

**ATTENTION TO THE
GENERAL MEETING
OF SHAREHOLDERS
OF
“MONBAT” AD**

**ACTIVITY REPORT
OF THE AUDIT COMMITTEE
for 2022**

Dear shareholders,

By resolution of the GAM of 14.06.2022, the Audit Committee of Monbat AD was elected with a one-year term and composition: Anelia Angelova-Tumbeva - Chairman of the Audit Committee, Iskra Atanasova and Sashka Ileva - members. This is the composition of the Committee as of the date of this report.

Until that date the Audit Committee consisted of Anelia Angelova-Tumbeva - Chairman of the Audit Committee, Iskra Atanasova and Yordan Karabinov.

Article 108 of the Independent Financial Audit Act (IFAA) lists in detail the rights and duties of the Audit Committee. All of these are also set out in the approved Audit Committee statute. The essential rights and duties of the Audit Committee are: to monitor the financial reporting process of the company; the effectiveness of its internal control systems; and the effectiveness of its risk management systems. In addition, the Audit Committee monitors the statutory financial audit of the Company's annual financial statements, including by reviewing and monitoring the independence of the registered auditor in accordance with the requirements of the IFAA and Regulation (EU) № 537/2014. Last but not least, it is the task of the Audit Committee to inform the management and supervisory bodies about the results of the statutory financial audit, as well as to explain how the statutory audit has contributed to the reliability of the financial reporting in the company.

In this regard, the Audit Committee's activities in 2022 and up to the date of this report can be summarized as follows:

Oversight of financial reporting processes

Monbat AD prepares its financial statements (individual and consolidated financial statements) on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In this regard, it has detailed and adequate accounting policies. Additionally, the Company has disclosed in its financial statements the new and amended standards and interpretations that are relevant and effective for its 2022 financial statements.

The accounting services of the company in 2022 and the preparation of its financial statements (interim and annual) will continue to be performed by the accounting firm - Belnikov & Partners Ltd. The internal accountants of Monbat AD are engaged in the day-to-day financial recording of business operations, and the persons responsible for ensuring the organization and controlling of the preparation of the monthly, quarterly and annual (individual and consolidated) financial statements are from the Company's central finance department under the direct supervision of the Chief Financial Officer. For internal and external reporting purposes, Monbat AD and its economic group companies have set deadlines for the preparation and submission of the relevant reports to management and the Audit Committee for approval before they are published.

In 2022, the Audit Committee continued to get acquainted in advance with the content and structure of the forthcoming interim quarterly and annual (separate and consolidated) interim financial statements. Minutes of the meetings of the Audit Committee have been drawn up for the results of this ongoing review.]

During the past year 2022 , the Company has prepared and published its 2021 annual financial statements as well as the corresponding interim quarterly individual and consolidated financial statements within the statutory timeframes, thus complying with the requirement to disclose them to the regulators and the Public.

With respect to the financial audits of the Company's 2022 individual and consolidated financial statements completed to the date of this report, it can be concluded that, to the best of our knowledge, the qualified audit opinions expressed Grant Thornton Ltd. on those statements did not identify any material weaknesses or irregularities in Monbat AD's financial reporting process that would affect the fair presentation of its financial position, except for the possible effects of qualifying matters.

Monitoring the effectiveness of the internal control environment and risk management system regarding financial reporting

The Management Board of the Company is responsible for identifying and managing the risks in the Company. It is the management that is responsible for the identification, assessment

and taking of corrective actions to eliminate and/or mitigate the relevant risk and also for the subsequent monitoring of the implementation and results of the actions taken. The risk management policy is subject to on-going analysis and monitoring of compliance with established risk limits. During the past period, the Audit Committee has maintained ongoing communication with the Company's financial management on these matters.

With respect to the financial audits of the Company's individual and consolidated financial statements completed as of the date of this report, the auditor has provided the Audit Committee with its reports of identified accounting weaknesses and/or recommendations, together with management's comments thereon. To the extent that more of the errors identified are immaterial in the judgment of management, the same are included in the schedule of unadjusted errors. The auditor's qualified audit opinion is expressed on both the individual and consolidated financial statements for the most significant findings.

