



REPORT

by DV Invest EAD as
Representative of Bondholders of
Monbat AD as at 31.12.2020

May 26, 2021

REPORT

by

DV Invest EAD

as at 31.12.2020

drawn up on May 26, 2021

in the capacity of Representative of Bondholders of Monbat AD



ISIN code: BG2100023170

BSE code: 5MBA

Date of issue: 20.01.2018

Maturity: 20.01.2025

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This report is prepared in compliance with the contractual obligation of DV Invest EAD as the Bondholder Representative on the first issue of corporate bonds with ISIN BG2100023170, issued by Monbat AD on 20.01.2018 traded on BSE from 13.02.2018.

The following documents were used to prepare this report:

- Consolidated audited financial statements and notes of Monbat AD based on IFRS, and other accounting documents as at December 31, 2019 and December 31, 2020.
- Interim consolidated unaudited financial statements and notes of Monbat AD based on IFRS and other accounting documents as at 30.06.2019, and 30.06.2020.
- Forms of financial statements approved by the Financial Supervision Commission of Bulgaria for the consolidated unaudited financial statements of Monbat AD as at 31.12.2019, and 31.12.2020.
- Prospectus for initial public offering of convertible corporate bonds of Monbat AD with ISIN BG2100023170.

At the moment six interest payments were made on the bond issue. The first interest payment for 2018 according to the prospectus was on 20.07.2018 in the amount of EUR 416 771.10. The second payment was on 20.01.2019 in the amount of EUR 423 678.90, the third was on 20.07.2019 in the amount of EUR 416 771.10, the fourth was on 20.01.2020 in the amount of EUR 422 521.31, the fifth was on 20.07.2020 in the amount of EUR 417 928.69 and the sixth was on 20.01.2021 in the amount of EUR 423 678.90. The amount of the interest payment is calculated on the following basis: interest rate of 3.00% annually, having in mind that the 6-month EURIBOR for the period is negative*. (For more detailed description regarding the calculation of the interest and principal payments see [Information about the issuer Monbat AD](#) и [Amortization plan](#) from the current report.)

* The value of the 6-month EURIBOR as at 18.01.2021 was -0.533%.
Source: European Money Markets Institute (EMMI)

1. Information about the issuer Monbat AD

The Company was incorporated in the Republic of Bulgaria under the Bulgarian jurisdiction. Monbat AD is a publicly traded joint-stock company. The Company has its headquarters and management address on 32 A Cherni Vrah Blvd., fl. 4, 1407 Sofia, Bulgaria.

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- fax: +359 2 962 11 46
- e-mail : contact@monbat.com
- website: <http://www.monbatgroup.com/>

2. Compliance with the terms of the bond issue

Monbat AD as the issuer of the current issue of convertible bonds undertakes to observe certain financial conditions on a consolidated basis for the issue period.

The table below shows the financial ratios as of 31.12.2020 according to the requirements of the bond prospectus:

| Financial ratios and conditions | Limit | 31.12.2020 |
|---------------------------------------|-----------|------------|
| Interest coverage ratio | Min. 1.20 | 3.51 |
| Interest-bearing debt to Assets ratio | Max. 0.60 | 0.40 |
| Total Liabilities to Assets ratio | Max. 0.70 | 0.53 |
| Cross default | | No |
| Change of control | | No |

1. **Interest coverage ratio** – operating profit (EBIT excluding one-off revenues and income such as interest income, profits from sales of stakes in companies or other investment income), increased by interest expense and divided by interest expense, calculated for the last four quarters in accordance with the consolidated financial statement of the Issuer. **Minimum value of the ratio: no less than 120%.**
2. **Interest-bearing debt to Assets ratio** – the ratio is equal to the total of the short-term and long-term interest-bearing liabilities divided by the assets in the consolidated balance sheet as of a certain date. **Maximum value of the ratio: 0.60.**
3. **Total Liabilities to Assets ratio** – the ratio is equal to the total of the short-term and long-term liabilities divided by the assets in the consolidated balance sheet as of a certain date. **Maximum value of the ratio: 0.70.**

Detailed description of all terms of the current bond issue can found in [Financial conditions of the bond issue](#) in the current report.

3. Important news and events

3.1. First General Bondholder Meeting

The first General Meeting of Bondholders of Monbat AD-Sofia (5MBA), ISIN BG2100023170, dated February 15, 2018 passed the following resolutions:

a) General Meeting of Bondholders passed the following resolutions:

- Bondholders of Monbat AD decided to be represented by one representative;
- Elected DV Invest EAD, UIC 130999800, represented by Krasimir Dimitrov Petkov, as Representative of the bondholders for the bond issue with ISIN BG2100023170.

b) The General Meeting of the Bondholders adopted a decision for determining the remuneration of the Representative in the amount of BGN 1 000 per month without VAT.

3.2. Registration of financial instruments for trade on Bulgarian Stock Exchange – Sofia AD

On February 13, 2018, the trade in the convertible bonds of Monbat AD was launched on the Bond Segment of the Bulgarian Stock Exchange with BSE code 5MBA and ISIN BG2100023170. The amount of the issue is EUR 28 015 000 and the number of bonds issued is 28 015 with a nominal value of EUR 1 000 for one bond.

One trading lot includes 1 bond of the issue. The cash settlement is made in Bulgarian leva at the exchange rate of the Bulgarian National Bank at the date of conclusion of the transaction. The interest payment period is 6 months, and the date of the first interest payment is 20.07.2018.

The bondholders registered in the book of bondholders kept by the Central Depository AD have the right to interest and principal payments not later than 3 business days before the respective payment date or 5 business days before the date of the last interest and amortization payment which is the same as the maturity date of the issue.

3.3. Refusal to acquire control of “L’Accumulateur Tunisien Assad”

Monbat PLC refuses to acquire the Tunisian Assad Group. On 26 September 2018, the company reported that "in the course of the final phase of the due diligence of L'accumulateur Tunisien Assad, there were subsequent factual circumstances that would complicate the achievement of the initially expected value added of the transaction and increase the level of corporate and operational risk for Monbat PLC."

