessing the restriction on the sale of lead-acid batteries on the Bulgarian market**

Revenues from the sale of lead-acid batteries on the Bulgarian market include a variable consideration component within the scope of IFRS 15, which arises from a regulatory requirement in relation to an Ordinance to determine the order and amount of payment of a product fee for products through the use of which mass waste is generated.

In estimating the variable consideration, the Group is required to use either the expected value method or the most probable amount method. The method used should better predict the amount of consideration that the Group will be entitled to. The Group has determined that the most probable amount method is an appropriate method that can be used to evaluate these transactions.

Before including any amount of variable consideration in the transaction price, the Group assesses whether the amount of variable consideration is constrained. In previous periods the Group has reported a liability for product fee and has decreased the revenues from sales of batteries on the Bulgarian market.

Management believes that there is a high level of certainty that the product fee due for 2020 will be remitted by order of the Minister of Environment and Water in 2021, as the Group continues to comply with the requirements of the Waste Management Act. In addition, the uncertainty of the variable remuneration will be resolved within a short period of time.

According to the Regulation on establishing the terms and conditions for payment of product fees for products whose use generates mass waste as of 31 December 2020. The fee was not paid effectively to the Ministry of Environment and Water, as the Company has met the requirements of the Waste Management Act and has carried out activities for

collection, transportation, temporary storage, pre-treatment, dismantling and disposal of waste. By order № RD 402 of 26.05.2020 of the Minister of Environment and Water, the accrued product fee for 2019 has been remitted.

### **Provision for expected credit losses for trade receivables**

The Group uses a provisioning matrix to calculate the ECL for trade receivables. Provisioning percentages are based on overdue days for groups of different customer segments that have similar loss patterns (e.g., geographical principle, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provisioning matrix was initially based on the percentages of arrears observed by the Group historically. The Group refined the matrix to adjust historical experience with credit losses by including forecast information. For example, if forecasts of economic conditions (e.g., gross domestic product) are expected to deteriorate next year, which may lead to more arrears in the manufacturing sector, historical arrears are adjusted. Historical percentages of arrears are updated at each reporting date and changes in estimated estimates are analyzed.

The assessment of the correlation between historical default rates, forecasts of economic conditions and ECL is a significant estimate. The size of the ECL is sensitive to changes in circumstances and projected economic conditions. The Group's historical experience in terms of credit losses and forecasts of economic conditions may also not be representative of the client's actual arrears in the future. Information on the Company's trade receivables is disclosed in Note 15.

The Group's management believes that at present no significant deterioration in the credit quality of counterparties is expected in the short term, mainly due to the active measures taken by the Government of the Republic of Bulgaria.

Management is currently monitoring long-term indications of deterioration, and the general temporary potential liquidity problems of counterparties caused directly by the spread of coronavirus (Covid-19) are not considered indications of credit deterioration.

### **Principal-agent consideration**

The Group enters contracts on behalf of its customers for the acquisition of materials and raw materials (lead, lead alloys, etc.). Under these contracts the Group provides delivery services (i.e. coordinates the selection of suitable suppliers and manages the procurement and delivery of materials). The company has determined that it does not control the materials before they are transferred to customers and is unable to manage the use of the materials or to receive the benefits thereof. The factors listed below indicate that the Group does not control the materials before they are transferred to the customers. Therefore, it has determined that it acts as an agent in these contracts.

- The Group has no primary responsibility for fulfilling the promise to provide the materials.
- The Group does not bear the risk for inventories before or after they are transferred to the customer, as it purchases materials only after approval by the customer, and the supplier ships the materials directly to customers.
- The Group does not exercise discretion in determining the cost of materials. Its remuneration under these contracts is based solely on the difference between the maximum purchase price set by the client and the final price agreed between the Company and the supplier.

In addition, the Group has concluded that it transfers control of the services (i.e., the organization for the provision of the materials by the foreign provider) at a certain point in time, upon receipt of the materials by the client, as this is the moment when the client receives the benefits of the Group's services as an agent.

### **Impairment of non-current non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

The Group's management has recorded impairments in connection with property, plant and equipment in the amount of BGN 1,341 thousand in 2020 (2019: BGN 0 thousand).

As disclosed in Note 41 Events after the reporting period, the Group believes that the impact of the COVID 19 pandemic on business and global markets may be negative. This, in turn, could limit the Group's ability to implement business projects that require finding additional financial resources or the participation of a strategic partner, which in turn could affect the carrying amount of the Group's reported non-current non-financial assets.

### **Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date.

As at 31 December 2020 management assessed that the useful lives represent the expected utilization of the assets by the Company. The carrying amounts are analyzed in note 9. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

### **Inventories**

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is affected by changes in technology which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory amounting to BGN 99 269 thousand (2019: BGN 97 926 thousand) is affected by the fluctuations of the prices of lead and lead component markets.

### **Financial instruments at fair value through other comprehensive income**

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotations are not available. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

### **Warranty provisions**

Warranties represent amounts, which the Group expects to incur as an expense for servicing and repair of defects of the basic products in subsequent periods.

The amount recognized as a warranty provided to customers for the cost of repairs is estimated based on management's past experience and the future expectations of defects.

### **Leases**

#### **Determining the lease term of contracts with renewal and termination options- Group as a lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain it would not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

#### **Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

### **Employee retirement benefits**

Retirement benefit is determined by actuarial valuation and assumptions are made about the discount rate, future wage increases, staff turnover and mortality rates. Due to the long-term nature of staff income at retirement, these assumptions are subject to significant uncertainty. As of December 31, 2020, the management has reviewed the Group's retirement benefit liability and has assessed the effect as immaterial (2019- immaterial).

### **Estimating variable consideration for returns and volume rebates**

The Group estimates variable considerations to be included in the transaction price for the sale of electronic equipment with rights of return and volume rebates.

During the period, the Group has recognized as a decrease in revenue from production due to volume rebates for customer contracts with the calendar year ending on December 31, 2020 and 2019, which represent a significant part of the customer portfolio.

The volume rebates expected by the Group are analyzed on a customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to receive a rebate depends on the customer's historical rebate rights and the accumulated purchases so far.

The Group applied the statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. For contracts concluded for a non-calendar year, which represent a small portion of the client's portfolio, the Group recognized a decrease in revenue from the sale of products and trade receivables.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

Estimates of returned goods and volume rebates are sensitive to changes in circumstances and the Group's experience with these elements may not be representative of actual goods and rebates returned by customers. As of December 31, 2020, the Group has assessed the amount of reimbursement obligations for expected returned goods as immaterial (2019 - immaterial).

### **Development costs**

Development expenditures on an individual project are recognized as an intangible asset. The initial recognition of costs is based on management's assessment of confirmed technical and commercial feasibility, usually when a product development project has reached a certain milestone in accordance with an established project management model. Determining the amounts to be capitalized requires management to make assumptions about the expected cash inflow from the project in the future, the discount rates to be applied and the expected benefit periods. As of 31 December 2020, the carrying amount of capitalized development expenditures amounts to BGN 6 284 thousand (2019: BGN 4 591 thousand).

## **4. Effect of accounting errors and reclassifications**

In 2020, the Group identifies the need for accounting adjustments in the comparative periods of the consolidated financial statements.

For the purposes of preparing the Group's consolidated financial statements as at 31 December 2020, the identified adjustments are treated as accounting errors related to the comparative periods following the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", as a result of which the earliest comparative period presented has been adjusted.

The accounting errors relate to:

1. Unaccounted remuneration for rebates and volumes. The effect of the adjustment in the Consolidated Statement of Financial Position as at 31.12.2019 and as at 31.12.2018 is a decrease in retained earnings and a decrease in trade receivables with BGN 800 thousand. The adjustment has no effect on the Consolidated Statement of Comprehensive Income for the comparative period.

2. Exchange rate differences in the translation of property, plant and equipment of the subsidiaries SC Monbat Recycling S.R.L. and Monbat PLC DOO from their functional currency to BGN. The effect of the adjustment in the consolidated statement of financial position as at 31.12.2019 and as at 31.12.2018 is a decrease in the carrying amount of property, plant and equipment in the amount of respectively 2019: BGN 2,122 thousand and 2018: BGN 1,498 thousand, as well as a decrease in the foreign currency translation reserve in the amount of respectively: 2019: BGN 2,122 thousand and 2018: BGN 1,498 thousand. The effect of the adjustment in the consolidated statement of comprehensive income for the comparative period of 2019 is an increase in the loss reported under “Currency translation differences from foreign operations” by BGN 624 thousand (from profit of BGN 1 thousand to a loss in the amount of BGN 623 thousand).

## 5. Basis of consolidation

### Subsidiaries

The Consolidated financial statements of the Group include the following subsidiaries:

Name of the subsidiary	Country of incorporation	Main activity	% equity share	
			2020	2019
Start AD	Bulgaria	Production of lead- acid batteries	97.80	97.80
Monbat PLC DOO	Serbia	Production and recycling of lead and lead alloys	100	100
SC Monbat Recycling S.R.L.	Romania	Production and recycling of lead and lead alloys	100	100
Monbat Recycling EAD	Bulgaria	Production and recycling of lead and lead alloys	100	100
YU Monbat DOO	Serbia	Trade of batteries	100	100
SC MONBAT ROMANIA S.R.L.	Romania	Trade of batteries	100	100
Energy Batteries Nigeria Limited	Nigeria	Trade of batteries	100	100
Monbat New Power AD	Bulgaria	Production of lead- acid batteries	51	51
Monbat New Power GmbH	Germany	Production of lithium- ion batteries	100	100
EAS Batteries GmbH	Germany	Production of lithium- ion batteries	100	100
Monbat Holding GmbH	Germany	Production of lithium- ion batteries	100	100
Monbat Italy S.R.L.	Italy	Production and recycling of lead and lead alloys	100	100
Piombifera Italiana SPA	Italy	Production and recycling of lead and lead alloys	100	100
Monbat Sped EOOD	Bulgaria	Transport and forwarding	100	100
STC S.R.L.	Italy	Production of equipment for recycling lead and lead alloys	66.66	66.66
Monbat South Africa Proprietary Ltd	South Africa	Trade of batteries	51	51
ART Monbat AD	Bulgaria	Production of lead- acid batteries	51	51
Monbat NBP	Bulgaria	Production of lead- acid batteries	100	-

The Group has 100% ownership in Monbat Batterien GmbH (Austria) and Monbat Holding Tunisia B.V. (the Netherlands) as at 31.12.2020 and as at 31.12.2019. The subsidiaries are not consolidated in the consolidated financial statements of the Group at the end of the reporting periods as the assessment of the management is that the operations

of the entities are immaterial. The management believes that the requirements of IFRS 10 are met as the non-consolidation has no material effect on the Group's consolidated financial statements.

In 2020, the Group recorded an impairment of BGN 98 thousand in connection with the investment in Monbat Batterien GmbH Austria (2019: BGN 0 thousand). Impairment is recognized in the line "Depreciation, amortization and impairment of non-financial assets" in the consolidated income statement.

### **Associates**

The Group has 40% interest in Battery Pro South Africa LTD (2019.: 40 %) and 46% interest in Leventa OOD (2019.: 0%). For more information, refer to Note 7.

#### **5.1. Establishment of a subsidiary Monbat NBP, Bulgaria**

On 29.01.2020, the Group established a subsidiary company – Monbat NBP, Bulgaria. The establishment was carried out in order to expand the production activity of the Group.

### **6. Assets and liabilities held for sale**

#### **6.1 Assets and liabilities held for sale- financial performance and cash flows**

In connection with the disposal from the lighting business, the Group has classified the activity of Octa Light Bulgaria EAD as discontinued operations in 2018.

In July 2019, the receivables of Monbat from Octagon International OOD and Octa Light Bulgaria EAD (transferred with a cession contract to Octagon International OOD) were settled through the transfer of shares in the company Aurora Immobilien Austria (subsequently renamed Monbat Immobilien Austria), owned by an investor, who was interested in acquiring participation in the capital of Octa Light Bulgaria EAD. With the settlement of the obligations of Octagon International OOD, the steps of the Memorandum of Understanding (discussed above) where Monbat was a counterparty have been concluded with which the exit from the investment in Octagon International OOD has been completed.

The presented financial performance for 2019 covers the first six months of the year:

	<b>For the period 1 January – 30 June 2019 BGN '000</b>
Sales revenue	2 020
Other income	6
Operating expenses	(2 282)
-incl. depreciation and amortization of non-financial assets	(705)
Loss from operating activity	(256)
Finance costs	(356)
- incl. to related parties of the Monbat Group	(34)
Finance income	58
<b>Loss from operations</b>	<b>(554)</b>
<b>Gain on the sale of these assets in 2019</b>	<b>2 220</b>
<b>Profit from discontinued operations in 2019</b>	<b>1 666</b>

The presented cash flows for 2019 covers the first six months of the year:

	<b>For the period 1 January -30 June 2019 BGN '000</b>
Net cash flow from/ (used in) operating activities	(1 164)
Net cash flow from/ (used in) investing activities	1 948
Net cash flow from / (used in) financing activities	(760)
<b>Net change in cash and cash equivalents</b>	<b>24</b>
Cash and cash equivalents, beginning of year	91
Losses on foreign currency translation	-
<b>Cash and cash equivalents, year end</b>	<b>115</b>

## 6.2. Assets and liabilities held for sale- details about sale of discontinued operations

The effect from the sale of discontinued operation is presented as follows:

	<b>30 June 2019 BGN '000</b>
Sale price	(9)
Assets held for sale	(26 369)
Liabilities held for sale	9 092
Payables to Octagon International	4 271
Non-controlling interest	(8 154)
Reserve associated with contribution in kind of receivables of associates in subsidiaries	23 389
<b>Profit/ loss from sale of discontinued operation</b>	<b>2 220</b>
<i>Earnings per share (in BGN):</i>	<b>2019</b>
Basic, profit (loss) for the year from discontinued operations attributable to ordinary owners of the parent (Note 34.1)	0.05
Diluted, profit (loss) for the year from discontinued operations attributable to ordinary owners of the parent (Note 34.1)	0.04

Carrying amount of assets and liabilities held for sale as at 30 June 2019 is:

	<b>30 June 2019 BGN '000</b>
<b>Assets</b>	
Other intangible assets	2 932
Property, plant and equipment	9 046
Inventories	8 986
Receivables	5 290
Cash and cash equivalents	115
<b>Total assets</b>	<b>26 369</b>
<b>Liabilities</b>	
Payables to personnel	284
Loans	5 513
Finance lease liabilities	1 033
Trade payables	972
Other related party liabilities	725
Tax liabilities	126
Other liabilities	439
<b>Total liabilities</b>	<b>9 092</b>

## 7. Investments in immaterial subsidiaries and associates

### 7.1. Investments in immaterial subsidiaries

The companies listed below have a share capital consisting only of ordinary shares held directly by the Group. The country of incorporation is also their main place of activity, and the share of ownership in the in the companies is the same as the share of the voting rights held. The shares of the companies are not traded on stock exchanges.

Name of the subsidiary	Country of incorporation	Main activity	2020	Equity share	2019	Equity share
			BGN '000	%	BGN '000	%
Monbat Batterien GmbH Austria	Austria	Trade of batteries	-	100	98	100
Monbat Holding Tunisia B.V.	The Netherlands	Holding company	39	100	39	100
			<b>39</b>		<b>137</b>	

The subsidiaries are not consolidated in the Group's consolidated financial statements as of the reporting periods due to their immaterial operations as per Group's management's assessment. Management has complied with IFRS 10 and considers that the following has no material effect on the Group's consolidated financial statements.

### 7.2. Investments in associates

The companies listed below have a share capital consisting only of ordinary shares that are not traded on stock exchanges. The country of incorporation is also their main place of activity, and the share of ownership in the in the companies is the same as the share of the voting rights held.

Name of the associate	Country of incorporation	Main activity	2020	Equity share	2019	Equity share
			BGN '000	%	BGN '000	%
Leventa OOD	Bulgaria	Services	2 481	46	-	-
Battery Pro South Africa LTD	South Africa	Trade of batteries	233	40	265	40
			<b>2 714</b>		<b>265</b>	

The Group's interest in the associates is accounted for using the equity method in the consolidated financial statements.

	2020	2019
	BGN '000	BGN '000
<b>As at 1 January</b>	<b>265</b>	<b>9</b>
Acquisition of an associate	2 481	265
Sale of an associate	-	(9)
Foreign exchange difference	(32)	-
<b>As at 31 December</b>	<b>2 714</b>	<b>265</b>

The associates need the consent of the Group to distribute its profits. The Group does not anticipate giving such consent at the reporting date.

#### 7.2.1 Investment in an associated company Leventa OOD

On 22.03.2019, Monbat AD and Prista Oil holding EAD signed a contract for the purchase of 100% of the capital of Leventa OOD for a total purchase price of BGN 5 400 thousand. Under the signed contract, the company is provided with a put option for the reverse sale of the share capital of Leventa OOD, exercisable at any time for a period of 2 years from the date of signing the contract. According to the signed agreement Prista Oil holding EAD receives a call

option for the purchase of the share capital of Leventa OOD, which is exercisable at any time for a period of 2 years from the date of signing the contract. The cost of exercising the call and put option is equal to the purchase price per share defined in the signed contract.