The principal risks associated with the Company's 2022 financial instruments are disclosed in the Company's audited annual (individual and consolidated) financial statements, including the effects of the ongoing pandemic and military conflict between Russia and Ukraine.

In connection with the escalation of the military conflict between Russia and Ukraine in February 2022 and its development up to date, there has been a significant increase in volatility in the securities and currency markets, as well as significant fluctuations in energy, oil and fuel prices in the country and in the EU, respectively, and rising inflation.

Monbat AD has no net investments, subsidiaries or assets in Russia, Belarus or Ukraine, but trades with companies in these countries.

To address the material risks and events associated with the macroeconomic environment in which it operates, the Company is taking measures to limit their negative impacts on 2022 results. The Company's operations are materially impacted by inflationary processes, reflected in increased direct material, energy and labour costs per unit of production. Monbat AD manages to limit the effect of these negative impacts of the macroeconomic environment by refining its customer and product mix (with a focus on high-margin products and markets) and, where necessary, indexing selling prices to its customers.

Financial risk management is linked to the management of the company's capital. The main objectives of the management of the company's capital are to ensure its ability to continue as a going concern and adequate profitability for shareholders by setting the price of products and services in line with the level of risk.

There are externally imposed capital requirements on the Company, over and above those relating to share capital under the Companies Act, which relate to the bank financing used and the bond loan issued. The Company monitors its capital adequacy through the realized financial result for the period and the ratio of adjusted equity to net debt. Monbat AD determines adjusted capital on the basis of the carrying amount of equity and subordinated debt. In order to maintain or adjust the capital structure, the company may change the amount of dividends paid to shareholders, issue new shares or sell assets to reduce its liabilities. In this regard, at the GAS

held in June 2022, it was resolved to distribute a dividend, which was formed from a portion of the 2021 profit and retained earnings from previous years.

Monitoring of the statutory financial audit, including its performance

In accordance with the requirements of the IFAA, the Company is subject to a statutory financial audit.

In this regard, at the GAM on 14 June 2022, the audit engagement of Grant Thornton Ltd, the audit firm, in relation to the statutory financial audit of the Company's 2022 annual financial statements, was continued on the proposal of the Audit Committee. For the audit firm, this represents the third full continuous engagement for the statutory audit of the Company. The selection of the auditor is in accordance with Art. 48 para. 3 of the IFAA and is for a period of 1 year.

Pursuant to Art. 48 para. 48(1) and 48(2) of the IFAA, the necessary documents for the audit engagement for the financial year 2022 have been signed between the Company and Grant Thornton Ltd. The Audit Committee has been informed in advance of their contents and has accordingly participated in their preliminary agreement.

The Audit Committee has reviewed the independence of the registered auditor on the initial engagement in accordance with the requirements of the IFAA and Regulation (EU) 537/2014. To this end, Grant Thornton Ltd. declared by an explicit declaration, at the commencement of the annual audit process, its independence from the Company in accordance with the requirements of Chapters Six and Seven of the IFAA as well as Article 6 of Regulation (EU) 537/2014.

The auditor's independence was also monitored by the Audit Committee during the performance of the audits of the Company's individual and consolidated financial statements for 2022, including reconfirmation as of the date of issuance of the auditor's report on the individual report - 30 March 2023 and on the consolidated report - 02 May 2023, respectively.

During the past year 2022, the audit firm did not provide Monbat AD with any other, additional services beyond the audit, after the audit engagement, and for which prior approval of the Audit Committee pursuant to Art. 64 para. (3) of the IFAA. The Audit Committee found that the registered auditor did not provide any additional services beyond the audit engagement for the 2022 financial year, and therefore the auditor independence requirements under Article 64 of the FRA and Article 5 of Regulation (EU) 537/2014 were met. This is explicitly confirmed in the statement under Article 10 of Regulation (EU) 537/2014, which is part of the auditor's report.