3.4. Covid-19 pandemic

The main risks identified by the Management in connection with the operational activities of the Group, which are a direct or indirect consequence of the coronavirus, as well as the measures taken to address them, are:

(a) Reduced demand for batteries due to traffic restrictions and certain commercial activities, adopted by a number of European countries.

Measures:

- diversification of sales to geographical areas outside Europe
- production of a reserve of rechargeable batteries with a view to utilization of the production capacity of the company and sale in case of future increase in demand
- focus on the production and sale of product segments in which there is an increase in demand - stationary rechargeable batteries application in telecom operators
- applying for state aid to support employment under measure 60/40

b) Delay in payments by customers

Measures:

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

c) Impossibility for full intra-group provision of lead and lead alloys, necessary for the production of rechargeable batteries, due to potential limitation of the production activity of the recycling plant in Italy - Piombifera Italy

Measures:

- exploring the possibility of finding alternative suppliers
- increase in the collection of lead-containing materials in the other subsidiaries of the Group.

d) Decline in the exchange price of lead

Measures:

- investigation of the possibility for partial indexation of sales prices in the starter product group
- non-indexation of sales prices in the product groups that show increased demand - stationary batteries.

e) Disruption of the supply chain of basic materials needed for the production of rechargeable batteries

Measures:

- providing buffer quantities of materials from suppliers in critical geographical areas such as Italy, England and Turkey.

3.5. Criminal investigations against persons exercising control over the parent company

At the end of May 2020, criminal proceedings were instituted by the Specialized Prosecutor's Office of the Republic of Bulgaria against several persons, including Atanas Bobokov, Executive Director and Chairman of the Board of Directors of Monbat AD until 05.10.2020, Plamen Bobokov - member of the Board of Directors of Monbat AD until 05.10.2020 and Vasil Bogdanov - former executive director of Monbat Recycling EAD in the period until July 2019.

In connection with these circumstances the management of the group decides to initiate an independent review of the activity of Monbat AD and the subsidiary Monbat Recycling EAD, managing the waste management and related to the requirements for protection of the environment in the recycling of acids into acid, including an overview of the tax risks accompanying the waste management activities. Wolf Theiss, an international law firm, was selected to verify the independent review. 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 Monbat Recycling EAD, and respectively regulatory authorities, combining compliance with the requirements of waste management law, as well as with in view of the inspections carried out in 2020 by the RIEW, including inspections carried out in 2021, in which the inspections do not indicate significant administrative violations. In view of the findings of the review, the management of the group assesses the risk of imposing administrative sanctions in connection with the current and historical activity in waste management as insignificant.

In January 2021 a criminal case was discussed against Atanas Bobokov, Executive Director and Chairman of the Board of Directors of Monbat AD until 05.10.2020 and Plamen Bobkov - Member of the Board of Directors of Monbat AD until 05.10.2020. before Specialization of a criminal court. What does not contain accusations regarding the cause of environmental damage, as well as accusations of unregulated treatment and/or management of waste and hazardous waste. The management of the group is faced with the fact that until the emergence of Monbat AD and/or other companies of the Monbat Group were not introduced in the phase of court proceedings against Atanas and Plamen Bobokovi, but there is no legal possibility to realize in the phase of criminal proceedings or potential criminal actions against them.

4. Information about the bond issue

| Issuer: | Monbat AD |
|---|---|
| Issue: | Interest-bearing, convertible, freely transferable and unsecured bonds, ordinary |
| Amount of the issue: | EUR 28 015 (twenty eight million and fifteen thousand) |
| Number of Bonds: | 28 015 |
| Nominal Value per Bond: | EUR 1 000 (one thousand) |
| Issue Price per Bond: | EUR 1 000 (one thousand) |
| Issuing date: | 20.01.2018 |
| Maturity of the bond loan: | 7 (seven) years (84 months) as of the date of the issue |
| Maturity date: | 20.01.2025 |
| Currency: | EUR |
| Interest rate: | 6-month EURIBOR + 300 bps, min. 300 bps on an annual basis |
| Interest Payments: | 6-month coupon interest payment |
| Method of interest payment: | For each separate 6-month period, the interest (coupon) payments are calculated on the nominal value of each bond on the basis of the simple interest rate based on the day-count convention "actual/actual". |
| Date of determination of 6-month EURIBOR: | Three business days before the date of the interest payment. Applies to the next interest period. |
| Date of determination of bondholders with right for interest payment: | The right to interest & amortisation payment shall be entitled to all bondholders registered as such not later than three /3/ business days prior to the payment date, respectively five /5/ business days prior to the date of the last interest & amortisation payment that coincides with the issue's maturity date. |
| Principal Payment: | Principal will be paid in three instalments in the end of the 5th, the 6th, and the 7th year of the life of the bond; the respective instalments will amount to 20%, 30% and 50% of the nominal value. In the event of conversion the principal payments will be made on the basis of the outstanding nominal value of the issue at the date of the respective payment. In this event the last instalment at the end of the 7th year will be pay the whole outstanding nominal value of the bonds (if any). |
| Date of determination of bondholders with right for principal payment: | The right to interest & amortisation payment shall be entitled to all bondholders registered as such not later than three /3/ business days prior to the payment date respectively five /5/ business days prior to the date of the last interest & amortisation payment that coincides with the issue's maturity date. |