Part of the paid purchase price of BGN 5 400 thousand was used by Prista Oil holding EAD for payment of the submitted put option by Monbat (disclosed in the paragraph below) in the amount of BGN 2 919 thousand and for the partial repayment of deposits received of BGN 1 956 thousand.

On 09.07.2019 in relation to the provisions of Article 6.2 from the contract for the transfer of shares of the capital of Leventa OOD concluded between Prista oil holding EAD and Monbat AD dated 22.03.2019, Monbat AD has exercised the put option in its favor, which is expressed in the right, but not the obligation Monbat AD to request the reverse sale of the shares of Leventa EOOD. As a result of the exercised right, Prista oil holding EAD reacquired 54% of the capital of Leventa OOD for BGN 2 919 thousand. The price of the exercised put option was paid in July 2019 and the actual transfer of shares was completed in 2019.

For the purpose of the preparation of the consolidated financial statements for 2019 the difference between the purchase price paid for the purchase of the shares of Leventa OOD and the proceeds received for the reverse sale of the same was presented as a receivable from Prista oil holding EAD (BGN 2 481 thousand), which is secured with the residual number of shares in Leventa OOD for which Monbat AD has a put option.

For the purposes of preparation of the consolidated financial statements for 2020 the difference between the purchase price paid for the purchase of the shares of Leventa OOD and the proceeds received for the reverse sale of the shares is presented as an investment in the associate Leventa OOD (BGN 2 481 thousand), since the management's assessment is that the Group will not exercise its put and that Prista Oil Holding EAD is not able to exercise the provided call option.

At the date of preparation of these consolidated financial statement for 2020, the respective put and call options are not an exercised and their term has expired.

The associates have no contingent liabilities or capital commitments as of December 31, 2020 and 2019.

## **8. Segment reporting**

For management purposes, the Group is organized into business units based on its products and services and has four reportable segments, as follows:

- Production of lead-acid batteries segment which produces wide product range of starter and stationary batteries, as well as batteries with cyclic application.
- Recycling of industrial materials segment which produces lead, lead alloys, sodium sulphate and regranulated polypropylene for the production needs of the lead-acid batteries segment and for sale to external customers, as well as the production of equipment for recycling industrial materials.
- Production of lithium-ion batteries which produces high power product range solutions for selected industries.
- The segment others which includes the logistics and foreign trade companies of the Group.

The Board of Directors of Monbat AD is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on normalized EBITDA (profit or loss before interest, taxes, depreciation, and amortization) which is calculated excluding certain one-off effects such as the impairment of financial assets and advances, one-off provisions and others and is measured consistently with profit or loss before interest, taxes, depreciation, and amortization in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation and are reflected in column "Adjustments and eliminations". All other adjustments and eliminations are part of the detailed equation presented below.

Year ended 31 December 2020	Production of lead-acid batteries	Recycling of industrial materials	Production of lithium-ion batteries	Others	Total segments	Adjustments and eliminations	Consolidated
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Revenue</b>							
Externa customers	262 608	24 190	1 661	18 773	307 232	-	
Inter-segment	110 885	218 368	2 097	16 820	348 170	(348 170)	-
<b>Total revenue</b>	<b>373 493</b>	<b>242 558</b>	<b>3 758</b>	<b>35 593</b>	<b>655 402</b>	<b>(348 170)</b>	<b>307 232</b>
<b>Expenses</b>							
Expenses for materials, cost of materials and goods sold	(300 678)	(205 615)	(343)	(26 062)	(532 698)	336 263	(196 435)
Expenses for hired services and other expenses	(22 635)	(14 072)	(2 937)	(5 700)	(45 344)	7 654	(37 690)
Payroll expenses	(22 259)	(13 339)	(2 295)	(2 116)	(40 009)	-	(40 009)
Gain on sale of non- current assets	1	1	-	-	2	-	2
Capitalized internally constructed tangible fixed assets	-	-	-	-	-	2 814	2 814
<b>Segment EBITDA</b>	<b>27 922</b>	<b>9 533</b>	<b>(1 817)</b>	<b>1 715</b>	<b>37 353</b>	<b>(1 439)</b>	<b>35 914</b>
<b>Total assets</b>	<b>256 601</b>	<b>207 786</b>	<b>35 618</b>	<b>23 911</b>	<b>523 916</b>	<b>(66 903)</b>	<b>457 013</b>
<b>Total liabilities</b>	<b>59 198</b>	<b>85 404</b>	<b>23 390</b>	<b>24 726</b>	<b>192 718</b>	<b>51 108</b>	<b>243 826</b>
<b>Other disclosures</b>							
Investment in an associate (Note 7.2)	2 481	-	-	233	-	-	2 417

Year ended 31 December 2019	Production of lead-acid batteries	Recycling of industrial materials	Production of lithium- ion batteries	Others	Total segments	Adjustments and eliminations	Consolidated
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>Revenue</b>							
External customers	276 836	37 335	2 352	17 244	333 767	-	333 767
Inter-segment	98 309	201 157	1 440	12 727	313 633	(313 633)	-
<b>Total revenue</b>	<b>375 145</b>	<b>238 492</b>	<b>3 792</b>	<b>29 971</b>	<b>647 400</b>	<b>(313 633)</b>	<b>333 767</b>
<b>Expenses</b>							
Expenses for materials, cost of materials and goods sold	(307 733)	(201 092)	(1 812)	(23 097)	(533 734)	307 743	(225 991)
Expenses for hired services and other expenses	(23 184)	(10 257)	(2 948)	(4 609)	(40 998)	5 826	(35 172)
Payroll expenses	(19 945)	(11 418)	(3 114)	(1 812)	(36 289)	-	(36 289)
Gain on sale of non- current assets	1	-	-	-	1	-	1
<b>Segment EBITDA</b>	<b>24 284</b>	<b>15 725</b>	<b>(4 082)</b>	<b>453</b>	<b>36 380</b>	<b>(64)</b>	<b>36 316</b>
<b>Total assets</b>	<b>294 413</b>	<b>274 075</b>	<b>35 618</b>	<b>20 015</b>	<b>624 121</b>	<b>(158 586)</b>	<b>465 535</b>
<b>Total liabilities</b>	<b>90 608</b>	<b>153 432</b>	<b>23 390</b>	<b>20 707</b>	<b>288 137</b>	<b>(35 197)</b>	<b>252 940</b>
<b>Other disclosures</b>							
Investment in an associate (Note 7.2)	-	-	-	265	265	-	265

#### Segment's elements of other comprehensive income

Segment	Depreciation and amortization expense		Impairment of non-financial assets and advances		Tax Revenue/ (Expense)	
	2020	2019	2020	2019	2020	2019
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Production of lead-acid batteries	(9 926)	(9 212)	(1 609)	(423)	(1 286)	(818)
Recycling of industrial materials	(8 850)	(8 652)	(225)	(258)	(1 147)	(46)
Production of lithium-ion batteries	(1 223)	(751)	-	-	161	-
Others	(300)	(143)	(11)	(60)	(91)	(6)
Total segments	(20 299)	(18 758)	(1 845)	(741)	(2 363)	(870)
Impairment of goodwill	(237)	-	-	-	-	-
Investment properties	(788)	(394)	-	-	79	-
Adjustments and eliminations	85	707	-	-	-	-
<b>Consolidated</b>	<b>(21 239)</b>	<b>(18 445)</b>	<b>(1 845)</b>	<b>(741)</b>	<b>(2 284)</b>	<b>(870)</b>

## Adjustments and eliminations

Financial income and costs are not allocated to individual segments as the underlying instruments are managed on a group level and are not presented to the CODM at operating segment level. Certain financial assets and liabilities, investment properties and deferred taxes are not allocated to these segments as they are also managed on a group basis.

### *Reconciliation of profit*

	2020	2019
	BGN '000	BGN '000
<b>Segment before interest, taxes, depreciation and amortization</b>	<b>35 914</b>	<b>36 316</b>
Impairment of financial assets and advances	(1 845)	(741)
Provision for reutilization of a separator (note 41)	(1 540)	-
Depreciation, amortization and impairment of non-financial assets (notes 9;10)	(21 239)	(18 445)
note	1 581	1 272
Finance costs (note 32)	(7 303)	(7 139)
Other financial items (note 33)	(2 212)	(663)
<b>Profit before tax from continued operations</b>	<b>3 356</b>	<b>10 600</b>

### *Reconciliation of assets*

	2020	2019
	BGN '000	BGN '000
<b>Segment operating assets</b>	<b>523 916</b>	<b>624 209</b>
Intragroup eliminations and adjustments	(149 608)	(239 951)
Deferred tax assets (note 12)	1 097	954
Investment in immaterial subsidiaries (note 7.1)	39	137
Related party receivables (note 36)	48 389	46 375
Investment properties (note 9.4)	32 892	33 680
Financial assets at FVTOCI (note 11)	131	131
Derivatives	157	-
<b>Total assets</b>	<b>457 013</b>	<b>465 535</b>

### *Reconciliation of liabilities*

	2020	2019
	BGN '000	BGN '000
<b>Segment operating liabilities</b>	<b>192 718</b>	<b>288 225</b>
Intragroup eliminations and adjustments	(145 424)	(238 196)
Deferred tax liabilities (note 12)	5 398	5 491
Convertible bonds (note 23)	51 759	50 404
Fair value of conversion option (note 23)	6 454	6 454
Lease liabilities (note 10)	1 899	2 703
Borrowings at amortized cost (note 22.1)	131 022	137 859
<b>Total liabilities</b>	<b>243 826</b>	<b>252 940</b>

## Geographic information

	2020	2019
--	------	------

<i>Revenue from external customers</i>	<b>BGN '000</b>	<b>BGN '000</b>
Bulgaria	23 804	31 494
Germany	22 715	30 408
France	22 596	27 481
Others	238 117	244 384
<b>Total revenue</b>	<b>307 232</b>	<b>333 767</b>

The revenue information above is based on the locations of the customers.

In 2020 and 2019 the Group did not have major customers that accounted for 10% or more of the total revenue.

<i>Non-current assets</i>	<b>2020 BGN '000</b>	<b>2019 BGN '000</b>
Bulgaria	116 103	119 995
Romania	14 140	14 778
Serbia	9 895	9 540
Germany	12 185	10 931
Italy	30 181	29 490
Austria	32 892	33 680
Others	59	259
<b>Total assets</b>	<b>215 455</b>	<b>218 673</b>

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

### 9.1. Intangible assets

Intangible assets of the Group include software licenses, trademarks, licensing rights, R&D expenses, and other intangible assets. The carrying amount for the reporting periods under review can be analyzed as follows:

<b>For the year ended 31 December 2020</b>	<b>Software BGN '000</b>	<b>Trademarks BGN '000</b>	<b>R&amp;D costs BGN '000</b>	<b>Licensing rights BGN '000</b>	<b>Others BGN '000</b>	<b>Total BGN '000</b>
<b>Gross carrying amount</b>						
Balance at 1 January 2020	885	1 430	4 659	3 515	333	10 822
Additions, separately acquired through business combinations	200	3	2 061	480	13	2 757
Written-off	(7)	-	-	-	(45)	(52)
Balance at 31 December 2020	1 078	1 433	6 720	3 995	301	13 527
<b>Amortization</b>						
Balance at 1 January 2020	(623)	(1 255)	(68)	-	(93)	(2 039)
Amortization	(193)	(29)	(494)	-	(20)	(736)
Written-off	7	-	-	-	-	7
Balance at 31 December 2020	(809)	(1 284)	(562)	-	(113)	(2 768)
<b>Carrying amount at 31 December 2020</b>	<b>269</b>	<b>149</b>	<b>6 158</b>	<b>3 995</b>	<b>188</b>	<b>10 759</b>

<b>For the year ended 31 December 2019</b>	<b>Software BGN '000</b>	<b>Trademarks BGN '000</b>	<b>R&amp;D costs BGN '000</b>	<b>Licensing rights BGN '000</b>	<b>Others BGN '000</b>	<b>Total BGN '000</b>
--	------------------------------	--------------------------------	-----------------------------------	--	----------------------------	---------------------------

<b>Gross carrying amount</b>						
Balance at 1 January 2019	642	1 370	1 318	-	296	3 626
Additions, separately acquired	196	60	1 798	3 515	37	5 606
Acquired through business combinations	47	-	1 543	-	-	1 590
Written-off	-	-	-	-	-	-
Balance at 31 December 2019	885	1 430	4 659	3 515	333	10 822
<b>Amortization</b>						
Balance at 1 January 2019	(510)	(1 222)	-	-	(60)	(1 792)
Amortization	(113)	(33)	(68)	-	(33)	(247)
Balance at 31 December 2019	(623)	(1 255)	(68)	-	(93)	(2 039)
<b>Carrying amount at 31 December 2019</b>	<b>262</b>	<b>175</b>	<b>4 591</b>	<b>3 515</b>	<b>240</b>	<b>8 783</b>

### Licensing rights

In 2019, the Group signed a contract for purchase of licensing rights in connection with the acquisition of technology for production of rechargeable batteries with bipolar plates. The value recorded in relation to the purchased license rights amounts to BGN 3,515 thousand (USD 2,000 thousand).

In 2020, the Group paid a license fee in the amount of BGN 480 thousand (USD 250 thousand) in connection with the acquired rights.

Expenses in the amount of BGN 384 thousand, related to the development of prototype batteries with bipolar technology of plates, were capitalized as a development activity and included in line item " R&D costs".

Licensing rights and costs associated with the development of prototype batteries are not amortized, as they have an indefinite useful life. The licensing rights are granted on the basis of a concluded contract with an unlimited term of use.

The licensing rights have been tested for impairment as at 31.12.2020 and no impairment has been recorded. A model was developed based which includes the construction of a plant for production of batteries using bipolar technology and the corresponding capital expenditures and the cash outflows associated with them, as well as the realization of the manufactured batteries and related cash inflows and outflows. A discount factor of 10% was used.

### R&D Costs

R&D costs in the lithium-ion business segment amounting to BGN 4,075 thousand (2019: BGN 2,623 thousand) include the development of a modular battery solution for marine application, development of a second generation 40Ah LFP lithium-ion battery, development of a first generation 50Ah LFP lithium-ion battery and others.

R&D costs in the industrial materials recycling segment (reported in the company STC SRL) amounting to BGN 1,837 thousand (2019: BGN 1,584 thousand) include the development of new technologies for desulphurization of sulphate paste and other process improvements for separation and refining of lead-containing materials.

As disclosed in Note 41 Events after the reporting period, the Group believes that the impact of the COVID 19 pandemic on business and global markets may be negative. This, in turn, could limit the Group's ability to implement business projects that require finding additional financial resources or the participation of a strategic partner, which in turn could affect the carrying amount of the Group's reported intangible assets - licensing rights in the amount of BGN 3,995 thousand as at 31.12.2020 and R&D products related to the lithium-ion business segment in the amount of BGN 4 075 thousand as at 31.12.2020.

All amortization expenses are included in the consolidated income statement in line "Depreciation, amortization and impairment of non-financial assets".

## 9.2 Goodwill

**Goodwill**  
**BGN '000**

Balance at 1 January 2020	753
Impairment	(237)
<b>Balance at 31 December 2020</b>	<b>516</b>

	<b>Goodwill</b>
	<b>BGN '000</b>
Balance at 1 January 2019	237
Acquired through business combinations	516
<b>Balance at 31 December 2019</b>	<b>753</b>

The Group performs annual impairment tests. As at 31.12.2020 and 31.12.2019 the recoverable amount of the cash-generating units was determined based on “value in use” calculations that require the use of assumptions. The calculations use cash flow projections based on management-approved financial budgets covering a five-year period. Cash flows after the five-year period are extrapolated using projected growth rates.

Goodwill in the amount of BGN 515 thousand is related to the acquisition of the subsidiary STC S.R.L.

Goodwill in the amount of BGN 237 thousand is recognized with the acquisition of the company Energy Batteries Nigeria. It is fully impaired as at 31.12.2020.

Goodwill in the amount of BGN 1 thousand is related to the acquisition of the subsidiary Monbat South Africa Proprietary Ltd.