Grant Thornton Ltd's audit opinions on the Company's 2022 individual and consolidated financial statements are qualified due to the fact that the Company reports trade receivables past due from Ukrainian counterparties. These receivables are unsecured and uninsured and no payments have been received on them at the date of the respective audit reports.

In addition, in its 2022 annual financial statements, Monbat AD has reclassified its investment in the subsidiary Monbat Immobilien GmbH as a non-current asset held for sale. Management believes that this investment is fully recoverable through the fair value of its

underlying asset, an investment property in Austria. In view of the uniqueness of this property, the lack of fully comparable market analogues and the absence of a market valuation prepared by a specialist of the fair value of this property, the audit firm has expressed a qualification in relation to the value of the investment in the subsidiary Monbat Immobilien GmbH determined as at 31 December 2022, in accordance with the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'.

In addition, the auditor's report on the Group's consolidated financial statements for 2022 includes a "Drawing attention to" paragraph on the possible effects of the completed full tax audit of the subsidiary Monbat Recycling EAD for the period from 2014 to 2019, for which no provision has been made in the annual report as at 31 December 2022. In early 2021, a tax audit report was issued in connection with the disallowance of tax credit deductions and the disallowance of tax expenses recorded by the Company. This act is being challenged in court by Monbat Recycling EAD and a second hearing has been scheduled for 31 May 2023. The auditor's opinion in this matter has not been modified.

The auditor's report also includes a paragraph entitled "Key Audit Matters" which, in accordance with International Standards on Auditing, describes the matters of greatest significance in the audit based on the auditor's professional judgment. Regarding the 2022 individual financial statements, the auditor has identified for further communication, in addition to the matters related to the qualifications expressed, the following matter: Related parties of Monbat AD: disclosure and assessment of recoverability of receivables from related parties. Accordingly, for the Consolidated Financial Statements, the matter relating to the Assessment of recoverability of loans and receivables from Prista Oil Holding EAD has been identified as a "Key Audit Matter".

Additionally, Grant Thornton Ltd. has expressed an opinion in its auditor's reports on the other information that the company presents with its annual financial statements, namely:

- for the individual financial statements these are: the management report, the corporate governance statement as required by Article 37, paragraph 6 of the Accounting Act and Article 100n, paragraph 10 of POSA in conjunction with Article 100n(8)(3) and (4) of POSA and the report on the implementation of the remuneration policy in accordance with the requirements of Article 116c, para 1 of the POSA and Regulation № 48 of the FSC;
- for the consolidated financial statements: the consolidated management report, the consolidated corporate governance statement and the consolidated non-financial statement.

In addition, the auditor has made additional statements under Article 100n(4)(3)(b). "b" of the POSA in respect of related parties and a statement under Art. 100n, para. "c" of the POSA on material transactions and events in its auditor's report on the individual financial statements.

"Grant Thornton Ltd has also expressed an opinion in relation to Article 100(n) para. 10 of the POSA with respect to both the Company's individual and consolidated financial statements for 2022.

In accordance with the requirements of the ESEF Regulation, in its audit reports the audit firm has also expressed an opinion on the compliance of the company's financial statements with the requirements of the ESEF Regulation, adhering for this purpose to the "Guidance on the expression of an audit opinion in relation to the application of the European single electronic format (ESEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)" of the Institute of Certified Public Accountants (ICPA) in Bulgaria. Accordingly, the audit opinion expressed on the Company's 2022 audited financial statements is that their electronic formats have been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

At the conclusion of the individual and consolidated audit of Monbat plc for 2022, Grant Thornton Ltd submitted to the Audit Committee supplementary reports under section 60 of the IFAA. These systematize information on the scope and communication between the Audit Committee and the audit firm in relation to the final stage of the audit of the Company; the implementation of the audit plan and timetable; the materiality threshold, methodology used and significant risks; the audit software; the significant audit findings together with conclusions on the accounting valuation methods used and the going concern basis; weaknesses and recommendations identified relating to internal control, accounting system and compliance with legal requirements, and a summary of audit differences; auditor's remuneration, etc. Accordingly, the auditor's responsibilities for the audit of the company's individual/consolidated financial statements are described and his independence is reaffirmed.