| | |
|--------------------------------------|---|
| Call option: | The Issuer has the option to call 80% of the nominal value of the bond together with the corresponding interest payment at the end of the 5th year at a price of 101%. In the event of a prior conversion, the call option shall be for the current outstanding remaining part of the bond after the corresponding principal payment |
| Conversion option: | <p>Each bondholder will have the right to replace (convert) the bonds into such number of shares that corresponds to the current conversion ratio at the time of the replacement (conversion). This right will be available to bondholders:</p> <ul style="list-style-type: none"> – on the 48th month (20.01.2022) for 100% of the outstanding nominal value of the bonds; – on the 66th month (20.07.2023) for 80% of the outstanding nominal value of the bonds; – on the 78th month (20.07.2024) for 50% of the outstanding nominal value of the bonds. |
| Minimum conversion threshold: | The total amount of the bonds submitted for conversion may not be less than 5% of the outstanding nominal value. These minimum amounts apply to all conversion dates. |
| Conversion ratio: | By means of filing a request under the procedure described below, each bondholder may request the conversion of the bonds he/she holds according to their outstanding nominal amount. This amount will be converted against shares issued by the Issuer at a price equal to 90% of the weighted average price per one share of MONBAT AD during the last six months of trading preceding the conversion date. The conversion coefficient is equal to the nominal value of each bond divided by 90% of the weighted average price per share of MONBAT AD during the last six months of trading preceding the conversion date). |

5. Purpose of the bond issue

The purpose of the current bond issue is to finance:

a) The acquisition of controlling interest in the lead-acid batteries scrap recycling factory in Italy – Piombifera Italiana, thus providing the synergetic growth of the Group's margins. Piombifera Italiana is one of the three largest recycling companies in Italy. Its recycling facility is situated in a lead-acid-batteries-scrap rich region which provides for a strong market position. The company is licensed to process a significant volume of scrap batteries and it is part of the international association of recycling companies – COBAT. COBAT's membership allows the company to a sufficient annual scrap batteries allowance. This acquisition will benefit to a large extend MONBAT Group's recycling operations in Bulgaria, Romania and Serbia.

b) The acquisition of controlling interest (pending on positive due diligence outcome) in L'Accumulateur Tunisien Assad (ASSAD). ASSAD is a vertically integrated group producing lead-acid batteries operating in North Africa with high profitability margins. The company's 2017 financial results forecasts are as follows: EUR 7.4m in EBITDA, EUR 39.8m in revenues and 19% EBITDA margin. ASSAD's production facilities are located in Tunisia and Algeria with 1.5 million batteries per annum capacity. The company has a major market share with its own brand on the Tunisian market – 41% and a considerable potential in penetrating the markets in Algeria and Libya with 12 commercial affiliates in the region.

c) The acquisition of a company with the purpose of a focused product diversification and production of Li-Ion batteries. This will be executed via control over GAIA Akkumulatorenwerke (GAIA) and EAS Germany (EAS) entities. GAIA was established in 1996 and is one of the leading German companies in Li-Ion technologies. EAS was established in 2011 as a joint venture between GAIA and Enersys/Hawker GmbH. The company is specialized in cell production and the development of high quality technologies; heavy-duty, high power cylindrical cells for hybrid electric trains as well as heavy and defence industries applications.

As at 31 December 2020, the company spent EUR 21.9 million raised through the bond issue 2018 ISIN code BG2100023170 of which EUR 12.5 million for the acquisition of shares in the capital of Monbat Holding Germany AD (parent company of EAS Germany GmbH), EUR 8 million acquisition of shares of the capital of Monbat Recycling EAD (parent company of Monbat Italy OOD) and EUR 1.3 million for the acquisition of 66.66% of the shares of STC S.r.l through effective payment of EUR 1,340,533 and deferred payment of EUR 236,529.

6. Amortization plan

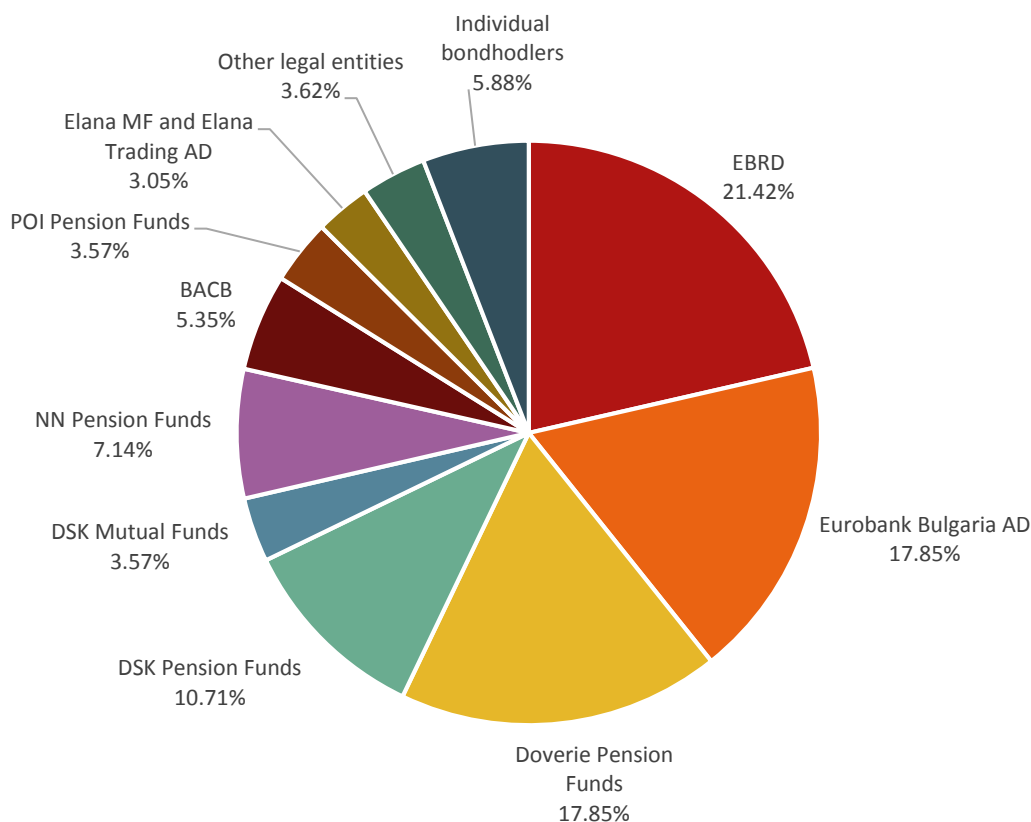
The nominal interest rate of the current issue of convertible bonds is floating with a 6-month EURIBOR plus a margin of 300 basis points (3%) on an annual basis. Under the terms of this bond issue, the nominal interest rate may not be lower than 3% if the 6-month EURIBOR has a negative value for the life of the bond. Interest payments on all bonds will be executed every 6 (six) months after the issue date of the current bond issue on the day of the expiration of the relevant 6-month period. If the date of the interest payment is on a non-working day, the payment will be made on the first subsequent business day. Interest payments are calculated on a straightforward basis over the six-month period on the nominal value of each bond at an interest rate convention Real number of days in the period on Real number of days per year. The following calculations are made on the assumption of a negative value of the 6-month EURIBOR for the life of the bond issue, using 3% interest rate per annum with no conversion or redemption of the bond.