### 9.3 Property, plant and equipment

Group's property, plant and equipment comprise land, buildings, machinery, equipment, vehicles, fixtures, and assets under construction. The carrying amount can be analyzed as follows:

For the year ended 31 December 2020

	Land BGN '000	Buildings BGN '000	Machinery BGN '000	Equipment BGN '000	Vehicles BGN '000	Fixtures BGN '000	Assets under construction BGN '000	Total BGN '000
<b>Gross carrying amount</b>								
Balance at 1 January 2020	13 327	83 787	149 329	38 589	11 066	6 404	15 922	318 424
Additions	83	651	1 717	541	109	351	11 929	15 381
Disposals	-	-	(556)	-	(494)	(3)	-	(1 053)
Transfer of assets	-	1 185	6 168	490	527	227	(8 597)	-
Impairment							(1 341)	(1 341)
Currency exchange rate conversion	(22)	(161)	(182)	(151)	(53)	7	(4)	(566)
<b>Balance at 31 December 2020</b>	<b>13 388</b>	<b>85 462</b>	<b>156 476</b>	<b>39 469</b>	<b>11 155</b>	<b>6 986</b>	<b>17 909</b>	<b>330 845</b>
<b>Depreciation</b>								
Balance at 1 January 2020	-	(21 883)	(97 087)	(14 233)	(7 658)	(5 461)	-	(146 322)
Depreciation	-	(3 557)	(10 146)	(2 148)	(853)	(389)	-	(17 093)
Disposals	-	10	308	11	423	2	-	754
Currency exchange rate conversions		50	95	48	15	-	-	208
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>(25 380)</b>	<b>(106 830)</b>	<b>(16 322)</b>	<b>(8 073)</b>	<b>(5 848)</b>	<b>-</b>	<b>(162 453)</b>
<b>Carrying amount at 31 December 2020</b>	<b>13 388</b>	<b>60 082</b>	<b>49 646</b>	<b>23 147</b>	<b>3 082</b>	<b>1 138</b>	<b>17 909</b>	<b>168 392</b>

For the year ended 31 December 2019

	Land BGN '000	Buildings BGN '000	Machinery BGN '000	Equipment BGN '000	Vehicles BGN '000	Fixtures BGN '000	Assets under construction BGN '000	Total BGN '000
<b>Gross carrying amount</b>								
Balance at 1 January 2019	12 506	78 652	133 724	37 126	12 314	5 314	16 983	296 619
Correction of an accounting error (note 4)	(339)	(1 705)	1 614	(1 077)	47	(38)	-	(1 498)
<b>Balance at 1 January 2019 restated</b>	<b>12 167</b>	<b>76 947</b>	<b>135 338</b>	<b>36 049</b>	<b>12 361</b>	<b>5 276</b>	<b>16 983</b>	<b>295 121</b>
Exchange rate difference								
	(27)	(225)	192	(606)	12	(11)	41	(624)
Reclassification to right-of-use assets								
	-	-	-	-	(2 365)	-	-	(2 365)
Reclassification from inventory	-	-	-	-	-	865	-	865
Additions	484	2 511	2 533	1 116	1 027	244	15 134	23 049
Acquired through business combinations	165	2 683	133	89	41	-	9	3 120
Disposals	-	-	(483)	(206)	(53)	-	-	(742)
Transfer of assets	538	1 871	11 616	2 147	43	30	(16 245)	-
<b>Balance at 31 December 2019</b>	<b>13 327</b>	<b>83 787</b>	<b>149 329</b>	<b>38 589</b>	<b>11 066</b>	<b>6 404</b>	<b>15 922</b>	<b>318 424</b>
<b>Depreciation</b>								
Balance at 1 January 2019	-	(18 382)	(87 789)	(12 435)	(7 273)	(4 436)	-	(130 315)
Reclassification to right-of-use assets	-	-	-	-	334	-	-	334
Depreciation	-	(3 501)	(9 610)	(1 987)	(748)	(1 026)	-	(16 872)
Disposals	-	-	312	189	29	1	-	531
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>(21 883)</b>	<b>(97 087)</b>	<b>(14 233)</b>	<b>(7 658)</b>	<b>(5 461)</b>	<b>-</b>	<b>(146 322)</b>
<b>Carrying amount at 31 December 2019</b>	<b>13 327</b>	<b>61 904</b>	<b>52 242</b>	<b>24 356</b>	<b>3 408</b>	<b>943</b>	<b>15 922</b>	<b>172 102</b>

All depreciation expenses are included in the consolidated income statement in line “Depreciation, amortization and impairment of non-financial assets”. The Group has not pledged any intangible assets as collateral for its liabilities.

As at 31.12.2020 and 31.12.2019 the Group has no contractual commitments to acquire assets. Based on the review for impairment of property, plant and equipment, the Group's management has not identified any indications that the carrying amount of the assets exceeds their recoverable amount.

#### *Assets under construction*

Assets under construction are machinery and equipment that have not yet been put into operation, as well as costs for major repairs of existing assets that have not been completed as of 31 December 2020. The segmentation is as follows:

- Assets under construction in the segment “Production of lead-acid batteries” amounts to BGN 5 972 thousand (2019: BGN 8 498 thousand)
- Assets under construction in the segment “Recycling of industrial materials” amounts to BGN 9 486 thousand (2019: BGN 7 132 thousand)
- Assets under construction in the segment “Production of lithium- ion batteries” amounts to BGN 390 thousand (2019: BGN 237 thousand)
- Assets under construction in the segment “Other” amounts to BGN 2 061 thousand (2019: BGN 55)

As disclosed in Note 41 Events after the reporting period, the Group believes that the impact of the COVID 19 pandemic on business and global markets may be negative. This, in turn, could limit the Group’s ability to implement business projects that require finding additional financial resources or the participation of a strategic partner, which in turn could affect the carrying amount of the Group’s reported assets under constructions in the Recycling of industrial materials segment in the amount of BGN 9 486 thousand as at 31.12.2020.

#### *Pledged assets*

The carrying amount of property, plant and equipment pledged as collateral for loans (refer to Note 22) is presented as follows:

	<b>Land BGN ‘000</b>	<b>Buildings BGN ‘000</b>	<b>Machinery BGN ‘000</b>	<b>Vehicles BGN ‘000</b>	<b>Total BGN ‘000</b>
Carrying amount as at 31 December 2020	5 001	19 328	29 490	145	53 964
Carrying amount as at 31 December 2019	5 001	20 525	33 370	168	59 064

#### **9.4 Investment properties**

	<b>Investment properties BGN ‘000</b>
Carrying amount at 1 January 2020	33 680
Depreciation	(788)
<b>Carrying amount at 31 December 2020</b>	<b>32 892</b>
	<b>Investment properties BGN ‘000</b>
Carrying amount at 1 January 2019	-
Additions	34 005
Capitalized expenditures	69
Depreciation	(394)
<b>Carrying amount at 31 December 2019</b>	<b>33 680</b>

#### **10. Lease liabilities and right-of-use assets**

The Group has lease agreements as a lessee for office spaces, machinery and equipment, vehicles and other equipment used in its operations. Leases of motor vehicles and office spaces generally have lease term between 3 and 5 years, while machinery and other equipment generally have lease term up to 1 year. The Group’s liabilities under its leases are secured by the lessor’s title to the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

**Right-of-use assets**

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
<b>As at 1 January 2020</b>	<b>1 099</b>	<b>2 256</b>	<b>3 355</b>
Additions	-	603	603
Disposals		(116)	(116)
Depreciation expense	(341)	(605)	(946)
<b>As at 31 December 2020</b>	<b>758</b>	<b>2 138</b>	<b>2 896</b>

**Right-of-use assets**

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
<b>As at 1 January 2019</b>	1 440	2 746	4 186
Additions	-	101	101
Depreciation expense	(341)	(591)	(932)
<b>As at 31 December 2019</b>	<b>1 099</b>	<b>2 256</b>	<b>3 355</b>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<b>Lease liabilities</b>		
Current liabilities	861	1 237
Non-current liabilities	1 038	1 466
	<b>1 899</b>	<b>2 703</b>
	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<b>As at 1 January</b>	<b>2 703</b>	<b>4 156</b>
Additions	539	99
Disposals	(65)	-
Interest accrued	77	98
Payments	(1 355)	(1 650)
<b>As at 31 December</b>	<b>1 899</b>	<b>2 703</b>

The Group does not have leases that include variable payments.

The Group has several lease contracts that include termination options. The aim of the management is to provide flexibility in the lease portfolio by using termination options in the contracts. Management makes significant judgment in determining whether it is reasonably certain that these extension and termination options will be exercised. The Group considers that in the next reporting period the options for termination of the contracts will not be exercised.

The following are the amounts recognised in profit or loss:

	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Depreciation expense of right-of-use assets	946	932
Interest expense on lease liabilities (note 32)	77	98
Expense relating to short-term leases (included in hired services expense)	955	924
<b>Total amount recognized in profit or loss</b>	<b>1 978</b>	<b>1 954</b>

The Group had total cash outflows for leases of BGN 1 355 thousand in 2020 (2019: BGN 1,650 thousand).

Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments due						Total
	Within 1	1-2	2-3	3-4	4-5	After 5	
	year	years	years	years	years	years	
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	
31 December 2020							
Lease payments	859	687	301	109	26	-	1,981
Finance charges	(43)	(25)	(10)	(3)	(0)	-	(82)
Net present value	<b>815</b>	<b>662</b>	<b>290</b>	<b>105</b>	<b>26</b>	-	<b>1,899</b>
31 December 2019							
Lease payments	1,243	804	553	203	16	-	2,820
Finance charges	(60)	(36)	(17)	(4)	(0)	-	(117)
Net present value	<b>1,183</b>	<b>768</b>	<b>537</b>	<b>199</b>	<b>16</b>	-	<b>2,703</b>

## 11. Financial assets at fair value through other comprehensive income

The amounts recognized in the consolidated statement of financial position relate to a category of long- term assets at fair value through other comprehensive income:

	2020	2019
	BGN '000	BGN '000
Non-listed equity shares	131	131
	<b>131</b>	<b>131</b>

Non-listed equity shares include investments in shares in equity of private companies operating in Bulgaria and Italy. The Group has non- controlling interests (up to 10%) in these companies. These investments are irrevocably measured at fair value in other comprehensive income as the Group considers them to be strategic in nature.

## 12. Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
	BGN '000	BGN '000
<b>Income statement</b>		
Current income tax expense	(2 520)	(1 502)
Deferred tax income/ (expense)	236	632
Income tax expense in the statement of profit or loss	<b>(2 284)</b>	<b>(870)</b>

In 2020 the nominal income tax rates for Bulgaria, Italy, Serbia, Romania, Germany, South Africa and Nigeria are 10%, 27.9%, 15%, 16%, 30%, 28% and 30% respectively (2019: 10%, 27.9%, 15%, 16%, 30%, 28% and 30%). For 2021, they remain unchanged.

The reconciliation between income tax expense and accounting profit multiplied by the applicable tax rate for the years ended 31 December 2020 and 31 December 2019 is set out below

2020

2019

	<b>BGN '000</b>	<b>BGN '000</b>
Accounting profit before tax from continuing operations	3 356	10 600
Profit/ (loss) before tax from discontinued operations	-	1 666
Accounting profit before income tax	3 356	12 266
Tax rate	10%	10%
Expected tax expense	<u>(336)</u>	<u>(1 227)</u>
Revenues and expenses not deductible for tax purposes, not recognized deferred tax assets and effect of difference of the applicable tax rates	(1 948)	357
Income tax expense	<u>(2 284)</u>	<u>(870)</u>
Income tax expense include:		
Current income tax charge	(2 520)	(1 502)
Deferred tax (expense)/ income:		
Effect of temporary differences	236	632
Income tax expense	<u>(2 284)</u>	<u>(870)</u>
Effective tax rate	<u>68.06%</u>	<u>8.21%</u>
Income tax expense in the consolidated statement of profit or loss	<u>(2 284)</u>	<u>(870)</u>
	<u>(2 284)</u>	<u>(870)</u>

The deferred tax balances as of 31.12.2020 and 31.12.2019 are related to the following:

	<b>Statement of financial position</b>		<b>Income statement</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(4 474)	(4 335)	(139)	82
Difference between fair value of property, plant and equipment acquired through business combinations and their tax value	(2 780)	(3 136)	356	606
<b>Deferred tax assets</b>				
Tax losses carried forward	1 783	2 215	(432)	978
Government grants	105	172	(67)	172
Annual paid leave liability	8	48	(40)	44
Impairment of property, plant and equipment	134	-	134	-
Impairment of receivables	540	280	260	(611)
Provisions and accruals	337	183	154	118
Impairment of inventories	-	-	-	(50)
Impairment of investments	10	-	10	(350)
Others	36	36	-	(357)
Deferred tax income			<u>236</u>	<u>632</u>
Deferred tax liabilities, net	<u>(4 301)</u>	<u>(4 537)</u>		

#### Reconciliation of deferred taxes, net

	<u>2020</u>	<u>2019</u>
	<b>BGN '000</b>	<b>BGN '000</b>
At 1 January	(4 537)	(5 978)
Deferred taxes acquired in business combinations	-	809
Deferred taxes during the period recognized in profit or loss	<u>236</u>	<u>632</u>
<b>At 31 December</b>	<b><u>(4 301)</u></b>	<b><u>(4 537)</u></b>

### 13. Inventories

Inventories, recognized in the consolidated statement of financial position can be analyzed as follows:

	<u>2020</u>	<u>2019</u>
	<b>BGN '000</b>	<b>BGN '000</b>
Work in progress	45 662	49 579
Materials	30 147	29 258
Production	21 221	16 209
Goods	2 239	1 745
Goods and materials in transit	-	1 135
<b>Inventories</b>	<b><u>99 269</u></b>	<b><u>97 926</u></b>

Decrease in the expenses as a result of reversal of impairments, which have been recognized in previous periods, has not occurred in 2020 and 2019.

A special pledge has been created on raw materials and inventories - lead, lead alloys and lead-acid batteries and their derivatives, property of Monbat AD as a collateral under working capital bank loan agreement from 07.12.2004 with Eurobank Bulgaria AD.

A special pledge has been created on raw materials and inventories held by Monbat Recycling Bulgaria EAD as collateral with respect to loan facility signed between Monbat Recycling Bulgaria and Raiffeisenbank EAD on 09.11.2015.

A special pledge has been created on raw materials and inventories held by Monbat Recycling Romania as collateral with respect to loan facility N80046/IS/2017 signed between Monbat Recycling Romania and Raiffeisenbank Romania.

A special pledge has been created on raw materials and inventories held by Monbat Recycling Serbia as collateral with respect to loan facility dated 15.04.2019 with Raiffeisenbank Serbia.

The balance sheet value of inventories pledged as a collateral is to the amount of BGN 40,852 thousand as at 31.12.2020 (31.12.2019- BGN 41,781 thousand). For more information, refer to note 22.1.

### 14. Trade loan receivables

Short term commercial loans granted are, as follows:

	<u>2020</u>	<u>2019</u>
	<b>BGN '000</b>	<b>BGN '000</b>
Graphon	279	667
Porco & Pollo OOD	100	100
Recycling company EOOD	50	-
	<b><u>429</u></b>	<b><u>767</u></b>

### Contracts' description

- Contract dated 25.01.2019 with Graphon**  
 Utilized principal: BGN 650 thousand  
 Contract term: one year  
 Interest and commissions: fixed annual interest rate  
 Balance of the principal as at 31.12.2020.: BGN 269 thousand, net of impairment and BGN 10 thousand interest due  
 Redemption: Single payment at the maturity date of the contract.  
 The loan principal has not been yet repaid.
- Contract dated 08.10.2019 with Porco & Pollo OOD**  
 Utilized principal: BGN 100 thousand  
 Contract term: one year.  
 Balance of the principal as at 31.12.2020: BGN 100 thousand  
 Redemption: Single payment at the maturity date of the contract.
- Contract dated 26.02.2020 with Recycling company EOOD**  
 Utilized principal: BGN 50 thousand  
 Contract term: one year  
 Interest and commissions: fixed annual interest rate  
 Balance of the principal as at 31.12.2020: BGN 50 thousand  
 Redemption: Single payment at the maturity date of the contract.  
 The loan principal has not been yet repaid.

## 15. Trade receivables

	2020 BGN '000	2019 BGN '000
Trade receivables, gross	51 576	62 526
Allowance for credit losses	(3 328)	(2 323)
<b>Trade receivables</b>	<b>48 248</b>	<b>60 203</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

During 2020, trade receivables amounting to BGN 31 thousand were written-off and trade receivables amounting to BGN 1 005 thousand were impaired.

During 2019, trade receivables amounting to BGN 83 thousand were written-off and trade receivables amounting to BGN 601 thousand were impaired.

In connection to the acquisition of a subsidiary, impairments of trade receivables amounting to BGN 183 thousand were transferred.

For trade receivables with a gross amount of BGN 39,768 thousand the Group used the simplified approach allowed by IFRS 9 (Note 3.15.1) to measure the loss allowance with respect to trade receivables whose credit risk has not increased significantly (refer to note 39).

For the remaining part of trade receivables, the Group has measured the loss allowance with respect to certain trade receivables whose credit risk has increased significantly using the lifetime expected credit losses (ECL).

The impact of the assessment is an impairment for the amount of BGN 1 005 thousand in 2020 (2019: 601 thousand), that has been recognized within "Impairment of financial assets and advances".

The movement in the allowance for credit losses can be reconciled as follows:

	2020 BGN '000	2019 BGN '000
Balance at 1 January	(2 323)	(1 539)
Impairment loss	(1 005)	(601)
Impairment losses transferred through acquisition of a subsidiary	-	(183)
Balance at 31 December	<b>(3 328)</b>	<b>(2 323)</b>

The carrying amount of trade receivables pledged as collateral for loans (refer to note 22) amounts to BGN 27 700 thousand (2019- BGN 24 614 thousand).

As disclosed in Note 41 Events after the reporting period, the Group believes that the impact of the COVID 19 pandemic on business and global markets may be negative. This in turn could lead to a negative change in the actual cash flows from trade receivables and in particular receivables whose credit risk has increased significantly and for which the Group has estimated the loss allowances using the lifetime expected credit losses (ECL) model, insofar as they are not insured and are unsecured. Such a development could lead to a negative change in the reported carrying amounts of receivables from the same.