The audit program and timetable presented for the 2022 financial audits have been fully complied with in relation to those originally planned by the audit firm. The company's management, and its servicing accounting firm, have fully cooperated with Grant Thornton Ltd. by providing all documents and other information requested during the audit in a timely and complete manner. The same is the auditor's finding in respect of the cooperation provided by the other subsidiaries included in the consolidated accounts of Monbat AD.

From the date of appointment of Grant Thornton Ltd. in 2022 to the date of issuance of the audit reports on the individual and consolidated financial statements of Monbat AD, respectively, the audit firm maintained good and timely communication with the Audit Committee on significant matters relating to the performance of the audit, planned audit procedures and other ongoing matters. Additionally, remote meetings were held with the audit team during the reporting period.

During 2022 and up to the date of this report, the Audit Committee has not received any reports of irregularities, fraud or other similar actions affecting the Company's operations and harming the interests of its shareholders. Nor have any reports been received of any deficiencies or irregularities in the performance of the duties of the Company's appointed independent external auditor.

On 30 April 2023, pursuant to Art. 62 para. 3 of the IFAA, the audit firm, Grant Thornton Ltd, published its 2022 Transparency Report in which Monbat AD is listed as an audited public interest entity for which it has fulfilled its statutory financial audit engagement.

In connection with fulfilling the Audit Committee's obligation to comply with the Commission's findings and conclusions on the application of Article 26(6) of Regulation (EU) № 537/2014, during 2022 and up to the date of this report, the Audit Committee has checked the website (www.cposa.bg) of the Commission for public oversight of Statutory auditors for published information on inspections carried out on the audit work of Grant Thornton Ltd. and found the following:

On 29.11.2022, the result of an inspection carried out to ensure the quality of the professional activity of Grant Thornton Ltd - Reg. No. 032 of the Register under Article 20 of the Independent Financial Audit Act was published, and the audit practice was given a grade "A" - the professional activity of the audit firm is in compliance with the material aspects of the requirements of auditing standards and with the statutory requirements, and no immediate improvements to the audit practice are required.

In view of the fact that in 2022 Monbat AD has engaged Grant Thornton Ltd. for the third consecutive time for an independent financial audit for a period of 1 year, and proceeding from the provisions of Regulation (EU) № 537/2014, the recommendation of the Audit Committee, pursuant to Art. 108 para. 1(6), is to renew for a further 1 year the audit engagement of Grant Thornton Ltd. with reg. no. 0032 in the register under Art. 20 of the IFAA. Our recommendation to renew the audit engagement is fully consistent with the requirements of Art. 65, para. 3 of the IFAA (for a maximum duration of audit engagement in the case of a statutory financial audit of seven consecutive years from the date of appointment of the auditor) and Article 17(1) and (2) of Regulation (EU) No 537/2014 based on Article 16 of the same Regulation. This recommendation of the Audit Committee has not been influenced by a third party, nor has a qualification of the type referred to in paragraph 6 of Article 16 of Regulation (EU) №537/2014 been imposed on us.

As on the date of this report, the Audit Committee has prepared and submitted its proposal - recommendation to the Board of Directors of the Company. Should this proposal be approved by the General meeting of shareholders, it will constitute a fourth full continuous audit engagement for Grant Thornton Ltd.

This report of the Audit Committee of Monbat AD is submitted in accordance with article 108, para. 1(8) of the IFAA, which requires reporting on its activities to the appointing authority, the General meeting of shareholders. The same was prepared by the Chairman of the Audit Committee and unanimously adopted by all its members at a meeting held on 18 May 2023.

Sofia, 18.05.2023.

Chairman of the Audit Committee:

A. Angelova-Tumbeva