| Date of interest payment | Month | Number of days in the interest period | Number of days in the year | Interest rate | Interest payment (EUR) | Type of payment | Principal payment (EUR) | Total payment (EUR) | Outstanding (EUR) | Actual payment (EUR) |
|--------------------------|-------|---------------------------------------|----------------------------|---------------|------------------------|--------------------------|-------------------------|----------------------|-------------------|----------------------|
| 20.7.2018 | 6 | 181 | 365 | 3.00% | 416 771.10 | Interest | | 416 771.10 | 28 015 000 | Yes |
| 20.1.2019 | 12 | 184 | 365 | 3.00% | 423 678.90 | Interest | | 423 678.90 | 28 015 000 | Yes |
| 20.7.2019 | 18 | 181 | 365 | 3.00% | 416 771.10 | Interest | | 416 771.10 | 28 015 000 | Yes |
| 20.1.2020 | 24 | 184 | 366 | 3.00% | 422 521.31 | Interest | | 422 521.31 | 28 015 000 | Yes |
| 20.7.2020 | 30 | 182 | 366 | 3.00% | 417 928.69 | Interest | | 417 928.69 | 28 015 000 | Yes |
| 20.1.2021 | 36 | 184 | 365 | 3.00% | 423 678.90 | Interest | | 423 678.90 | 28 015 000 | Yes |
| 20.7.2021 | 42 | 181 | 365 | 3.00% | 416 771.10 | Interest | | 416 771.10 | 28 015 000 | – |
| 20.1.2022 | 48 | 184 | 365 | 3.00% | 423 678.90 | Interest | | 423 678.90 | 28 015 000 | – |
| 20.7.2022 | 54 | 181 | 365 | 3.00% | 416 771.10 | Interest | | 416 771.10 | 28 015 000 | – |
| 20.1.2023 | 60 | 184 | 365 | 3.00% | 423 678.90 | Interest + 20% principal | 5 603 000 | 6 026 678.90 | 22 412 000 | – |
| 20.7.2023 | 66 | 181 | 365 | 3.00% | 333 416.88 | Interest | | 333 416.88 | 22 412 000 | – |
| 20.1.2024 | 72 | 184 | 366 | 3.00% | 338 017.05 | Interest + 30% principal | 8 404 500 | 8 742 517.05 | 14 007 500 | – |
| 20.7.2024 | 78 | 182 | 366 | 3.00% | 208 964.34 | Interest | | 208 964.34 | 14 007 500 | – |
| 20.1.2025 | 84 | 184 | 365 | 3.00% | 211 839.45 | Interest + 50% principal | 14 007 500 | 14 219 339.45 | 0 | – |
| Total | | | | | 5 294 487.72 | | 28 015 000 | 33 309 487.72 | | |

7. Bondholder structure

| Main bondholders as of January 20, 2018 | Stake |
|--|--------|
| EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT | 21.42% |
| EUROBANK BULGARIA AD | 17.85% |
| DOVERIE PENSION FUNDS | 17.85% |
| DSK PENSION FUNDS | 10.71% |
| DSK MUTUAL FUNDS | 3.57% |
| NN PENSION FUNDS | 7.14% |
| BULGARIAN AMERICAN CREDIT BANK AD | 5.35% |
| POI PENSION FUNDS | 3.57% |
| ELANA MUTUAL FUNDS AND ELANA TRADING AD | 3.05% |
| OTHER LEGAL ENTITIES | 3.62% |
| INDIVIDUAL BONDHOLDERS | 5.88% |