### 15.1. Advances

	2020 BGN '000	2019 BGN '000
Advances granted, gross	2 623	2 551
Impairment, net	(273)	(91)
<b>Advances granted</b>	<b>2 350</b>	<b>2 460</b>

### 16. Tax receivables

	2020 BGN '000	2019 BGN '000
VAT recoverable	7 133	8 132
Customs collections	26	1
Other taxes	16	95
	<b>7 175</b>	<b>8 228</b>

Significant part of tax receivables is VAT recoverable for the period December 2020, recovered in 2021.

### 17. Other receivables

	2020 BGN '000	2019 BGN '000
Prepaid expenses	1 141	1 618
Guarantees	2 868	694
Government grants receivables	1 171	1 017
Other	1 730	871
	<b>6 910</b>	<b>4 200</b>

Other receivables in the amount of BGN 141 thousand were impaired in 2020 (2019: BGN 0 thousand). The impairment is presented under “Impairment of financial assets and advances” in the consolidated income statement.

Government grants receivables represent receivables of the newly acquired subsidiary STC S.R.L. from the Ministry of Economic Development of the Italian Republic under a contract for the financing of research expenditure (Refer to note 22.2).

In 2020, the company Monbat NBP provided a guarantee deposit in the amount of BGN 2,000 thousand in connection with a certain detention measure of Atanas Bobokov imposed by the Appellate Specialized Court on 26.11.2020 in pre-trial proceedings (Note 41). The amount of the guarantee deposit is included in the line "Guarantees".

### 17.1 Derivatives

The carrying amount of the Group's derivatives can be analyzed as follows:

	2020 BGN '000	2019 BGN '000
Fair value of LME lead cash flow swap	157	-
Derivative financial assets	<u>157</u>	<u>-</u>

All derivatives are measured at fair value.

In 2020, the Group uses a LME lead cash flow swap to contract a fixed reference price to reduce the risk of a decrease in the LME (London Metal Exchange) lead index, which would have an impact on the sale price of the Group's production.

### 18. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2020 BGN '000	2019 BGN '000
Cash at bank and in hand:		
- BGN	3 196	5 819
- EUR	9 048	14 206
- USD	10 259	2 584
- RON and Serbian dinar (RSD)	1 245	730
- GBP	1	2
- Nigerian Naira (NGN)	153	432
- South African rand (ZAR)	106	140
<b>Cash and cash equivalents</b>	<u><u>24 008</u></u>	<u><u>23 913</u></u>

The Group has assessed the expected credit losses on cash and cash equivalents. The estimated value is less than 0.2% of the gross value of the cash deposited with financial institutions, therefore it is determined as immaterial and is not recorded in the consolidated financial statements of the Group.

As at 31 December 2020 the Group has restricted cash and cash equivalents to the amount of BGN 2,750 thousand (As at 31.12.2019- BGN 1,419 thousand).

### 19. Equity

#### 19.1 Share capital

The issued capital of the Group consists of 39 000 000 ordinary shares with a nominal value of BGN 1 per share. All shares are equally eligible to receive dividends and liquidation proceeds and represent one vote at the shareholders' meeting of the Group.

	2020	2019
	Number of shares	Number of shares
Number of shares issued and fully paid:		
Beginning of the year	38 989 054	38 989 054
Number of shares issued and fully paid	-	-
<b>Total number of shares authorized as at 31 December</b>	<b>38 989 054</b>	<b>38 989 054</b>

The list of the principal shareholders of the parent company is as follows:

	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	Number of shares	%	Number of shares	%
Prista Oil Holding EAD	16 666 371	42.73	16 666 371	42.73
Prista Holdco Cooperatief U.A..	8 103 758	20.78	8 103 758	20.78
Monbat Trading OOD	2 752 800	7.06	2 752 800	7.06
UPF Doverie	2 582 864	6.62	2 553 813	6.55
ZUPF Allianz Bulgaria	2 069 948	5.31	2 069 948	5.31
Other individuals and entities	6 824 259	17.50	6 853 310	17.57
	<b>39 000 000</b>	<b>100</b>	<b>39 000 000</b>	<b>100</b>
Shares redeemed from other entities and individuals	(10 946)	(0.03)	(10 946)	(0.03)
	<b>38 989 054</b>	<b>99.97</b>	<b>38 989 054</b>	<b>99.97</b>

The total number of the shares with voting rights held directly and through related parties by PRISTA OIL HOLDING EAD is 19 419 171 shares or 49,79 %. There is a pledge established under the Financial Collateral Agreements Act in favor of UniCredit Bulbank AD on the shares owned by Monbat Trading Ltd and PRISTA OIL HOLDING EAD. The pledge has been constituted in connection to a loan granted by UniCredit Bulbank AD to Prista Invest 2016 AD.

### 19.2 Share premium

Share premium of the Group consists of proceeds, received in addition to nominal value of the shares issued in 2006. The proceeds are included in share premium, decreased with registration and other regulatory fees. The excess over the nominal value of BGN 1, for each redeemed share units and the fees for the investment mediator, increase the share premium value to BGN 28 538 thousand as of 31.12.2020 (31.12.2019 – BGN 28 538 thousand).

In 2015 the Group had buyback of own shares 10 946 through the subsidiary Start AD. The excess over the nominal value of BGN 1 for each redeemed share units decrease the share premium.

### 19.3 General reserves

All amounts are in BGN '000

	Legal reserves	Other reserves	Total
<b>Balance at 1 January 2019</b>	<b>3 900</b>	<b>65 156</b>	<b>69 056</b>
Transfer of profit	-	-	-

<b>Balance at 31 December 2019</b>	<b>3 900</b>	<b>65 156</b>	<b>69 056</b>
Transfer of profit	-	-	-
<b>Balance at 31 December 2020</b>	<b>3 900</b>	<b>65 156</b>	<b>69 056</b>

### Legal reserves

Legal reserves represent 10% legal reserves set aside from current earnings as required by the Commercial law until it reaches 10% of the share capital.

### Other reserves

Other reserves at 31.12.2020 amounted to BGN 65 156 thousand are formed by the retained earnings of the Group in 2006, 2008, 2009, 2010, 2012, 2013, 2014, 2016, 2018,2019 and other changes.

### Foreign currency translation reserve

The reserve from foreign currency translation includes currency translation differences, resulting from the Group's foreign activities. In 2020 translation differences to the amount of BGN 5 241 thousand have been generated from the recalculation of non-monetary items, measured at fair value in foreign currency and recognized using the translation rate at the date of fair value estimation.

## 20. Provisions

Carrying amounts can be represented as follows:

	<b>Warranty provisions</b>	<b>Provisions for the disposal of hazardous waste</b>	<b>Provision for reutilization of separator</b>	<b>Others</b>	<b>Total</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
Carrying amount at 1 January 2020	<b>591</b>	<b>382</b>	<b>-</b>	<b>334</b>	<b>1 307</b>
Utilized/ (used) amounts	(88)	1 235	1 540	(326)	2 361
<b>Carrying amount at 31 December 2020</b>	<b>503</b>	<b>1 617</b>	<b>1 540</b>	<b>8</b>	<b>3 668</b>

	<b>Warranty provisions</b>	<b>Provisions for the disposal of hazardous waste</b>	<b>Provision for reutilization of separator</b>	<b>Others</b>	<b>Total</b>
	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>	<b>BGN '000</b>
Carrying amount at 1 January 2019	183	562		334	1 079
Utilized /(used) amounts	408	(180)		-	228
<b>Carrying amount at 31 December 2019</b>	<b>591</b>	<b>382</b>		<b>334</b>	<b>1 307</b>

	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<b>Non-current</b>		
Warranty provision	300	300
Provision for reutilization of separator (note 41)	117	-
	<b>417</b>	<b>300</b>

	2020 BGN '000	2019 BGN '000
<b>Current</b>		
Provision for reutilization of separator (note 41)	1 423	-
Warranty provision	203	291
Provision for the disposal of hazardous waste	1 617	382
Others	8	334
	<b>3 251</b>	<b>1 007</b>

Warranty provisions represent amounts, which are expected by the Group to be incurred for warranty service and replacement of the main products in the next years. Recognized provision is calculated on the best estimate basis, which the Group's management can make based on previous experience and anticipated product sales.

Provisions for disposal of hazardous waste represent amounts, which are expected by the Group to be incurred as expenses with respect to the disposal of separator and slag. Recognized provision is calculated on the best estimate basis, which the Group's management can make based on expected cost of disposing of hazardous waste available at the reporting period end.

## 21. Personnel

### 21.1 Payroll expenses

Payroll expenses include:

	2020 BGN '000	2019 BGN '000
Salary expenses	(32 840)	(29 750)
Social security expenses	(7 055)	(6 384)
Defined contribution plan	(114)	(155)
<b>Payroll expenses</b>	<b>(40 009)</b>	<b>(36 289)</b>

### 21.2 Current payables to personnel

Personnel payables recognized in the statement of financial position consist of the following:

	2020 BGN '000	2019 BGN '000
Salaries payables	2 546	2 117
Social security payables	943	928
Annual paid leave liability	1 291	1 091
<b>Payables to personnel and social security institutions</b>	<b>4 780</b>	<b>4 136</b>

The current portion of these liabilities represents the Group's liability to its employees that are expected to be settled during 2021. Other short-term personnel payables arise mainly from accrued paid leave at the end of the reporting period.

### 21.3 Non-current payables to personnel

	2020 BGN '000	2019 BGN '000
<b>As at 1 January</b>	<b>765</b>	<b>-</b>
Acquisition of a subsidiary	-	617
Defined contribution plan	114	155

Payments	(7)	(7)
<b>As at 31 December</b>	<b>872</b>	<b>765</b>

The Group operates a defined contribution plan arising from the requirement of the Italian labor legislation. Contribution payables to a defined contribution plan are recognized as an expense in the statement of comprehensive income as a percentage of the incurred salary expenses of the Group's employees. The Group's subsidiaries in Italy have a staff of less than 50 employees, which allows the company not to make mandatory contributions to a state pension fund.

Under Italian law, employees can choose not to pay the contributions due into a private pension fund, with the liability to be paid directly to them by the company when an event for payment occurs. The employees of the subsidiaries in Italy have chosen not to pay the due contributions to pension funds.

## 22. Borrowings and government grants

Borrowings include the following financial liabilities:

	Current		Non-current	
	2020	2019	2020	2019
	BGN '000	BGN '000	BGN '000	BGN '000
Financial liabilities measured at amortized cost:				
Bank loans	108 334	113 124	16 484	18 334
Accrued but unpaid interest on bank loans	250	104	-	-
Loans from other financial institutions	1 886	1 571	4 068	4 726
<b>Total carrying amount</b>	<b>110 470</b>	<b>114 799</b>	<b>20 552</b>	<b>23 060</b>

### 22.1 Borrowings at amortized cost

#### Summary of bank loan contracts

##### 1. Raiffeisen bank EAD

###### Contract dated 25.02.2014

Maturity date: 15.02.2016

Loan amount: EUR 3 200 000

Type of credit: Revolving loan

Interest: 1-month EURIBOR + mark-up

Collateral: Rank collateral of mortgage of own real estate, cadaster № 48489.5.597, cadaster № 48489.5.281, cadaster № 48489.5.396, together with buildings on it, on the territory of Montana str. Industrialna, owned by Monbat AD and Monbat Recycling EAD.

With annex dated 30.06.2016 the amount of the loan was increased to EUR 4 200 000

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

Maturity date: 15.05.2021

First rank pledge agreement on Monbat's receivables on bank accounts held with the bank.

Pledge on fixed assets owned by Monbat AD and Monbat Recycling EAD.

Utilized amount as of 31.12.2020 at the amount of EUR 9 149 891 or BGN 17 895 633.

##### 2. Eurobank Bulgaria AD

###### Contract № 339/07.12.2004

Maturity date: 01.09.2006

Loan amount: EUR 2 200 000

Type of credit: Credit line

Interest: Variable reference interest rate + mark-up

Collateral: Pledge on assets and inventories owned by Monbat AD

With annex dated 16.06.2017 the amount of the loan was increased to BGN 18 971 401

Maturity date: 01.09.2021

Utilized amount as of 31.12.2020 at the amount of BGN 18 718 580.

### **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 + 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 Procurator 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 Procurator 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.

A special pledge entered in the Central Register of Special Pledges- fixed assets, machinery and equipment, movables. There is annex dated 29.07.2014 and the loan is transferred from EUR in BGN

Maturity date: 01.09.2021

Amount borrowed: 1 955 830 BGN

Type of credit: Credit line

Interest: Variable reference interest rate + mark-up

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

Utilized amount as of 31.12.2020 at the amount of BGN 1 917 422

### **4. HYPO NOE Gruppe Bank AG**

**Contract from 16.05.2014**

Maturity date: 03.10.2018

Loan amount: 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 held in Monbat Recycling EAD; Pledge agreement for shares held in Monbat Immobilien

With annex dated 20.07.2018 and annex dated 10.07.2020 the amount of the loan was decreased.

Maturity date: 30.11.2021

Amount borrowed: EUR 8 000 000

Interest: 6 M EURIBOR + mark-up

Utilized amount as of 31.12.2020 at the amount of EUR 400 000 or BGN 782 332

Accrued but unpaid interest as of 31.12.2020 at the amount of BGN 142 225

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

**Contract №1675/16.09.2015**

Maturity date: 10.09.2021

Loan amount: EUR 2 500 000

Type of credit: For working capital

Interest: 1 M EURIBOR + mark-up

Collateral: Pledge agreement on receivables and property, plant and equipment

Utilized amount as of 31.12.2020 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

Loan amount: BGN 2 000 000  
Type of credit: For working capital  
Interest: Variable reference interest rate + mark-up  
With annex dated 13.11.2019 a loan amount of up to BGN 9 000 000 is increased.  
Maturity date: 10.09.2021  
First rank pledge on the fixed assets of Monbat AD  
Next in line special pledge on receivables.  
Utilized amount as of 31.12.2020 at the amount of BGN 8 997 883

#### **7. Raiffeisen bank EAD**

##### **Contract dated 09.11.2015**

Maturity date: 15.05.2020  
Loan amount: BGN 490 000  
Type of credit: Overdraft  
Interest: Variable reference interest rate + mark-up  
Maturity date: 15.05.2020  
Collateral: No collateral  
Utilized amount as of 31.12.2020 at the amount of BGN 489 569

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

##### **Contract dated 21.07.2016**

Maturity date: 31.07.2023  
Loan amount: EUR 3 600 000  
Type of credit: Investment loan  
Interest: 6 M EURIBOR + mark-up  
Collateral: Second pledge agreement for 85% of Monbat's shares held in Monbat Recycling EAD; Pledge agreement for shares held in Monbat Immobilien  
With annex dated 21.07.2018 and the amount of the loan was increased.  
Amount borrowed: EUR 5 000 000  
Type of credit: For working capital  
Interest: 6 M EURIBOR + mark-up  
With an annex dated 10.07.2020 the loan's new maturity date is changed to 30.11.2021  
Maturity date: 30.11.2021  
Utilized amount as of 31.12.2020 at the amount of EUR 4 052 404 or BGN 7 925 814  
Accrued but unpaid interest as of 31.12.2020 at the amount of BGN 108 044

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

##### **Contract 359/2017 dated 05.10.2017**

Loan amount: EUR 2 556 459  
Type of credit: Credit line  
Interest: 3 M EURIBOR + mark-up  
Maturity date: 30.09.2021  
Collateral: First pledge agreement for Monbat's receivables from the third parties.  
Utilized amount as of 31.12.2020 at the amount of EUR 1 944 027 or BGN 3 802 186

#### **10. UBB AD**

##### **Contract 20F-00428 dated 10.04.2020**

Maturity date: 30.09.2021  
Loan amount: EUR 2 000 000  
Type of credit: Credit line  
Interest: 1 M EURIBOR + mark-up  
Collateral: Pledge on receivables on all borrower's accounts opened in the bank; insurance with BAEZ, covering the exposure under the contract up to EUR 2 million

With an annex dated 15.12.2020, the amount of the loan is divided into two sub-limits of 1 million euro with the right to draw down the first sub-limit until 30.06.2021 and final repayment until 31.12.2021 and with the right to draw down the second sub-limit in case of successful review, which the bank will carry out until 30.06.2021  
Utilized amount as of 31.12.2020 at the amount of EUR 941 880 or BGN 1 842 158

## **11. UBB AD**

### **Contract dated 10.04.2020**

Maturity date: 30.09.2026

Loan amount: EUR 13 000 000

Type of credit: Credit line

Interest: 6 M EURIBOR + mark-up

Collateral:

Another mortgage of land with an area of 38 665 m<sup>2</sup>, owned by Start AD and Monbat Recycling EAD, together with the buildings and improvements built on it and the future buildings planned for construction.

Another mortgage on land with an area of 11 343 m<sup>2</sup>, owned by Start AD and Monbat Recycling EAD

Another mortgage of a building with an area of 3 510 m<sup>2</sup>, owned Monbat Recycling EAD warehouse.

Special pledge on machinery, equipment and equipment, means of transport, business inventory owned by Start AD

First special pledge of items and inventories, with a carrying amount of EUR 4 million, owned by Start AD

Special pledge on a set of receivables of the borrower from third parties, amounting to 13 million euro.