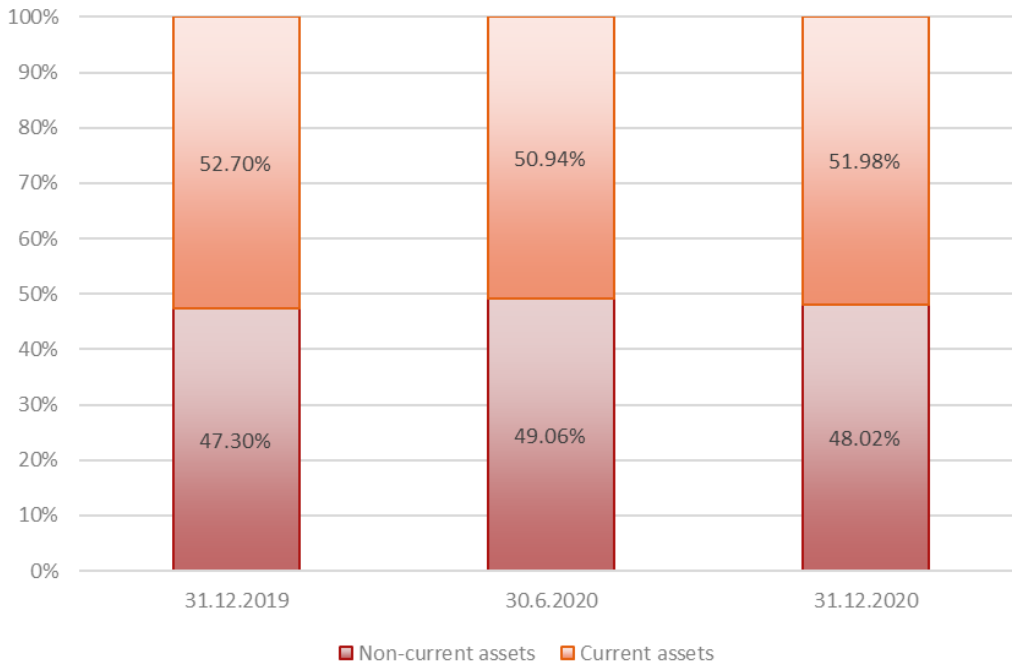
Bondholder structure



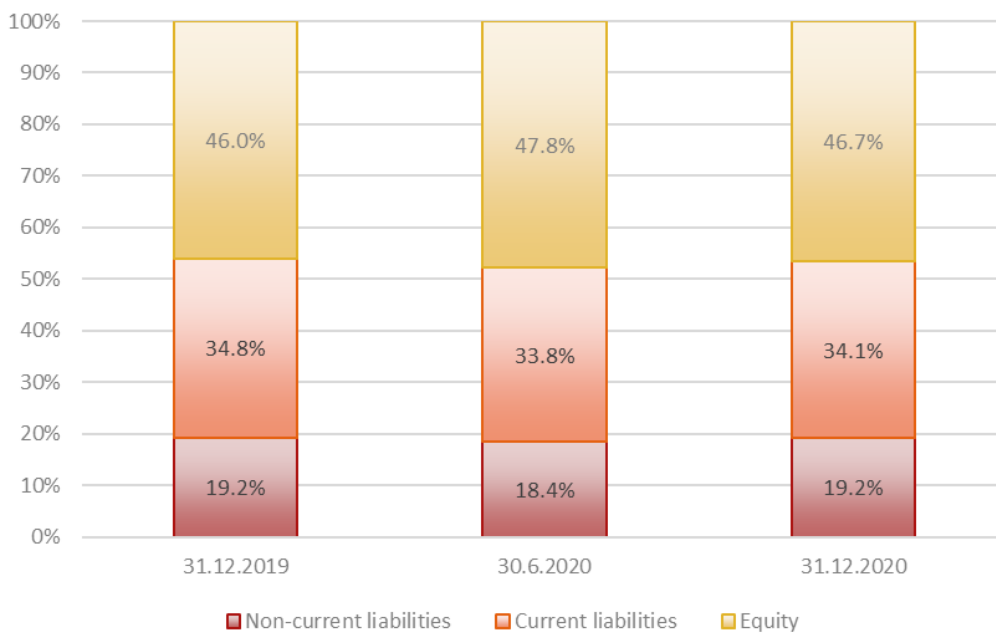
8. Structure of assets and liabilities

The graphics below shows the assets and liabilities structure of the Issuer.

Structure of assets



Structure of liabilities and equity (% of total assets)



| Balance sheet (in BGN '000) | 31.12.2019 | 30.06.2020 | 31.12.2020 |
|-------------------------------------|----------------|----------------|----------------|
| Non-current assets | 220 211 | 224 819 | 219 436 |
| Current assets | 245 324 | 233 425 | 237 577 |
| Total assets | 465 535 | 458 244 | 457 013 |
| Total equity | 212 595 | 218 994 | 213 187 |
| Non-current liabilities | 89 850 | 84 548 | 87 954 |
| Current liabilities | 163 090 | 154 702 | 155 872 |
| Total liabilities | 252 940 | 239 250 | 243 826 |
| Total liabilities and Equity | 465 535 | 458 244 | 457 013 |

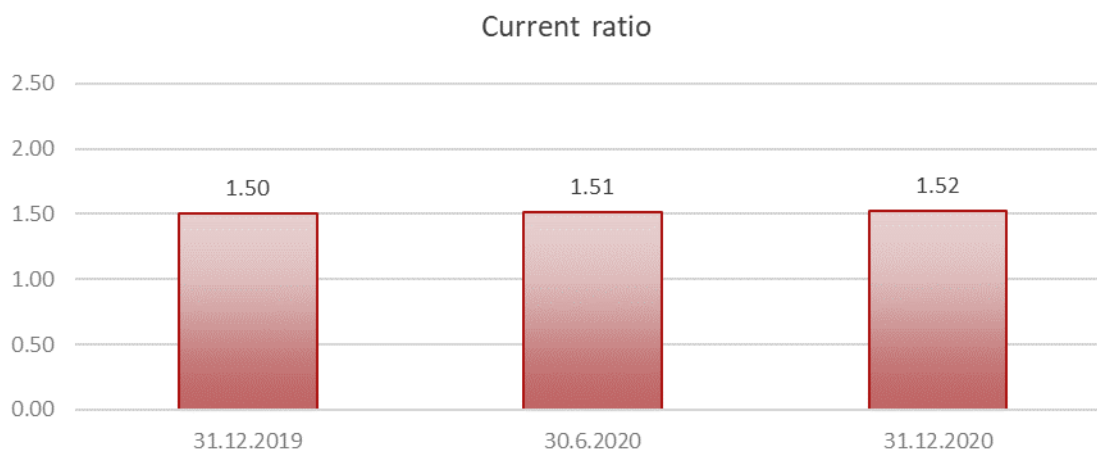
9. Profitability analysis

Profitability ratios are a measure of the company's ability to achieve positive results and are calculated on sales, equity and assets.

| Profitability ratios | 31.12.2019 | 30.06.2020 | 31.12.2020 |
|--|---------------|---------------|---------------|
| Net sales (in BGN '000) | 333 767 | 137 131 | 307 232 |
| EBITDA | 35 575 | 17 142 | 35 914 |
| EBITDA margin | 10.66% | 12.50% | 11.69% |
| Depreciation, amortization and impairment of non-financial asset | -18 445 | -8 962 | -21 239 |
| EBIT | 17 130 | 8 180 | 11 290 |
| EBIT margin | 5.13% | 5.97% | 3.67% |
| Net income | 9 730 | 4 111 | 1 072 |
| Net income margin | 2.92% | 3.00% | 0.35% |
| Total Assets | 465 535 | 458 244 | 457 013 |
| Total Equity | 212 595 | 218 994 | 213 187 |
| ROE | 4.48% | 3.38% | 0.50% |
| ROA | 2.10% | 1.63% | 0.23% |

10. Liquidity analysis

Liquidity ratios characterize active/passive relations in the company's balance sheet. They indicate the company's ability to pay its current liabilities with short-term assets or cash.



| Liquidity ratios | 31.12.2019 | 30.06.2020 | 31.12.2020 |
|-----------------------------------|------------|------------|------------|
| Current ratio | 1.50 | 1.51 | 1.52 |
| Quick ratio | 0.90 | 0.88 | 0.89 |
| Immediate ratio | 0.15 | 0.15 | 0.16 |
| Cash ratio | 0.15 | 0.15 | 0.15 |
| Net working capital (in BGN '000) | 82 234 | 78 723 | 81 705 |

Current ratio – the current ratio is a liquidity ratio that measures a company's ability to meet its short-term obligations. It is highly recommendable the ratio to be above 1.

Quick ratio – the quick ratio is an indicator of a company's short-term liquidity, and measures a company's ability to meet its short-term obligations with its most liquid assets.

Immediate ratio – the immediate ratio measures a company's ability to meet its short-term obligations with its short-term investments and cash and cash equivalents.

Cash ratio – the cash ratio is the ratio of a company's total cash and cash equivalents to its current liabilities. The metric calculates a company's ability to repay its short-term debt.

Net working capital - shows the portion of current assets funded through long-term capital sources. For a good level of liquidity, the NWC is considered a positive value. Indicator of insolvency is the negative NWC, as part of the Company's fixed assets are funded with current liabilities. However, fixed assets are very slowly liquid, the ability at a certain point for the company to have no means to pay off its obligations is completely real.

11. Financial conditions of the bond issue (covenants)

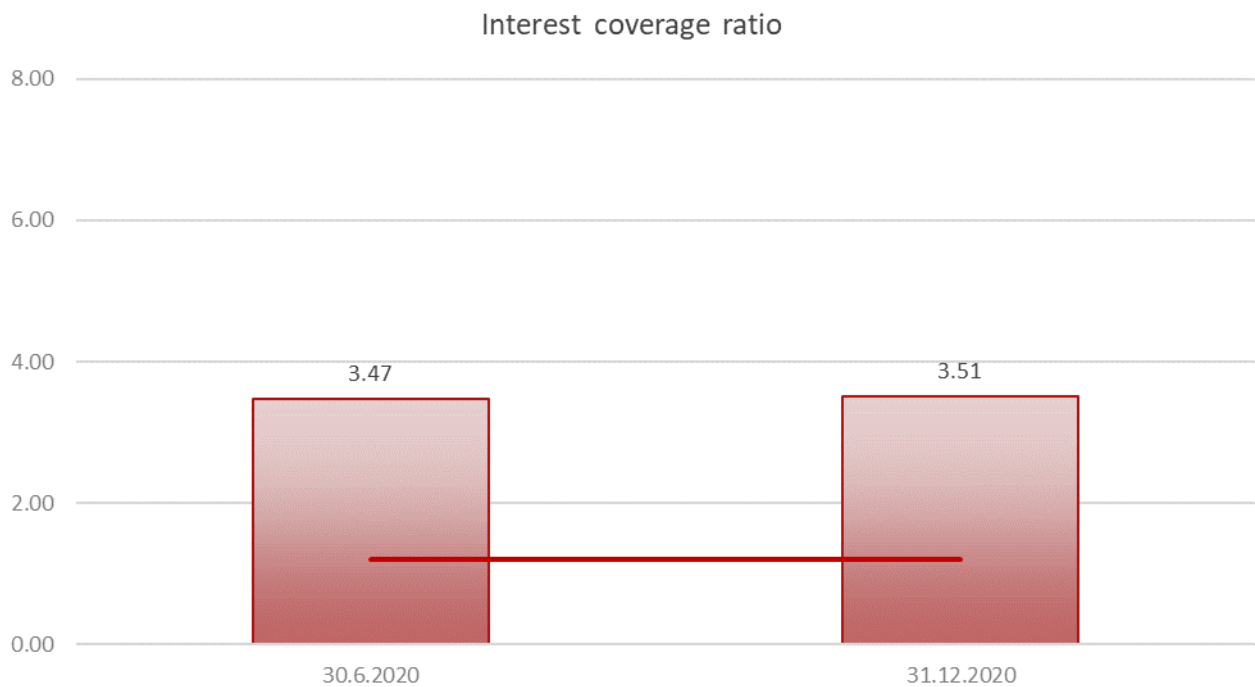
The Issuer assumes the following obligations and commitments for the life of the bonds, calculated on a consolidated basis. The financial ratios are shown below.

11.1. Interest coverage ratio

Interest coverage ratio – operating profit (EBIT excluding one-off revenues and income such as interest income, profits from sales of stakes in companies or other investment income), increased by interest expense and divided by interest expense, calculated for the last four quarters in accordance with the consolidated financial statement of the Issuer. Minimum value of the ratio: no less than 120%

| Interest coverage ratio | 30.6.2020 | 31.12.2020 |
|--------------------------------|-------------|-------------|
| Interest coverage ratio | 3.47 | 3.51 |
| Minimum required level | 1.20 | 1.20 |
| Does it meet the requirements | Yes | Yes |

Conclusion: Interest coverage ratio is above the required minimum level of 120% and the Issuer meets the requirements of the issue terms. (For more detailed information Section [Appendix 1](#)).