With an annex dated 15.12.2020 the amount of the loan was changed to EUR 10 000 000 and the loan is divided into two sub-limits of EUR 5 833 thousand and EUR 4 167 thousand respectively with the right to draw down the first sub-limit by 30.12.2020 and repayment of EUR 1 million on a 6-month basis starting on 30 January 2021 and with the right to draw down the second sub-limit in case of successful review, which the Bank will carry out by 30.06.2021.

Utilized amount as of 31.12.2020 at the amount of EUR 5 833 310 or BGN 11 408 963

**12. Bank credit card accounts** with credit limits BGN 50 000 and utilized amounts as of 31.12.2020 at the amount of BGN 2 thousand.

## **13. UBB AD**

Contract № 1317/18.03.2016

Maturity date: 19.01.2021

Loan amount: EUR 4 500 000

Type of credit: for working capital

Interest: 3 M EURIBOR+ fixed mark- up

Collateral:

Land with ident. № 72624.603.300., including the buildings on it

Land with ident. №72624.603.190., including the buildings on it

Land with ident. № 72624.603.191., including the buildings on it

Land with ident. № 72624.603.193., including the buildings on it

Land with ident. № 72624.603.196., including the buildings on it

Special pledge on plant and equipment. Pledges on bank accounts held with the bank.

Balance as at 31.12.2020 at the amount of EUR 4 499 106 or BGN 8 799 488

## **14. UBB AD**

Contract 1318/18.03.2016

Maturity date: 20.03.2021

Loan amount: EUR 5 035 000

Type of credit: Investment loan

Interest: 3 M EURIBOR+ fixed mark- up

Collateral:

Land with ident. № 72624.603.300., including the buildings on it

Land with ident. № 72624.603.190., including the buildings on it

Land with ident. № 72624.603.191., including the buildings on it

Land with ident. № 72624.603.193., including the buildings on it

Land with ident. № 72624.603.196., including the buildings on it

Special pledge on plant and equipment. Pledges on bank accounts held with the bank.

Balance as at 31.12.2020 at the amount of EUR 314 480 or BGN 615 461

## **15. Raiffeisen Bank SA Romania**

**Contract № 80046/IS/2017**

Maturity date: 30.05.2021

Loan amount: EUR 5 000 000

Type of credit: Credit line

Interest and commissions: 1-week EURIBOR + fixed mark- up

Collateral: Corporate guarantee issued by Prista Oil Holding EAD as well as - recycling equipment for recycling of scrap batteries.

Special pledge on inventory and equipment

Balance as at 31.12.2020 at the amount of EUR 5 000 000 or BGN 9 779 150

#### **16. Raiffeisen Bank EAD**

**Contract dated 15.07.2015**

Maturity date: 30.05.2021

Loan amount: EUR 3 000 000

Type of credit: Credit line

Interest and commissions: 1 M EURIBOR + fixed mark- up

Collateral: First rank pledge on bank accounts held in the bank

Third rank pledge on Engitec installation

First rank pledge on inventory

Balance as at 31.12.2020 at the amount of EUR 3 000 000 or BGN 5 867 490

#### **17. Raiffeisen Bank EAD**

**Contract dated 30.06.2016**

Maturity date: 25.05.2022

Loan amount: EUR 2 200 000

Type of credit: Credit line

Interest and commissions: 1 M EURIBOR + fixed mark- up

Collateral: First rank pledge on receivables

First rank pledge on assets including Engitec line, oxygen burner BJ

First rank pledge on machines purchased with proceeds from the credit line

Balance as at 31.12.2020 at the amount of EUR 1 029 662 or BGN 2 013 844

#### **18. Eurobank Bulgaria AD**

**Contract № 196/2016/ 17.09.2016**

Maturity date: 30.09.2021

Loan amount: EUR 1 500 000

Type of credit: for working capital

Interest 3 M EURIBOR + fixed mark- up

With an annex dated 27.09.2017 the loan was increased to EUR 2 500 000

Repayment schedule: Currently paid depending on the available cash.

Collateral: First rank pledge on receivables from third parties.

Balance as at 31.12.2020 at the amount of EUR 1 743 796 or BGN 3 410 569

#### **19. Raiffeisen Bank Serbia**

**Contract dated 15.04.2019**

Maturity date: 30.05.2021

Loan amount: EUR 3 000 000

Type of credit: for working capital

Interest 1 M EURIBOR + fixed mark- up

Collateral: First rank pledge on inventories

Balance as at 31.12.2020 at the amount of EUR 2 016 000 or BGN 4 030 965

#### **20. ProCredit Bank Serbia**

**Contract dated 24.06.2020**

Maturity date: 24.06.2023

Loan amount: EUR 1 500 000

Type of credit: for working capital

Interest 1 M EURIBOR + fixed mark- up

Collateral: Promissory note issued by the entity  
Balance as at 31.12.2020: EUR 1 500 000 or BGN 2 933 745

#### **21. ProCredit Bank Serbia**

##### **Contract dated 24.06.2020**

Maturity date: 24.06.2021  
Loan amount: EUR 450 000  
Type of credit: Revolving line of credit  
Interest 6 M EURIBOR + fixed mark-up  
Collateral: Promissory note issued by the entity  
Balance as at 31.12.2020: EUR 450 000 or BGN 880 123

#### **22. MEDIOCREDITO ITALIANO S.P.A.**

##### **Contract dated 30.04.2019**

Maturity date: 31.03.2029  
Loan amount: EUR 3 500 000  
Type of credit: for working capital  
Interest: 3M EURIBOR+ fixed mark- up  
Balance as at 31.12.2020 at the amount of EUR 2 275 207 or BGN 5 819 000

#### **23. MEDIOCREDITO CENTRALE SPA**

##### **Contract dated 30.06.2018**

Maturity date: 08.06.2028  
Loan amount: EUR 457 688  
Type of credit: for working capital  
Interest: fixed interest rate  
Balance as at 31.12.2020 at the amount of EUR 429 264 or BGN 839 568

#### **24. Others**

In addition to the bank loan described in note 23, STC S.R.L. uses different in type, structure and maturity - secured and unsecured short-term and long-term bank loans from different banking institutions to the total amount of BGN 1,085 thousand as at 31.12.2020.

#### **Summary of loan contracts from other financial institutions**

#### **25. UBB Interlease EAD**

##### **Contract dated 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 31.12.2020 in the amount of EUR 974 625 or BGN 1 906 201

#### **26. UBB Interlease EAD**

##### **Contract dated 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 pcs. and rectifier Systems Type CDR400/360V-10CH -5 pcs.  
Utilized amount to 31.12.2020 in the amount of 175 815 EUR or 343 864 BGN.

#### **27. Raiffeisen Leasing Bulgaria EOOD**

##### **Contract 036294-RF-001/21.12.2018**

Maturity date: 21.12.2023

Amount borrowed: EUR 743 143  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: Con-Cast System  
Utilized amount as at 31.12.2020 of EUR 416 713 EUR or BGN 815 021

**28. Raiffeisen Leasing Bulgaria EOOD**

**Contract 036294-RF-002/21.12.2018**

Maturity date: 21.12.2023  
Amount borrowed: EUR 534 967  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: Double Wide Con-Roll System  
Utilized amount as at 31.12.2020 of EUR 285 043 or BGN 557 495

**29. UBB Interlease EAD**

**Contract 0026504/E/30.03.2020**

Maturity date: 30.03.2024  
Amount borrowed: EUR 334 779  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: machines and equipment for the production of lead-acid batteries.  
Utilized amount as at 31.12.2020 of EUR 205 498 or BGN 401 920

**30. UBB Interlease EAD**

**Contract 0026504/D/13.01.2020**

Maturity date: 13.01.2025  
Amount borrowed: EUR 321 557  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: tooling for casting ConCast gratings and rectifier systems.  
Utilized amount as at 31.12.2020 of EUR 236 344 or BGN 462 249

**31. Volvo Financial Services Bulgaria EOOD**

**Contract 2274306 dated 07.10.2019**

Maturity date: 16.11.2024  
Amount borrowed: EUR 491 250  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: 5 pc. Volvo trucks  
Utilized amount as at 31.12.2020 of EUR 376 345 or BGN 736 068

**32. Volvo Financial Services Bulgaria EOOD**

**Contract 2454239-4 dated 05.06.2020**

Maturity date: 16.06.2025  
Amount borrowed: EUR 182 304  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: 2 pcs of Volvo trucks and 2 pcs of trailers  
Utilized amount as at 31.12.2020 of EUR 167 942 or BGN 328 467

**33. Raiffeisen Leasing Bulgaria EOOD**

**Contract 031216-RF-021/23.10.2018**

Maturity date: 23.10.2021  
Amount borrowed: EUR 712 500  
Type of credit: Credit line  
Interest: fixed interest rate  
Collateral: Installation for polypropylene processing and re-granulate production  
Utilized amount as at 31.12.2020 of EUR 245 319 or BGN 479 803

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

Despite the difficult economic situation caused by the pandemic, the companies of the Group that operate on the territory of the Republic of Bulgaria did not apply the terms of the moratorium related to the Bulgarian National Bank's decision for postponement of payment of liabilities to banks and other financial institutions. The companies operating abroad also did not apply the terms of similar moratoriums adopted by the relevant regulatory authorities of the respective countries with the exception of Monbat PLC DOO, which applied the terms of a moratorium on the payment of principal until 30.09.2020 to a bank loan from Raiffeisen Bank Serbia.

## 22.2 Government grants

In 2013, Monbat AD and Start AD won a project under Procedure BG161PO003-1.1.04 "Implementation of innovations in enterprises", OP "Development of the competitiveness of the Bulgarian economy" worth BGN 7 092 500. The value of the grant under the project procedure is BGN 3 542 940 and was received in 2015. The project refers to two types of batteries with AGM technology - stationary batteries (telecommunication) and car batteries with AGM technology.

Under Operational Program "Development of the competitiveness of the Bulgarian economy 2007–2013", Monbat AD received a grant in the sum of BGN 4 227 thousand under the procedure "Technology upgrade in large enterprises". The purpose of the grant is to invest in new equipment for production of grating and plates for dry-charged and lead-acid batteries.

STC S.R.L received a government grant in 2005 and 2017 from the Italian government to improve the buildings of the company.

The short-term and long-term portion of the government grants can be presented in the following way:

	<b>2020</b>	<b>2020</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>Current</b>	<b>Non-current</b>
Carrying amount	867	1 377
	<b>867</b>	<b>1 377</b>
	<b>2019</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>Current</b>	<b>Non-current</b>
Carrying amount	816	1 903
	<b>816</b>	<b>1 903</b>
	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<b>At 1 January</b>	<b>2 719</b>	<b>3 358</b>
Acquisition of a subsidiary	-	183
Received during the year	435	136
Released to the statement of profit or loss (Note 27.1)	(910)	(958)
<b>At 31 December</b>	<b>2 244</b>	<b>2 719</b>

There are no unfulfilled conditions or contingencies attached to these grants at the authorization date of these consolidated financial statements.

### 23. Convertible bonds

Monbat AD issued first order corporate convertible bonds with ISIN BG2100023170, issued under the conditions of initial public offering as follows: Number of bonds: 28 015 (twenty-eight thousand and fifteen) with denomination 1 000 (one thousand) euro each. The 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.

Repayment: 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 based on 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 if the conversion option is exercised.

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 taking into account the corresponding 20% principal instalment.

The short-term and long-term part of the bond can be presented in the following way:

	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>Non-current</b>	<b>Non-current</b>
Carrying amount of Amortized Bond Obligation	51 759	50 404
Fair Value of Conversion Option	6 454	6 454
	<b>58 213</b>	<b>56 858</b>

The Group's management has assessed the fair value of the conversion option provided to the bond holders at the 48<sup>th</sup> month after issuance at initial recognition of the option and as at 31.12.2020. The constructed valuation model assumes that the share price of the Company follows a Brownian Motion. The valuation model uses an iterative Monte Carlo simulation using a large number of sample results to approximate the aim solution.

The value of the conversion option at initial recognition and as at 31.12.2020 is equal to BGN 6,454 thousand.

The fair values of the conversion options at month 66 and month 78 after issuance have not been assessed as the management expects that the call option will be exercised. The fair value of the conversion option is subtracted from face value of the bond obligation and the residual value is assigned to the debt host liability component which is measured at amortized cost using the effective interest method.

For the remaining embedded features (e.g., call option (with regards to prepayment) and floor option (with regards to minimal level of interest rate) the Company concluded they are closely related to host contract. The difference in the amortized cost of debt host contract including cash flows resulting from executing the call option (at each date for which it is applicable) was assumed as insignificant compared to amortized cost of debt host contract before relevant call option execution. Floor options were assessed as not being in-the-money at initial recognition date, i.e., options strike price (6M EURIBOR plus 300 b.p.) was assessed as being lower than interest rate level required for comparable plain vanilla debt.

Transaction costs related to the conversion option derivative liability component to the amount of BGN 47 thousand have been expensed as part of "Interest Expenses" in 2018. Transaction costs to the amount of BGN 353 thousand related to the liability component of the Bond are included in the carrying amount of the liability component and are amortized over the life of the convertible bond note using the effective interest method.

The calculated and applied effective interest rate on the bond liability component carried at amortized costs is equal to app. 6% per annum.

The time horizon for calculation of the effective interest rate is 5 years from the bond obligation issue due to the fact that the Management expects that the call option at year 5 of the bond obligation will be exercised.

#### 24. Trade payables

Trade payables recognized in the consolidated statement of financial position include:

	2020 BGN '000	2019 BGN '000
Payables to suppliers	<u>26 220</u>	<u>35 582</u>

The net book value of the trade payables is considered to be a reasonable approximate estimate of their fair value. Trade payables are non- interest bearing and are usually settled within 60 days.

#### 25. Tax liabilities

Tax liabilities include:

	2020 BGN '000	2019 BGN '000
VAT	2 724	1 388
Income tax for individuals	150	72
Other taxes	435	490
	<u>3 309</u>	<u>1 950</u>

#### 26. Other liabilities

Other liabilities can be summarized as follows:

	2020 BGN '000	2019 BGN '000
Dividends payables to shareholders	34	71
Interest payable on convertible bond	737	738
Other short-term liabilities	1 173	1 704
	<u>1 944</u>	<u>2 513</u>

Other liabilities at 31.12.2019 include payable related to acquisition of Science Technology & Consulting Srl to the amount of BGN 463 thousand.

In 2020, with an agreement concluded with the sellers of the shares of STC Srl. A liability to the amount of BGN 215 thousand was agreed not to be due and was written off as income (note 27.1- other operating income). The remaining amount of the debt was paid in 2020.

##### 26.1 Contract liabilities

Contract liabilities can be summarized as follows:

	2020 BGN '000	2019 BGN '000
Advances received	3 646	933
	<u>3 646</u>	<u>933</u>

## 27. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2020 BGN '000	2019 BGN '000 restated
<b>Type of revenue</b>		
Revenue from sale of finished goods	296 716	320 075
Revenue from sale of materials	1 345	1 450
Revenue from rendering of services	4 384	4 530
Other revenue	294	4 001
<b>Total revenue from contracts with customers</b>	<b>302 739</b>	<b>330 056</b>

Revenues from sale of batteries for 2019 include the variable component, related to the accrued, but unpaid product fee for 2018 in the amount of BGN 1 134 thousand.

In 2020, sales of materials in the amount of BGN 1,445 thousand (2019: BGN 1,705 thousand) and sales of goods in the amount of BGN 598 thousand (2019: BGN 1,311 thousand) are reported net of the carrying amount of the sold materials and goods and the profit from the transactions in the amount of BGN 16 thousand (2019: BGN 43 thousand) is included in the line "Revenues from rendering of services".

	2020 BGN '000	2019 BGN '000
<b>Geographic markets</b>		
Bulgaria	19 053	31 494
Germany	22 715	30 408
France	22 596	27 481
Others	238 375	240 673
<b>Total revenue from contracts with customers</b>	<b>302 739</b>	<b>330 056</b>

	2020 BGN '000	2019 BGN '000
<b>A point in time for revenue recognition</b>		
Finished goods and materials transferred at a certain point in time	298 061	321 525
Services transferred over time	4 384	4 530
Other income transferred at a certain point in time	294	4 001
<b>Total revenue from contracts with customers</b>	<b>302 739</b>	<b>330 056</b>

The Board of Directors of Monbat AD is the chief operational decision maker. The chief operational decision maker determines the operating segments based on the production activity of the Company. The Board of Directors monitors the performance of its business units separately for the purposes of decision-making regarding the allocation of resources and evaluation of performance. The information on revenues by segments of districts can be analyzed for the presented reporting periods as follows:

2020	Lead- acid batteries	Lead, semi- finished goods and by-products	Lithium- ion batteries	Materials	Services	Others	Total 2020
Revenue:	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
External customers	269 747	23 977	625	921	4 384	3 085	302 739

Inter-segment	66 401	240 395	-	11 474	670	755	330 695
	336 148	264 372	625	12 395	054	840	633 434
Inter-segment adjustments and eliminations	(66 401)	(240 395)	-	(11 474)	(8 670)	(3 755)	(330 695)
<b>Total revenue from contracts with customers</b>	<b>269 747</b>	<b>23 977</b>	<b>625</b>	<b>921</b>	<b>4 384</b>	<b>3 085</b>	<b>302 739</b>

	Lead-acid batteries	Lead, semi-finished goods and by-products	Lithium-ion batteries	Materials	Services	Others	Total 2019
Revenue:	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
External clients	286 870	30 207	2 016	1 450	4 530	4 983	330 056
Inter-segment	63 778	204 082	-	34 843	6 316	4 613	313 632
	350 648	234 289	2 016	36 293	10 846	9 596	643 688
Inter-segment adjustments and eliminations	(63 778)	(204 082)	-	(34 843)	(6 316)	(4 613)	(313 632)
<b>Total revenue from contracts with customers</b>	<b>286 870</b>	<b>30 207</b>	<b>2 016</b>	<b>1 450</b>	<b>4 530</b>	<b>4 983</b>	<b>330 056</b>

In 2020 and 2019 the Group did not have any major customers that would account for 10% or more of the total revenue.