11.2. Interest-bearing debt to asset ratio

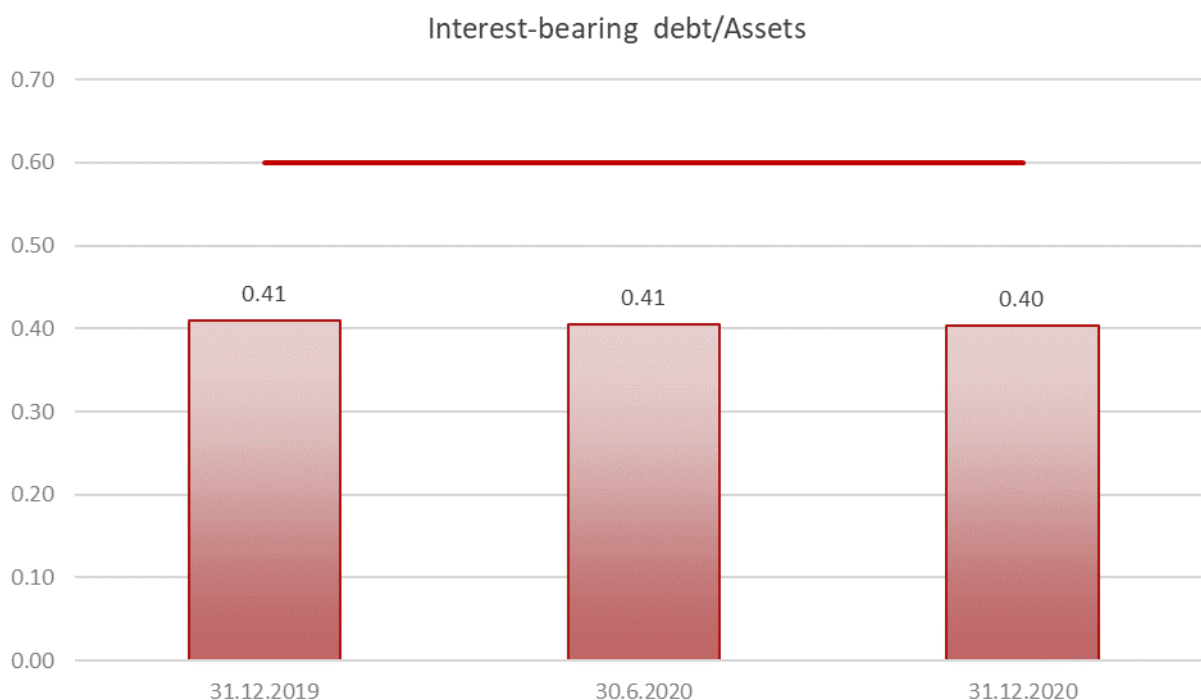
Interest-bearing debt to Assets ratio – the ratio is equal to the total of the short-term and long-term interest-bearing liabilities divided by the assets in the consolidated balance sheet as of a certain date. Maximim value of the ratio: 0.60.

| Interest-bearing debt/Assets | 31.12.2019 | 30.06.2020 | 31.12.2020 |
|--|-------------|-------------|-------------|
| Short-term interest-bearing debt (1) (in BGN '000) | 116 036 | 116 212 | 111 331 |
| Long-term interest-bearing debt (2) | 74 930 | 69 698 | 73 349 |
| Interest-bearing debt discontinued operation | | | |
| Interest-bearing debt | 190 966 | 185 910 | 184 680 |
| Total assets | 465 535 | 458 244 | 457 013 |
| Interest-bearing debt/Assets | 0.41 | 0.41 | 0.40 |
| Maximum required level | 0.6 | 0.6 | 0.6 |
| Does it meet the requirements | Yes | Yes | Yes |

(1) Includes short-term bank loans, short-term financial lease obligations

(2) Includes long-term bank loans, long-term financial lease obligations and long-term bond liabilities

Conclusion: Interest-bearing debt to Asset ratio is below the maximum level of 0.60 and the Issuer meets the requirements of the issue terms.



11.3. Total Liabilities to Asset ratio

Total Liabilities to Assets ratio – the ratio is equal to the total of the short-term and long-term liabilities divided by the assets in the consolidated balance sheet as of a certain date. Maximum value of the ratio: 0.70.

| Total Liabilities/Assets | 31.12.2019 | 30.06.2020 | 31.12.2020 |
|--|-------------|-------------|-------------|
| Total Liabilities (in BGN '000) | 252 940 | 239 250 | 243 826 |
| Total Assets (in BGN '000) | 465 535 | 458 244 | 457 013 |
| Total Liabilities/ Total Assets | 0.54 | 0.52 | 0.53 |
| Maximum required level | 0.7 | 0.7 | 0.7 |
| Does it meet the requirements | Yes | Yes | Yes |

Conclusion: Total Liabilities to Asset ratio is below the required maximum of 0.70 and the Issuer meets the requirements of the issue terms.



11.4. Cross default

In the event of default on any future secured obligation of the Issuer during the life of the bonds which exceeds two months, the Issuer shall undertake actions to pay all of its obligations unpaid and/or in default within 6 (six) months. If the Issuer fails to pay, the bondholders may require the early payment of the principal and the accrued interest for the period.

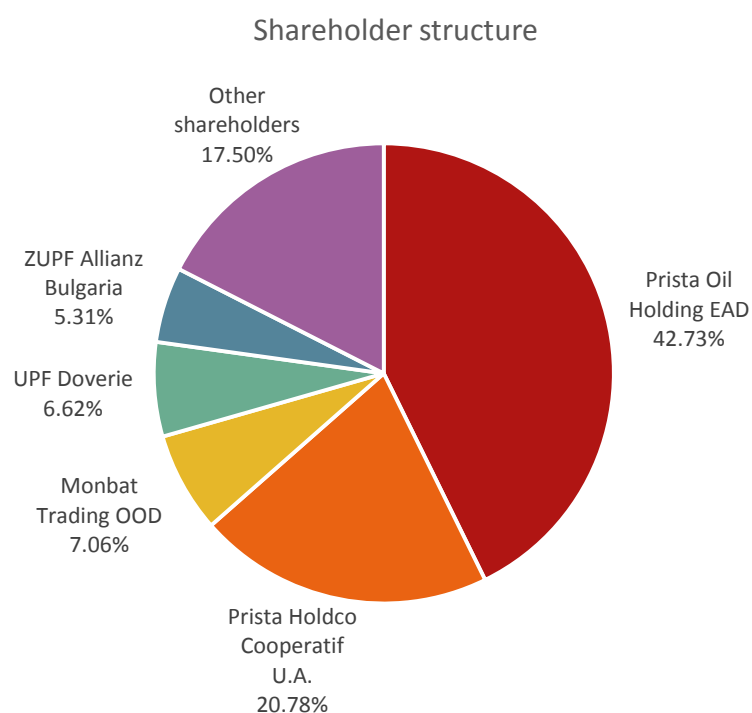
Conclusion: There is no delay or failure for payment of secured liabilities and the Issuer meets the requirements of the issue terms.

11.5. Change of control

In the event of change of control of Monbat AD the bondholders by the date of the change may require the early payment of the principal and the accrued interest for the period. The decision to require early payment shall be adopted by the General Meeting of Bondholders by a quorum of 2/3 of the bonds issued and by a majority of $\frac{3}{4}$ of the bonds represented at the meeting; the early payment shall become due after the expiration of 30 (thirty) days of the date of the general meeting. In the event of a mandatory takeover bid under art. 149 of POSA, the bond issue shall become due within the same 30-day time limit.

Conclusion: There was no change of control and the Issuer meets the requirements of the issue terms.

| Shareholder structure as at 30.06.2020 | | | |
|--|-------------------|----------------|-------|
| Shareholders | Share count | Stake | Δ Q/Q |
| Prista Oil Holding EAD | 16 666 371 | 42.73% | 0.0% |
| Prista Holdco Cooperatif U.A. | 8 103 758 | 20.78% | 0.0% |
| Monbat Trading OOD | 2 752 800 | 7.06% | 0.0% |
| UPF Doverie | 2 582 864 | 6.62% | 0.1% |
| ZUPF Allianz Bulgaria | 2 069 948 | 5.31% | 0.0% |
| Other shareholders | 6 824 259 | 17.50% | -0.1% |
| Total | 39 000 000 | 100.00% | |



11.6. Cases of breaching the financial ratios of the Bond issue

If the Issuer breaches the defined financial ratios, the Issuer undertakes to take actions that will bring the ratios in accordance with the above requirements within 6 (six) months. Within this period, the Issuer is obliged to bring the Interest coverage ratio and the Cross default into values / indices according to its obligation in the prospectus of the issue. In the event that the Issuer fails to do so, bondholders holding bonds of this issue have the right to demand the early redemption of the nominal value and the accumulated interest on the bonds. The decision for early redemption of the bond loan shall be taken by the General Meeting of Bondholders with a quorum of more than two thirds of the issued bonds and acceptance of the resolution by a majority of more than three quarters of the submitted bonds and in this case the bonds become due and payable within 30 (thirty) days from the date of the decision of the General Meeting of the Bondholders.

If, within these 6 (six) months, the Issuer succeeds in bringing the interest coverage ratio and the Cross default into eligible limits, but fails to bring the Interest-bearing debt to Assets ratio or Total Liabilities to Assets ratio within such limits, then has another 6 (six) months to achieve this. If after the expiration of the second 6 (six) months the Issuer has any of the abovementioned obligations outside the admissible limits, the bondholders holding bonds of the present issue have the right to demand the early redemption of the nominal value and the accumulated interest on the bonds. The decision for early redemption of the bond loan shall be taken in accordance with the paragraph above.

Conclusion

The analysis of the financial condition of the Issuer and the financial ratios on the bond issue with ISIN BG2100023170 indicates that the Issuer meets the requirements of the issue terms.

Appendix 1: Calculation of Interest coverage ratio

| Interest coverage ratio (in BGN '000) | 31.12.2019 | 30.6.2020 | 31.12.2020 |
|---|------------|-------------|-------------|
| Operating profit (EBIT) | 17 130 | 8 180 | 11 290 |
| Impairment of financial assets and advances | -741 | 0 | -1 845 |
| Provision for re-utilization of a separator | 0 | 0 | -1 540 |
| Impairment of fixed assets | 0 | 0 | -1 341 |
| Corrected operating profit (EBIT) | 17 871 | 8 180 | 16 016 |
| Interest expenses | 6 166 | 2 220 | 6 380 |
| Corrected operating profit (EBIT) + Interest expenses | 24 037 | 10 400 | 22 396 |
| Twelve months | | | |
| Operating profit (EBIT) | 17 130 | 15 296 | 11 290 |
| Impairment of financial assets and advances | -741 | 0 | -1 845 |
| Provision for re-utilization of a separator | 0 | 0 | -1 540 |
| Impairment of fixed assets | 0 | 0 | -1 341 |
| Corrected operating profit (EBIT) | 17 871 | 15 296 | 16 016 |
| Interest expenses | 6 166 | 6 194 | 6 380 |
| Corrected operating profit (EBIT) + Interest expenses | 24 037 | 21 490 | 22 396 |
| Interest coverage ratio | 3.90 | 3.47 | 3.51 |
| Minimum required level | 1.2 | 1.2 | 1.2 |
| Does it meet the requirements | Yes | Yes | Yes |