#### Contract balances

	2020 BGN '000	2019 BGN '000
Trade receivables (note 15)	48 248	60 203
Trade receivables from related parties (note 36)	8 919	9 650
Contract liabilities (note 26.1)	3 646	933

Trade receivables are noninterest-bearing and are usually settled between 0 and 90 days.

Contract liabilities represent short-term advance payments received for providing finished goods.

In 2020 the Group recognized revenues from contracts with customers, which were included in the contract liabilities at the beginning of the period, amounting to BGN 933 thousand (2019 – BGN 3,324 thousand). Recognized revenue related to deliveries of products in 2020 leads to a decrease in contract liabilities with customers between the two reporting periods.

In 2020 and 2019 the Group has not reported revenue from contracts with customers recognized during the reporting periods from performance obligations that have been satisfied (or partially satisfied) in previous periods (for example, changes in the transaction price).

### **Performance obligations**

The information about the Group's performance obligations is summarized below:

#### ***Battery production***

The Group manufactures and sells a wide range of starter, stationary as well as lithium-ion batteries on the market. Revenue from sales of finished goods is recognized when control of the products has been transferred and there is no unsatisfied obligation that could affect the customer's acceptance of the products. The performance obligation is satisfied upon delivery of the finished good, when the products are shipped to the specific place, the risks are transferred to the customers who have accepted the products in accordance with the sales contract, acceptance provisions have expired, or the company has objective evidence that all criteria for acceptance are met.

Sales are made with a payment term of 0 to 90 days, which is in line with market practice, and do not lead to the recognition of a significant financing component.

Some contracts provide the customers with a right to return and volume rebates, which gives rise to variable remuneration subject to restriction.

The Company's obligation to repair or replace defective products under standard warranty conditions is recognized as a provision under IAS 37 (refer to note 20).

#### ***Production of lead, semi-finished goods and by-products***

The performance obligation is satisfied upon delivery of the products. Sales are made with a payment term of 30 days, and do not lead to the recognition of a significant financing component.

#### ***Materials and others***

The performance obligation is satisfied upon delivery of materials. Sales are made with a payment period of 30 to 90 days, and do not lead to the recognition of a significant financing component.

#### ***Services***

The performance obligation is satisfied over time, the payment is usually due upon completion of the service and its acceptance by the client. Some contracts require short-term advances before a service can be provided.

## **27.1 Other operating income**

The Group's other revenues can be analyzed as follows:

	<b>2020</b>	<b>2019</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Revenues from financing - subsidy for scrap battery processing	1 526	2 061
Revenues from financing in connection to investment programs (note 22.2)	910	958
Revenues from financing– COVID-19 measures	647	-
Other revenues from financing	151	-
Payables written-off	572	-

Other operating income	687	692
	<u>4 493</u>	<u>3 711</u>

In 2018 and 2019, the Group, through a subsidiary in the Republic of Serbia, purchased and processed certain quantities of scrap batteries. An acceptable guarantee for the fulfillment of the requirements for receiving a grant was obtained in 2019 and 2020, after the company got approvals for receiving a government grant from the administration of Republic of Serbia. After approval, the Group recognized income from financing in the amount of BGN 1,526 thousand in 2020 and BGN 2,061 in 2019 and the amounts was received in full in 2020 and 2019. Revenues are reported under line "Revenues from financing- subsidy for scrap battery processing".

In 2017 STC S.R.L. concluded a contract for research and development financing with the Ministry of Economic Development of the Italian Republic. Under the signed agreement, the Department of Economic Development reimbursed a percentage of the research and development costs incurred by STC S.R.L. for the respective period. The Group's management has assessed the criteria for fulfillment of the obligations for financing on the basis of the present contract and the historical experience of STC S.R.L. with a similar type of funding.

As a result of the analysis made STC S.R.L. recognizes revenue from financing on a pro rata basis from research and development costs incurred. Recognized revenue is reported under "Other revenues from financing"

## 28. Cost of materials and cost of goods sold and other current assets

### 28.1 Cost of materials

	2020 BGN '000	2019 BGN '000
Raw materials	(166,897)	(210 547)
Fuels and lubricants	(6,724)	(9 586)
Electricity	(9,643)	(7 793)
Spare parts and accessories	(3,639)	(3 524)
Packaging and other materials	(868)	(1 920)
Other expenses	(2,416)	(1 810)
	<u>(190 187)</u>	<u>(235 180)</u>

### 28.2. Cost of goods sold and other current assets

	2020 BGN '000	2019 BGN '000
Materials	(1 475)	(1 586)
Goods – batteries	(3 035)	(3 074)
	<u>(4 510)</u>	<u>(4 660)</u>

## 29. Hired services expenses

Hired services expenses include:

	2020 BGN '000	2019 BGN '000
Distribution expenses	(16 071)	(13 731)
Insurance	(1 346)	(1 096)
Rent expenses	(955)	(924)
Advertising expenses	(319)	(669)
Fees on civil contracts	(1 637)	(1 197)
Audit fees	(559)	(395)

Other expenses	(10 599)	(11 106)
	<b>(31 487)</b>	<b>(29 118)</b>

Other expenses include toll costs for the manufacture of boxes and lids, costs for consulting activities, other services (including security), etc.

### 30. Gain on the sale of non-current assets

	2020	2019
	BGN '000	BGN '000
Sales revenue	5	18
Carrying amount of the non-current assets sold	(3)	(17)
<b>Gain/(loss) on the sale of non-current assets</b>	<b>2</b>	<b>1</b>

### 31. Other expenses

Other expenses include:	2020	2019
	BGN '000	BGN '000
Donations	(121)	(188)
Business trips	(784)	(1 110)
Representation expenses	(262)	(670)
Inventories written-off	(431)	(306)
Impairment of inventories	-	(101)
Receivables written-off (assets)	(31)	(212)
Others	(4 574)	(3 467)
	<b>(6 203)</b>	<b>(6 054)</b>

Other costs include social costs, sample costs, scrapping costs, etc.

### 32. Finance income and costs

Finance costs for the presented reporting periods can be analyzed as follows:

	2020	2019
	BGN '000	BGN '000
Interest expense	(6 380)	(6 166)
Other finance costs	(923)	(973)
<b>Finance cost</b>	<b>(7 303)</b>	<b>(7 139)</b>

The proportional coupon payments calculated at the coupon rate of the obligation for bonds for 2020 amounted to BGN 1 664 thousand (2019: BGN 1 664 thousand). The total interest expense on the bond obligation is BGN 2 999 thousand (2019: BGN 2 922 thousand). The difference between coupon payments and calculated interest expense is due to the effective interest rate due to the expected fair value of the conversion option (note. 23).

Finance income may be analyzed as follows for the presented reporting periods:

	2020	2019
	BGN '000	BGN '000
Interest income on cash and cash equivalents	4	19
Interest income on financial assets carried at amortized cost	1 420	1 253
Total interest income for financial assets not at fair value through profit or loss	1 420	1 253
Other derivative instruments – derivatives (note 17.1)	157	-
<b>Finance income</b>	<b>1 581</b>	<b>1 272</b>

### 33. Other financial items

Other financial items consist of the following:

	2020	2019
	BGN '000	BGN '000
(Loss)/Gain from exchange differences on loans and receivables	(2 212)	(663)
<b>Other financial items</b>	<b>(2 212)</b>	<b>(663)</b>

### 34. Earnings per share and dividends

#### 34.1 Earnings per share

Basic earnings per share have been calculated using the profit attributed to shareholders of the Group's parent as the numerator.

The weighted average number of shares used for the calculation of basic and diluted earnings per share, as well as the net profit attributable to ordinary shareholders, is presented as follows:

	2020	2019
Profit attributable from continuing and discontinued operations (in BGN)	1 285 000	11 870 000
Weighted average number of shares	38 989 054	38 989 054
<b>Basic earnings per share (BGN per share)</b>	<b>0.03</b>	<b>0.30</b>

	2020	2019
Profit attributable from continuing operations (in BGN)	1 285 000	9 730 000
Weighted average number of shares	38 989 054	38 989 054
<b>Basic earnings per share (BGN per share)</b>	<b>0.03</b>	<b>0.26</b>

Diluted EPS is calculated by dividing the profit attributable to ordinary owners of the parent (after adjusting for interest on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The calculations made are as follows:

	2020	2019
Net profit/ (loss) for the year from continuing and discontinued operations (in BGN)	1 072 000	11 396 000
<b>Profit attributable to ordinary owners of the parent from continuing and discontinued operations (in BGN)</b>	<b>1 285 000</b>	<b>11 870 000</b>
Interest expenses on convertible bonds, net of taxes (in BGN)	2 699 100	2 629 800
<b>Net profit attributable to ordinary owners of the parent from continuing and discontinued operations for diluted earnings (in BGN)</b>	<b>3 984 100</b>	<b>14 499 800</b>
Net profit for the year from continuing operations (in BGN)	1 072 000	9 730 000

Net profit from continuing operations attributable to Owners of the parent (in BGN)	<u>1 285 000</u>	<u>9 927 000</u>
Interest expenses on convertible bonds, net of taxes (in BGN)	<u>2 699 100</u>	<u>2 629 800</u>
<b>Net profit from continuing operations attributable to owners of the parent for diluted earnings (in BGN)</b>	<b><u>3 984 100</u></b>	<b><u>12 556 800</u></b>

*In thousand number of shares*

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares as at 31 December	38 989 054	38 989 054
Weighted average effect of dilution from convertible bonds	15 986 778	9 390 799
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b><u>54 975 832</u></b>	<b><u>48 379 853</u></b>

Diluted earnings per share attributable to owners of the parent (in BGN)	0.072	0.299
Diluted earnings per share from continuing operations attributable to owners of the parent (in BGN)	0.072	0.259

### 34.2 Dividends

At a General meeting of the shareholders, which took place on 18 September 2020, a decision has been taken not to distribute a dividend.

At a General meeting of the shareholders, which took place on 28 June 2019, a decision has been taken to distribute dividends to the amount of BGN 4 000 000, which is part of the income for 2018. As of 31.12.2019 Monbat AD paid dividends to the amount of BGN 3 948 639.

### 35. Related party transactions

The Group's related parties include the parent company, unconsolidated subsidiaries (note 7), associates, key management personnel, and other related parties, as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled by bank accounts.

The related parties of the Group are described below:

<b>Related party as at 31 December 2020</b>	<b>Country</b>	<b>Type of relation</b>
Prista Oil Group B.V.	The Netherlands	Ultimate parent company
Prista Oil Holding EAD	Bulgaria	Parent company
Atanas Stoilov Bobokov	Bulgaria	Member of the BoD of Monbat AD until 05.10.2020 and a person exercising joint control over the Parent Company
Plamen Stoilov Bobokov	Bulgaria	Member of the BoD of Monbat AD until 05.10.2020 and a person exercising joint control over the Parent Company
Chavdar Donchev Danev	Bulgaria	Member of the BoD of Monbat AD
Dimitar Nikolov Kostadinov	Bulgaria	Member of the BoD of Monbat AD
Petar Hristov Petrov	Bulgaria	Member of the BoD of Monbat AD
Jordan Atanasov Karabinov	Bulgaria	Member of the BoD of Monbat AD
Florian Huth	Germany	Member of the BoD of Monbat AD
Petar Nikolov Bozadjiev	Bulgaria	Member of the BoD of Monbat AD
Evelina Slavcheva	Bulgaria	Member of the BoD of Monbat AD
Monbat Trading OOD	Bulgaria	Other related parties and a shareholder
Monbat Batterien GmbH	Austria	Unconsolidated subsidiary
Monbat Holding Tunisia B.V.	The Netherlands	Unconsolidated subsidiary
Monbat Immobilien GmbH	Austria	Unconsolidated subsidiary
Battery Pro	South Africa	Associate
A&P Global Management	Malta	Other related parties

Korfez Depolama AS	Turkey	Other related parties
Premium Lubricants	Romania	Other related parties
Base Oils Refinery AD	Bulgaria	Other related parties
UZ Prista Trading and Packaging	Uzbekistan	Other related parties
UZ Prista	Uzbekistan	Other related parties
Verilla Lubricants AD	Bulgaria	Other related parties
Verilla Recycling AD	Bulgaria	Other related parties
Prista Real Estates	Bulgaria	Other related parties
Prista Oil Trading	Bulgaria	Other related parties
PRISTA OIL	Romania	Other related parties
PRISTA OIL	Algeria	Other related parties
PRISTA OIL	Kyiv	Other related parties
PRISTA OIL	Hungary	Other related parties
PRISTA OIL	Slovakia	Other related parties
PRISTA OIL	North Macedonia	Other related parties
PRISTA OIL	Serbia	Other related parties
Prista Invest 2016 AD	Bulgaria	Other related parties
PRISTA OIL	Turkey	Other related parties
Prista Deniz	Turkey	Other related parties
Prista Port EOOD	Bulgaria	Other related parties
Bobko OOD/Mix oil	Bulgaria	Other related parties
Vinarska kashta Ruse AD	Bulgaria	Other related parties
Vuelta Evropa AD	Bulgaria	Other related parties
Uglans OOD	Bulgaria	Other related parties
Leventa OOD	Bulgaria	Other related parties
PRR OOD	Bulgaria	Other related parties
Foundation "Bratia Bobokovi	Bulgaria	Other related parties
Prista Oil Rally Team	Bulgaria	Other related parties
FK Dunav- Ruse	Bulgaria	Other related parties
Mol Ruse Invest OOD	Bulgaria	Other related parties
SD of PROEKT RUSE AD	Bulgaria	Other related parties
Pomorie Vineyard AD	Bulgaria	Other related parties
Torlashka sreshta EOOD	Bulgaria	Other related parties
Bulgarian chamber of commerce – Bulgarian businesses union	Bulgaria	Other related parties
Monbat Eco Projects OOD	Bulgaria	Other related parties
Arena Ruse AD	Bulgaria	Other related parties
TK VVV – Pro Tennis	Bulgaria	Other related parties
Ziteks OOD	Bulgaria	Other related parties
Lubrico	Bulgaria	Other related parties
Discordia AD	Bulgaria	Other related parties
Bulgarian- Romanian Chamber of industrial commerce	Bulgaria	Other related parties

### 35.1. Transactions with parent company

	2020	2019
	BGN '000	BGN '000
<b>Prista Oil Holding EAD</b>		
- purchase of materials	25	22
- purchase of services	36	18
- rendering of services	50	35
- interest accrued	1 012	937
- dividend paid	-	1 709
- provision of secured receivables with shares of Leventa OOD (net effect after exercising put option – note 38)	-	2 481
- loan granted	2 968	2 100
- deposits and loans refunded	1 921	3 956

In 2020 sales of goods to Prista Oil Holding EAD in the amount of BGN 598 thousand (2019: BGN 1 311 thousand) are accounted net of the carrying amount of goods sold as the realized profit from transactions in the amount of BGN 15 thousand (2019: BGN 35 thousand) is included in the line “rendering of services”.

### 35.2 Transactions with key management personnel

The key management personnel include the Board of Directors of Monbat AD and the procurator of Monbat AD. Key management personnel (incl. Atanas Boibokov and Plamen Bobokov) remuneration includes the following expenses:

	2020 BGN '000	2019 BGN '000
<b>Short-term compensations</b>		
- salaries	3 213	2 795
- social security costs	34	32
- company car allowance	58	59
<b>Total compensation</b>	<b>3 305</b>	<b>2 886</b>
<b>Atanas Bobokov</b>		
- funds granted	750	436
- interest accrued	109	115
- accrued net remuneration, including bonuses	760	948
- accrued net remuneration, including bonuses covered by funds	-	(318)
- funds returned	(700)	(600)

In 2020, the company Monbat NBP provided a guarantee deposit in the amount of BGN 2,000 thousand in connection with a certain measure of restraint of Atanas Bobokov by the Appellate Specialized Court on 26.11.2020 in pre-trial proceedings.

	2020 BGN '000	2019 BGN '000
<b>Plamen Bobokov</b>		
- funds granted	-	1 000
- interest accrued	70	66
- Accrued and paid net remuneration, including bonuses	-	654
- funds returned	-	(250)

### 35.3. Transactions with immaterial subsidiaries

	2020 BGN '000	2019 BGN '000
<b>Monbat Batterien GmbH</b>		
- loan granted	49	196
- interest accrued	9	2
- sale of production	909	238
- sale of goods	104	-
<b>Monbat Immobilien GmbH</b>		
- loan granted	303	98
<b>Monbat Holding Tunisia B.V.</b>		
- loan granted	39	49
- interest accrued	2	2

### 35.4 Transactions with associates

	2020 BGN '000	2019 BGN '000
<b>Octagon International OOD</b>		
- sale of receivables	-	4 287
<b>Battery Pro South Africa LTD</b>		
- sale of batteries	3 601	1 179

### 35.5 Transactions with other related parties

	2020 BGN '000	2019 BGN '000
<b>Leventa OOD</b>		
- reversal advances for purchase of NCA	-	(2 293)
- purchase of NCA	-	1 911
<b>Prista Port</b>		
- loan granted	-	2 794
- interest accrued	-	72
- repaid loan and interest paid	-	2 866
<b>Arena Ruse AD</b>		
- purchase of services	15	12
-purchase of others	-	29
<b>Torlashka sreshta EOOD</b>		
- rendering of services	6	-
- loan granted	160	160
- interest accrued	6	-
<b>Monbat Trading OOD</b>		
-purchase of goods and services	1 462	991
-dividend distributed	-	282
-rendering of services	48	48
-loan granted	1 082	3 000
-interest accrued	133	5
<b>Discordia AD</b>		
-purchase of goods and services	488	125

### 36. Related party balances at year-end

#### Non-current receivables:

	2020 BGN '000	2019 BGN '000
<b>Receivables from unconsolidated subsidiaries</b>		
- Monbat Holding Tunisia B.V. – funds granted	-	49
- Monbat Batterien GmbH – interest	-	2
<b>Total non- current receivables from unconsolidated subsidiaries</b>	<b>-</b>	<b>51</b>
<b>Total non-current receivables from related parties</b>	<b>-</b>	<b>51</b>

#### Current receivables:

<b>Receivables from parent company</b>		
- Prista Oil Holding EAD – deposit and loans	27 279	24 356
- Prista Oil Holding EAD –interest	1 427	1 384
- Prista Oil Holding EAD – trade receivables	8 345	8 490
- Prista Oil Holding EAD – receivables secured by shares of Leventa OOD	-	2 481
<b>Total current receivables from Parent Company</b>	<b>37 051</b>	<b>36 711</b>

**Receivables from members of BoD of Monbat AD (until 05.10.2020) and people exercising joint control over the Group**

- Plamen Bobokov- funds granted	1 830	1 830
- Plamen Bobokov– interest	141	71
- Atanas Bobokov– funds granted	3 269	3 219
- Atanas Bobokov– interest	319	210
<b>Total current receivables from members of BoD of Monbat AD (until 05.10.2020) and people exercising joint control over the Group</b>	<b>5 559</b>	<b>5 330</b>

<b>2020</b>	<b>2019</b>
<b>BGN ‘000</b>	<b>BGN ‘000</b>

**Receivables from associates**

- Battery Pro South Africa LTD – trade receivables	23	719
<b>Total current receivables from associates</b>	<b>23</b>	<b>719</b>

<b>2020</b>	<b>2019</b>
<b>BGN ‘000</b>	<b>BGN ‘000</b>

**Receivables from unconsolidated subsidiaries**

- Monbat Immobilien GmbH – funds granted	401	98
- Monbat Batterien GmbH – trade receivables	537	238
- Monbat Batterien GmbH – funds granted (net of impairment BGN 122; 2019 – BGN 0 thousand)	122	196
- Monbat Batterien GmbH – interest	12	-
<b>Total current receivables from unconsolidated subsidiaries</b>	<b>1 072</b>	<b>532</b>

<b>2020</b>	<b>2019</b>
<b>BGN ‘000</b>	<b>BGN ‘000</b>

**Receivables from other related parties**

- Monbat Trading OOD- trade receivables	5	5
- Monbat Trading OOD - funds granted	4 082	3 000
- Monbat Trading OOD - interest	137	5
- Monbat Eco Projects OOD - funds granted	222	222
- Monbat Eco Projects OOD – interest	38	29
- Prista Oil Hungary – trade receivables	-	2
- Prista Oil Romania – trade receivables	1	-
- Torlashka sreshta – funds granted	160	160
- Torlashka sreshta – interest	11	-
- Torlashka sreshta– trade receivables	8	-
- Lubrico– advances granted (net of impairment)	448	448
- Lubrico– interests	127	113
- Others –funds granted	5	5
<b>Total current receivables from other related parties</b>	<b>5 244</b>	<b>3 989</b>

**Total current receivables from related parties**

<b>48 949</b>	<b>47 281</b>
---------------	---------------

**Total receivables from related parties**

<b>48 949</b>	<b>47 332</b>
---------------	---------------

	2020	2019
	BGN '000	BGN '000
<b>Non-current payables to</b>		
- Ecobat AD – dividends	6	6
- Bat AD – dividends	1	1
	<u>7</u>	<u>7</u>
<b>Current payables to:</b>		
- Prista Oil EAD – trade payables	1	12
	<u>1</u>	<u>12</u>

The main contracts for loans granted to related parties are presented as follows:

**1. Prista Oil Holding EAD**

• **A contract from 2012**

Loan granted to Prista Oil Holding EAD

Utilized principal: BGN 3 911 thousand

Interest: 5 % annual interest rate

Maturity date: on demand but no later than 31.12.2020

Balance on the principal as at 31.12.2020 in the amount of BGN 4 774 thousand

Redemption: no redemption plan

With an agreement dated 31.12.2020, with the value of the interest on the loan in the amount of BGN 863 thousand, the value of the principal was increased and the interest rate was changed to 3.5%.

• **Contracts from 2013**

Deposits granted to Prista Oil Holding EAD

Deposit amount: BGN 17 594 thousand

Credit term: 31.05.2021

Interest: 6 % annual interest rate

Balance on the deposit as at 31.12.2020 in the amount of BGN 9 372

Redemption: no redemption plan

• **Contracts from 2014**

Deposits granted to Prista Oil Holding EAD

Deposit amount: BGN 2 900 thousand

Credit term: 31.05.2021

Interest: 6 % annual interest rate

Balance on the deposit as at 31.12.2020 in the amount of BGN 2 900 thousand

Redemption: no redemption plan

With an annex dated 01.06.2015 the interest rate was changed to 4%. All other conditions remain unchanged.

• **Contracts from 2017**

Deposits granted to Prista Oil Holding EAD

Deposit amount: BGN 5 085 thousand

Credit term: 29.05.2021

Interest: 4 % annual interest rate

Balance on the deposit as at 31.12.2020 in the amount of BGN 5 085 thousand

Redemption: no redemption plan

With an agreement dated 01.02.2019, the value of the deposit was increased by the value of the interest on the deposits in the amount of BGN 2 986 thousand

On 01.02.2019 an additional agreement was signed with respect to deposit contracts between Prista Oil Holding EAD and Monbat AD. With the agreement:

1. The maturity term of the loans was changed to be repayable on demand but not later than 20.01.2025.
2. The applicable interest rate on deposits was changed to 3.5%.
3. The accrued and unpaid interest expense was capitalized as part of the outstanding deposits.

- **A contract from 2019**

Deposit granted to Prista Oil Holding EAD  
Deposit amount: BGN 100 thousand  
Credit term: on demand, but no later than 20.01.2025  
Interest: 3.5 % annual interest rate  
Balance on the deposit as at 31.12.2020 in the amount of BGN 100 thousand  
Redemption: no redemption plan

- **A contract from 2020**

Deposit granted to Prista Oil Holding EAD  
Deposit amount: BGN 1 998 thousand  
Credit term: on demand, but no later than 01.12.2024  
Interest: 3.5 % annual interest rate  
Balance as at 31.12.2020 in the amount of BGN 1 014 thousand  
Redemption: no redemption plan

- **A contract from 2020**

Deposit granted to Prista Oil Holding EAD  
Deposit amount: USD 1 800 thousand  
Credit term: on demand, but no later than 31.05.2021  
Interest: 3.5 % annual interest rate  
Balance as at 31.12.2020 (USD 600 thousand) – BGN 1 046 thousand  
Redemption: no redemption plan  
In 2021, the loan was repaid by paying 600 thousand USD.

Management has reviewed recoverability of related party receivables, taking into account the specific business plans for the development of the respective companies, the collateral provided and the historical experience of the Group with credit losses from related parties by including forecast information.

The recoverability of the receivables of the parent company Prista Oil Holding EAD (to the amount of BGN 37 051 thousand) was assessed based on recoverability scenario, which includes repayment based on cash flows generated by the operating activities of the company, cash flows generated from investing and financing activities for a five-year period which also include the expected dividend income (Monbat Group's dividend distribution capacity estimate based on its projected cash flows over a five-year period) and loan proceeds. In assessing the recoverability, the contractual guarantee agreement between Project Ruse AD and Monbat AD was taken into account, which is of a provisional nature, by examining the financial position of the guarantor, including the market value of its assets and the possibility of their realization. As a result of the recoverability assessment, no impairment loss was reported.

As disclosed in Note 41 Events after the reporting period, the Group believes that the impact of the COVID 19 pandemic on business and global markets may be negative. This in turn could lead to a negative change in the ability of some of the related parties of the Group to generate future cash flows. In this regard, there may be a change in the carrying amounts of receivables from the same.

## 2. Monbat Eco Projects

- **Contracts dated 2016**

Utilized principle: BGN 222 thousand  
Credit term: 31.12.2020  
Interest: 4 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 222 thousand

Repayment: no repayment plan

### 3. Monbat Trading OOD

- **Contracts dated 2019**  
Utilized principle: BGN 3 000 thousand  
Credit term: on demand but not later than 01.12.2024  
Interest: 3.5 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 3 000 thousand  
Repayment: no repayment plan
- **Contracts dated 2020**  
Utilized principle: BGN 1 082 thousand  
Credit term: on demand but not later than 01.12.2024  
Interest: 3.5 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 1 082 thousand  
Repayment: no repayment plan

### 4. Monbat Immobilien GmbH

- **Contracts dated 2019**  
Utilized principle: BGN 98 thousand  
Credit term: 31.12.2020  
Interest: 4.0 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 98 thousand  
Repayment: no repayment plan
- **Contracts dated 2020**  
Utilized principle: BGN 303 thousand  
Interest: 4.0 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 303 thousand  
Repayment: no repayment plan

### 5. Monbat Batterien GmbH

- **Contracts dated 2019**  
Utilized principle: BGN 196 thousand  
Credit term: 03.07.2020 (BGN 98 thousand) and 31.12.2021 (BGN 96 thousand)  
Interest: 4.0 % annual interest rate  
Balance on the principal as of 31.12.2020 net of impairment BGN 73 thousand  
Repayment: no repayment plan
- **Contracts dated 2020**  
Utilized principle: BGN 49 thousand  
Credit term: 31.12.2021  
Interest: 4.0 % annual interest rate  
Balance on the principal as of 31.12.2020- BGN 49 thousand  
Repayment: no repayment plan

### 6. Torlashka sreshta

- **Contracts dated 2019**  
Utilized principle: BGN 160 thousand  
Credit term: 31.12.2020  
Interest: 3.5 % annual interest rate

Balance on the principal as of 31.12.2020 - BGN 160 thousand  
Repayment: no repayment plan

#### 7. Monbat Holding Tunisia B.V.

- **Contracts dated 2019**

Utilized principle: BGN 49 thousand  
Credit term: 31.12.2021  
Interest: 3.5 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 49 thousand  
Repayment: no repayment plan

#### 8. Atanas Bobokov

- **Contracts dated 2018, 2019 and annexes to them**

Utilized principle: BGN 4 136 thousand  
Credit term: 31.12.2020  
Interest: 3.5 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 3 219 thousand  
Repayment: no repayment plan

- **Contract dated 2020**

Utilized principle: BGN 50 thousand  
Credit term: 28.02.2021  
Interest: 3.5 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 50 thousand  
Repayment: no repayment plan

#### 9. Plamen Bobokov

- **Contracts dated 2018, 2019 and annexes to them**

Utilized principle: BGN 2 080 thousand  
Credit term: 16.01.2020 (BGN 1 000 thousand) and 31.12.2020 (BGN 1 080 thousand)  
Interest: 3.5 % annual interest rate  
Balance on the principal as of 31.12.2020 - BGN 1 830 thousand  
Repayment: no repayment plan

On 15.03.2021 the Board of Directors of Monbat AD has made a decision after receiving an invitation/ proposal from the debtors to renegotiate the term of loans granted and maturing as of 31.12.2020 to Atanas Bobokov, Plamen Bobokov, Torlashka sreshta and Monbat Eco Projects with a new maturity date as of 31.12.2021.

#### Transaction terms with related parties

Sales and purchases from related parties are based on contractually agreed prices. Outstanding balances at the end of the year are unsecured, interest-free (excluding loans) and will be settled in cash. No guarantees have been provided or received for receivables from or liabilities to related parties, except for those disclosed below. The Group recorded an impairment of receivables from related parties in the amount of BGN 49 thousand as of December 31, 2020 (2019: BGN 49 thousand). An impairment review is performed each financial year based on an analysis of the financial position of the related party and the market in which it operates.

#### 37. Contingent assets and liabilities

During the period there were no warranty or legal claims posed to the Group.  
The contingent assets can be represented as follows:

	2020	2019
	BGN '000	BGN '000
Letters of credit	117	779
	<u>117</u>	<u>779</u>

The contingent liabilities can be represented as follows:

	2020	2019
	BGN '000	BGN '000
Bank guarantees	805	533
	<b>805</b>	<b>533</b>

### 38. Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of assets and liabilities:

Financial assets	Note	2020	2019
		BGN '000	BGN '000
Non- current assets			
Receivables from related parties	36	-	51
Current assets			
Trade receivables	15	48 248	60 203
Receivables from trade loans	14	429	767
Related party receivables	36	48 949	47 281
Cash and cash equivalents	18	24 008	23 913
		<b>121 634</b>	<b>132 215</b>

Financial liabilities	Note	2020	2019
		BGN '000	BGN '000
Non- current liabilities:			
Lease liabilities	10	1 038	1 466
Long- term borrowings	22.1	20 552	23 060
Convertible bonds	23	51 759	50 404
Long- term related party payables	36	7	7
		<b>73 356</b>	<b>74 937</b>
Current liabilities			
	22.1	110 470	114 799
Short- term borrowings	36	1	12
Short- term related party payables	10	861	1 237
Lease liabilities	24	26 220	35 582
Trade payables	26	1 944	2 513
		<b>139 496</b>	<b>154 143</b>

Due to the short-term nature of cash, trade receivables, short-term financial assets, short-term receivables from related parties, trade payables, liabilities to related parties, current loans, current liabilities under financial leasing and other liabilities, their fair value is close to the respective carrying amount. The fair value of long-term loans, non-current liabilities under lease liabilities and non-current receivables from related parties is close to the respective carrying amount, as the interest rates associated with these liabilities are close to market rates.

The fair value of related party loans and interest-bearing loans from financial institutions is based on an analysis of the agreed interest rates against the interest rates currently available for debt with similar terms and remaining maturity. On this basis, management has determined that the fair value approximates the carrying amount. The fair value of loans granted, and interest-bearing loans received falls into level 2 of the fair value hierarchy.

The fair value of an exchange-traded bond loan is determined using the relevant quotation in an active market at the end of the reporting period. The fair value of the debenture loan falls at level 1 of the fair value hierarchy.

#### 38.1. Financial liabilities measured at fair value through profit or loss

Non-current liabilities

Conversion option of bonds	23	6 454	6 454
		<b>6 454</b>	<b>6 454</b>

The fair value of the option to convert the debenture loan at its initial recognition and as at 31.12.2020 is estimated using a valuation model assuming that the share price of the parent company follows a Brownian motion. The evaluation model uses an iterative Monte Carlo simulation, using a large number of test results to approach the target solution. The fair value of the conversion option falls at level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income include shares held by the Group in the amount of BGN 131 thousand. Refer to note 3.15 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 39.

Financial assets at fair value through profit or loss include derivatives in the amount of BGN 157. The fair value of derivative financial instruments is determined by a reference value of the stock index of lead as of 31.12.2020 and falls into level 2 of the hierarchy of fair values.

**Changes in liabilities arising from financing activities**

The following table summarizes changes in liabilities arising from financial activities, including changes in cash flows and non-monetary changes, and contains a reconciliation of the opening and closing balances in the statement of financial position of financial liabilities for the year ending December 31, 2020:

	1 January 2020	Cash inflows	Cash outflows	Accruals using the effective interest method	Other	31 December 2020
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Current and non-current interest-bearing loans and borrowings	137 859	110 780	(118 068)	250	201	131 022
Current and non-current lease liabilities	2 703	-	(1 355)	77	474	1 899
Convertible bond	50 404	-	(1 644)	2 999	-	51 759
Derivatives	6 454	-	-	-	-	6 454
Dividends payable	71	-	-	-	(37)	34
<b>Total liabilities from financing activity</b>	<b>197 491</b>	<b>109 810</b>	<b>(121 112)</b>	<b>3 316</b>	<b>1 663</b>	<b>191 168</b>

	1 January 2019	Cash inflows	Cash outflows		31 December 2019
				Other	

				<b>Accruals using the effective interest method</b>	<b>Acquired through a business combination</b>		
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Current and non-current interest-bearing loans and borrowings	<b>121 002</b>	107 569	(93 202)	104	2 722	(336)	<b>137 859</b>
Current and non-current lease liabilities	<b>2 029</b>	-	(1 650)	98	-	2 226	<b>2 703</b>
Convertible bond	<b>49 127</b>	-	(1 645)	2 922	-	-	<b>50 404</b>
Derivatives	<b>6 454</b>	-	-	-	-	-	<b>6 454</b>
Dividends payable	<b>61</b>	-	(3 949)	-	-	3 959	<b>71</b>
<b>Total liabilities from financing activity</b>	<b>178 673</b>	<b>107 569</b>	<b>(100 446)</b>	<b>3 124</b>	<b>2 722</b>	<b>5,849</b>	<b>197 491</b>

### 39. Financial instruments risks

#### Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk as well as the risk of changes in specific prices, which is due to the operating and investing activities of the Group.

#### Market risk analysis

##### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group purchases, sells, lends, and receives loans in foreign currencies- euro, the US dollar, Romanian leu, Serbian dinar, Nigerian naira, British pound, and South African rand. The bulk of these operations are carried out in euros. As the BGN/ EUR exchange rate is fixed at 1.95583, the currency risk arising from the Group's euro exposures is minimal. The Group purchases inventories and services denominated in British pounds, which are below 0.01% of the total purchases. Therefore, the Group's exposure to the risk of changes in the exchange rate of the British pound is not significant.

The Group carries out various transactions in US dollars, Romanian lei, Serbian dinars, Nigerian naira, and South African rand- sales of finished products, purchases of raw materials and services.

To mitigate the Group's exposure to foreign currency risk, non- EUR short- and long-term cash flows are monitored.

The Group's exposure to foreign currency risk is set out in the table below:

	US Dollar	Serbian dinar	Romanian leu	Nigerian naira	South- African rand
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>31 December 2020</b>					
Financial assets	11 485	1 903	736	904	618
Financial liabilities	(205)	(797)	(1 682)	-	(1 448)
<b>Net exposure</b>	<b>11 280</b>	<b>1 106</b>	<b>(946)</b>	<b>904</b>	<b>(830)</b>
	US Dollar	Serbian dinar	Romanian leu	Nigerian naira	South- African rand
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<b>31 December 2019</b>					
Financial assets	8 789	3 278	871	1 582	1 448
Financial liabilities	(5 543)	(856)	(2 138)	-	(2 151)
<b>Net exposure</b>	<b>3 246</b>	<b>2 442</b>	<b>(1 267)</b>	<b>1 582</b>	<b>(703)</b>

The tables below demonstrate the sensitivity to possible changes in BGN exchange rates against foreign currencies with its effect on profit before taxes (through changes in carrying amounts of monetary amounts of monetary assets and liabilities at the end of the reporting period) provide that all other variables are assumed to be constant. The percentages used determined based on the average exchange rates for the last 12 months for the respective year. There is no effect on the other components of the Group's equity.

US dollar	Change in USD	Effect on pre- tax equity BGN '000
2020	+ 5%	564
2020	- 5%	(564)
2019	+ 5%	162
2019	- 5%	(162)
Serbian dinar	Change in RSD	Effect on pre- tax equity BGN '000
2020	+ 5%	55
2020	- 5%	(55)
2019	+ 5%	121
2019	- 5%	(121)
Romanian leu	Change in RON	Effect on pre- tax equity BGN '000
2020	+ 5%	(47)
2020	- 5%	47
2019	+ 5%	(63)
2019	- 5%	63
South-African rand	Change in ZAR	Effect on pre- tax equity BGN '000

	2020	+ 5%	(42)
	2020	- 5%	42
	2019	+ 5%	(35)
	2019	- 5%	35

Nigerian naira	Change in NGN		Effect on pre- tax equity BGN '000
	2020	+ 5%	45
	2020	- 5%	(45)
	2019	+ 5%	79
	2019	- 5%	(79)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The following table includes the carrying amount of financial instruments by type of interest rate:

Fixed rate instruments	2020	2019
	BGN '000	BGN '000
Financial assets	54 807	57 048
Financial liabilities	(7 854)	(10 749)
<b>Net exposure</b>	<b>46 953</b>	<b>46 299</b>

Floating rate instruments	2020	2019
	BGN '000	BGN '000
Financial assets	-	-
Financial liabilities	(176 577)	(180 113)
<b>Net exposure</b>	<b>(176 577)</b>	<b>(180 113)</b>

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At 31 December 2020, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and liabilities of the Group, including cash and cash equivalents, carry fixed interest rates, as they were in the previous year.

The following table demonstrates the sensitivity to a possible change in interest rates with their effect on pre-tax profit (through the effect on loans and borrowings with floating interest rates), provided that all other variables are held constant. There is no effect on the other components of the Group's equity. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Year	Increase/ Decrease in interest rates	Effect on profit before tax BGN '000
2020	+ 1%	(837)
2020	- 1%	-
2019	+ 1%	(1 049)
2019	- 1%	-

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations to the Group. The Group is exposed to credit risk from its various financial instruments such as providing loans, receivables from customers, deposit of funds and others. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as set out below:

Financial assets	Note	2020 BGN '000	2019 BGN '000
Non-current assets			
Related party receivables	36	-	51
Financial assets at FVTOCI			
	11	131	131
		<b>131</b>	<b>182</b>
Loans and receivables:			
- Trade loan receivables	14	429	767
- Trade and other receivables	15,17	55 158	64 403
- Related party receivables	36	48 949	47 281
Cash and cash equivalents	18	24 008	23 913
		<b>128 544</b>	<b>136 364</b>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The Group has pledged its financial assets as collateral for other transactions.

Outstanding receivables from customers and contractual assets are monitored on an ongoing basis and all deliveries to large customers are generally covered by credit insurance or letters of credit received from reputable banks and other financial institutions.

At each reporting date, an analysis is made of the need for impairment when using a provision matrix or expected credit loss model for the entire term of the instrument of certain exposures for the purpose of estimating expected credit losses. Provisions percentages are based on days in arrears for the purpose of grouping different customer segments with similar loss models (i.e., by geographical area, product type, customer type and rating, as well as collateral and letters of credit and other forms of credit insurance). The calculation reflects the probability-weighted result, the value of money over time, and the reasonable and supportive information available at the reporting date for past events, present conditions and forecasts for future economic conditions.

In general, trade receivables are written off if they are past due for more than one year and are not subject to enforcement action. Letters of credit and other forms of credit insurance are considered an integral part of trade receivables and are taken into account in the calculation of impairment. As of 31 December 2020, 54% of the Group's trade receivables, where the provision matrix was used, are covered by letters of credit and other forms of credit insurance. These credit extensions received by the Group lead to a reduction of the expected credit losses. The Group assesses the concentration of risk with respect to trade receivables as low, as its clients are located in several jurisdictions and operate substantially in independent markets.

As of 31 December 2020, the aging analysis of trade receivables and contract assets with customers, where the provision matrix is used, is presented in the table:

**Trade receivables as at 31.12.2020**

---

	Days overdue				Total
	< 90 days	91-180 days	181-365 days	> 365 days	
	BGN '000	BGN '000	BGN '000	BGN '000	
Expected % credit loss	0.05%	7.31%	20.18%	94.22%	2.25%
Gross carrying amount of trade receivables	38 673	116	80	899	39 768
Expected credit loss (ECL)	21	8	16	847	892

	Trade receivables as at 31.12.2019				Total
	Days overdue				
	< 90 days	91-180 days	181-365 days	> 365 days	
BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	
Expected % credit loss	0.02%	0.00%	32.24%	72.52%	1.79%
Gross carrying amount of trade receivables	48 652	116	428	1 037	50 233
Expected credit loss (ECL)	10	-	138	752	900

The Group has estimated provisions for loss for certain trade receivables whose credit risk has increased significantly using the expected credit losses for the entire life of the instrument (ECL approach). The amount of the gross book value of trade receivables estimated under this approach is BGN 10 676 thousand (2019: BGN 11 265 thousand). The accrued impairment of these receivables as of 31.12.2020 amounts to BGN 2 317 thousand (2019: BGN 1 423 thousand). Gross receivables in the amount of BGN 1 132 thousand (2019: BGN 1 028 thousand) are not included in the provision matrix. The accrued impairment for these receivables as of 31.12.2020 amounts to BGN 119 thousand (2019: BGN 0 thousand).

### Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as based on a rolling 60-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Cash needs are compared with available loans to identify surpluses or deficits. This analysis determines whether the available loans will be sufficient to cover the needs of the Group for the period. The Group maintains cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs are provided through loans and bonds in the appropriate amount.

As at 31 December 2019, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2020	Current	Non-current	Non-current
	Up to 12 months	1 to 5 years	Over 5 years
	BGN '000	BGN '000	BGN '000
Bank loans	110 470	20 383	169
Lease liabilities	861	1 038	-
Related party payables	1	7	-
Trade and other receivables	28 164	-	-
Convertible bonds	-	54 792	-
<b>Total</b>	<b>139 496</b>	<b>76 220</b>	<b>169</b>

In the previous reporting period the maturities of the Group's contractual obligations are summarized as follows:

31 December 2029	Current	Non-current	Non-current
	Up to 12 months	1 to 5 years	Over 5 years
	BGN '000	BGN '000	BGN '000
Bank loans	114 799	20 150	2 910
Lease liabilities	1 237	1 466	-
Related party payables	12	7	-
Trade and other receivables	38 095	-	-
Convertible bonds	-	27 396	27 396
<b>Total</b>	<b>154 143</b>	<b>49 019</b>	<b>30 306</b>

The amounts disclosed in this liability maturity analysis represent the undiscounted contractual cash flows that may differ from the carrying amounts of the liabilities at the reporting date.

#### Financial assets used for managing liquidity risk

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables do not significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

#### 40. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to the shareholder by pricing products and services in accordance to the level of risk.

The Group monitors capital on the basis of the ratio between net debt and shareholders' equity.

The Group determines the adjusted capital based on carrying amount of equity and subordinated debt presented in the statement of financial position.

Net debt is calculated as general interest-bearing debt less the carrying amount of cash and cash equivalents.

The Group manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The equity may be analyzed as follows for the presented reporting periods:

	2020	2019
	BGN '000	BGN '000
Equity	213 187	212 595
+Debt	184 680	190 966
- Cash and cash equivalents	(24 008)	(23 913)
<b>Net debt</b>	<b>160 672</b>	<b>167 053</b>
<b>Net debt to equity</b>	<b>0.75</b>	<b>0.79</b>

The Group maintains a high ratio of equity to total debt.

#### 41. Events after the reporting period

No adjusting events occurred between the date of the consolidated financial statements and the date of authorization for issue. The following non-adjusting events occurred:

- On January 20, 2021, at a meeting of the Board of Directors of Monbat AD, a decision was made to terminate by mutual consent the management contract concluded with Dimitar Kostadinov, by virtue of which he was elected an executive member of the Board of Directors. The Board of Directors elected Chavdar Danev as the new Executive Director.
- By decision of the Council of Ministers №72 on 26 January 2021, the term of the emergency epidemic situation in Bulgaria was extended until April 30, 2021. It is not clear when and how the restrictions imposed by the government will be completely removed. As the situation and the measures taken by the state authorities are extremely dynamic, the Group's management is not able to fully assess the impact of the coronavirus pandemic on the future financial condition and performance of its activities in 2021 but considers that the pandemic impact on business and world markets may be negative. This could lead to a change in the carrying amounts of the Group's assets, which are determined in the consolidated financial statements by making a number of judgments and assumptions by management and reporting the most reliable information available at the date of estimates.
- In June 2020, due to circumstances related to criminal proceedings initiated by the specialized prosecutor's office of the Republic of Bulgaria against several individuals, including - Atanas Bobokov, Executive Director and Chairman of the Board of Directors of Monbat AD until 05.10.2020, and Plamen Bobokov - Member of the Board of Directors of Monbat AD until 05.10.2020, the management of the Group decided to initiate an independent review of the activities of Monbat AD and its subsidiary Monbat Recycling EAD, related to waste management and compliance with environmental protection requirements for recycling of lead-acid batteries, including an overview of the tax risks associated with waste management activities. Wolf Theiss, an international law firm, was selected to conduct the independent review. The conclusions of the independent review of the Wolf Theiss office are set out in detail in the Annual Management Report in the section "Ecology".

In view of the findings of the independent business review conducted by Wolf Theiss, which includes a review of the historical relationship between Monbat AD and the relevant regulatory authorities, which monitor compliance with the requirements of the Waste Management Act, as well as in view of the inspections carried out in 2020 by Regional inspectorates of the environment and water, including inspections carried out in 2021, in which inspections there is no indication of significant administrative violations, the Group's management assesses the risk of being imposed with administrative penalties in connection with its current and historical waste management activities as insignificant.

In June 2020, the National Revenue Agency ("NRA") launched a full tax audit of Monbat AD for the period 2013-2019. In January 2021, the tax audit of Monbat AD ended with issuing of a tax audit act to the amount of BGN 187 thousand for the period with an unexpired tax statute of limitations (2014 - 2019). As of the date of preparation of these consolidated financial statements, the amount of the tax audit act has been effectively paid.

In June 2020, the National Revenue Agency ("NRA") launched a full tax audit of Monbat Recycling EAD for the period 2013-2019. On 12.03.2021 a tax audit act № R-29002920003271-091-001 to the amount of BGN 2,972 thousand was issued related to non-recognition of the right to deduct input VAT (BGN 1 140 thousand), non-recognition of tax-deductible expense under Corporate Income Tax Law (BGN 939 thousand) with respect to deliveries of lead-containing raw materials from certain suppliers, for which during the crosschecks performed certain non-compliance was established by the revenue authorities and accrued interest for delayed payment (BGN 893 thousand). At the date of the preparation these consolidated financial statements, Monbat Recycling EAD has initiated a tax audit act suspension procedure by appealing to the respective Director of "Appeals and Performance Management Directorate" (APMD) at the NRA headquarters pursuant to Art. 152(1) from Tax-Insurance Procedure Code (TIPC).

In addition to the evidence and arguments for appealing the tax audit act, Monbat Recycling EAD has also submitted a proposal for securing the tax audit act through a mortgage on real estate with a book value and a market valuation exceeding the amount of the tax liability.

Considering the practice of the Supreme Administrative Court (SAC) in similar cases / Decisions № 12528 / 13.12.2006, № 1483 / 09.02.2006, № 494 from 16.01.2006, № 651 / 28.01.2004 and others, the expectation of the management of the Group is to win the lawsuit and to annul the act.

At the beginning of March 2021, the Group and the Ministry of Environment and Water signed a Memorandum for implementation of Article 7, paragraph 2 of the Waste Management Act, with which Monbat Group, represented by Monbat AD, expressed its constructive obligation in relation to the unauthorized subsequent utilization of polyethylene separator by licensed operators, to which the subsidiaries - Monbat Recycling EAD, SC MONBAT ROMANIA SRL and MONBAT PLC DOO (subsidiaries part of the recycling division of the Monbat Group), have delivered polyethylene separator on the territory of the Republic of Bulgaria. By signing the memorandum, the Group undertakes through the operational activities of Monbat Recycling EAD to procure the authorized treatment of polyethylene separator, which has been handed over for treatment to specific licensed operators over the years, with a maximum amount of 3 590 MTs, with the latter corresponding to the amount delivered by Monbat Recycling EAD, SC MONBAT ROMANIA SRL and MONBAT PLC DOO to the licensed operators on the territory of Republic of Bulgaria during the past reporting periods.

As of the date of preparation of these consolidated financial statements, the subsidiary Monbat Recycling EAD has started the activities of the authorized treatment of polyethylene separator, for which protocols have been issued by RIEW Montana. In connection with the above-mentioned memorandum for implementation and the actions taken by the interested parties, the Group has recognized as at 31.12.2020 a provision in connection with the expected future expenses for reutilization of 3,590 tons of polyethylene separator in the amount of BGN 1,540 thousand. The recognized provision is calculated based on the best estimate that the Group's management can make for the expected future expenses. The provision is recorded in line item "Provision for reutilization of separator" in the consolidated income statement.

In January 2021, a criminal case was opened against Atanas Bobokov – Executive Director and chairman of the Board of Directors of Monbat AD until 05.10.2020 and Plamen Bobokov – member of the Board of Directors of Monbat AD until 05.10.2002 before the Specialized Criminal Court. The case does not contain neither allegations of causing damage to the environment (Article 353b of the Criminal Code), nor allegations of unregulated treatment and/or management of waste and hazardous waste (353c of the Criminal Code). The Group's management believes that to the extent that Monbat AD and/or other subsidiaries part of Monbat Group have not been involved in the pre-trial phase against the Bobokov brothers, there is no legal possibility to involve them in the criminal phase or to take potential criminal action against them.

#### **42. Authorization of the consolidated financial statements**

The consolidated financial statements for the year ended 31 December 2020 (including comparatives for 2019) were approved by the Board of Directors on April 28, 2021.