



REPORT

by DV Invest EAD as
Representative of Bondholders of
Monbat AD as at 31.12.2023

June 12, 2024

REPORT

by

DV Invest EAD

as at 31.12.2023

drawn up on June 12, 2024

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

Contents

1.	Information about the issuer Monbat AD	5
2.	Compliance with the terms of the bond issue	5
3.	Important news and events	6
4.	Information about the bond issue	26
4.1.	First conversion option of bonds into shares	27
4.2.	First principal payment of the bond loan	27
4.3.	Second conversion option of bonds into shares	28
4.4.	Second principal payment of the bond loan	28
5.	Purpose of the bond issue	28
6.	Amortization plan	29
7.	Bondholder structure	31
8.	Structure of assets and liabilities	32
9.	Profitability analysis	33
10.	Liquidity analysis	34
11.	Financial conditions of the bond issue (covenants)	36
11.1.	Interest coverage ratio	36
11.2.	Interest-bearing debt to asset ratio	37
11.3.	Total Liabilities to Asset ratio	38
11.4.	Cross default	39
11.5.	Change of control	39
11.6.	Cases of breaching the financial ratios of the Bond issue	41
	Conclusion	41
	Appendix 1: Calculation of Interest coverage ratio	42

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 documents¹ were used to prepare this report:

- Consolidated audited financial statement and notes of Monbat AD based on IFRS, and other accounting documents as at December 31, 2022 and December 31, 2023.
- Interim consolidated unaudited financial statement and notes of Monbat AD based on IFRS and other accounting documents as at June 30, 2023.
- Forms of financial statements approved by the Financial Supervision Commission of Bulgaria for the consolidated unaudited financial statements of Monbat AD as at December 31, 2022, June 30, 2023 and December 31, 2023.
- Prospectus for initial public offering of convertible corporate bonds of Monbat AD with ISIN BG2100023170.

Twelve interest payments were made on the bond issue so far. 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, the sixth was on 20.01.2021 in the amount of EUR 423 678.90, the seventh was on 20.07.2021 in the amount of EUR 416 771.10, the eighth was on 20.01.2022 in the amount of EUR 423 678.90, the ninth was on 20.07.2022 in the amount of EUR 416 771.10, the tenth was on 20.01.2023 in the amount of EUR 492 597.34, the eleventh was on 20.07.2023 in the amount of EUR 655 663.52 and the twelfth was on 20.01.2024 in the amount of EUR 784 201.41. The amount of interest payments is calculated on the basis of 6-month EURIBOR plus a margin of 300 basis points (3%) on an annual basis². The amount of the first nine interest payments 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](#) and [Amortization plan](#) from the current report.)

¹ In the financial statements as of June 30, 2023 and December 31, 2023, there are a retrospective recalculations or reclassifications of positions for the reporting periods ending on June 30, 2022 and December 31, 2022, which are due to the presentation of the financial result of the release groups as a result from discontinued operations. The changes have been made for the purpose of comparability and are in accordance with IFRS 5. They have an impact on the calculation of the ratios in this report. The corrections made do not lead to a violation of the financial conditions, which "Monbat AD" undertakes to comply with according to the requirements of the prospectus of the issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on 20.01.2018.

² The value of the 6-month EURIBOR as at 16.01.2024 was 3.867%.

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.

- tel. +359 2 962 11 50; + 359 2 988 24 13
- 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 31.12.2023 according to the requirements of the bond prospectus:

Financial ratios and conditions	Limit	31.12.2023
Interest coverage ratio	Min. 1.20	2.44
Interest-bearing debt to Assets ratio	Max. 0.60	0.41
Total Liabilities to Assets ratio	Max. 0.70	0.56
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 AD 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 AD."

3.4. Covid-19 pandemic

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties appeared in the business and economic activity of a number of enterprises and entire economic sectors. On March 11, 2020, the World Health Organization announced the presence of a coronavirus (Covid-19) pandemic. This important event had a significant impact on the business environment in all countries and, accordingly, on the state, activity and prospects of many businesses, incl. to the disruption of the normal economic activity of almost all business entities

in Bulgaria and to various financial and non-financial consequences for the business and the population.

On March 31, 2022, the period of the emergency epidemic situation in the Republic of Bulgaria ended.

In these circumstances, the Group's management has analyzed and assessed the Group's ability to continue as a going concern based on the information available for the foreseeable future and management expects that the Group has sufficient financial resources to continue its operations for the foreseeable future and continues to apply the going concern principle when preparing the financial statements.

Due to the measures taken against the coronavirus, there is no significant effect of the pandemic on the performance of the Group in the first half of 2022.

Measures and actions taken:

In order to prevent possible negative influence and effects of the pandemic on the Group's activities and its financial situation, the management has made an analysis:

- In 2021 and 2022, the Group did not receive state aid to support employment under the 60/40 measure.
- The main customers of the Group have not had financial difficulties. The estimate of the collectability of trade receivables as of June 30, 2022 is good.
- In 2021, there is an increase in the demand for rechargeable batteries. The reduced demand for rechargeable batteries in the first half of 2022 (expressed as a decrease in the number of rechargeable batteries sold) compared to the comparable period is not due to the COVID-19 pandemic, but mainly due to the weather conditions in Europe, where a large part of the group's customers are. Customers have not taken steps to restock goods (rechargeable batteries).
- In 2022, the average price of lead is about 2 269 USD/MT. The selling prices of the products of Monbat AD are indexed depending on the price of lead.
- The actions taken by the Group's management in 2021 and 2022 lead to a gradual improvement in the supply of basic materials.

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 Bobokov, but there is no legal possibility to realize in the phase of criminal proceedings or potential criminal actions against them.

3.6. Monbat signs a contract for the purchase of 60% of the shares of Tunisian Company of Batteries NOUR

In 2021, the Group acquired 23.3% of the Tunisian battery manufacturing company Societe Nouvelle de l'accumulateur Nour ("Nour") and accounted for the acquired associated enterprise using the equity method, recognizing BGN 277 thousand profit from the investment in Nour in 2021. In January 2022, the Group acquired additional 20.39% of Nour worth BGN 6 845 thousand (EUR 3 500 thousand) and at the end of March 2022 the Group acquired additional 16.32% worth BGN 5 868 thousand (3 000 thousand euros). Thus, the Group's share in Nour grew to 60%, with total value of the transaction being EUR 10,600 thousand. The acquisition of a majority share was carried out in order to expand the geographical presence of the Group and enter new markets, increase the capacity for the production of lead and lead alloys and provide new sources for the purchase of raw materials.

The effective date of the Group's acquisition of control over Nour is March 31, 2022. As Nour holds a majority stake in four subsidiaries in Tunisia, the Group also acquires control over the following companies: Société Nour Distribution (59.9% ownership share), Société Technique et Ingénierie de Précision (55%), Société Nour des Batteries Industrielles (44.3%) and Société Nour Recycling (30.5%). Each of the four subsidiaries supports Nour's core business.

3.7. Military conflict between the Russian Federation and Ukraine

The war between Russia and Ukraine, which started on 24 February 2022, has caused a wide international response and has affected countries in Europe in various aspects. The ongoing hostilities between Russia and Ukraine, the imposition of sanctions and restrictions by the European Union, the United States, Canada, the United Kingdom and other countries on Russia, the Russian Central Bank, credit institutions, companies and individuals caused significant disruption in the financial markets in 2022. As a result, 2023 brought continued geopolitical

tensions, recalibration of economic growth, inflation, rising interest rates in the U.S. and Europe, and rising commodity prices.

The Group has no net investments, subsidiaries or assets in Russia, Belarus, or Ukraine, but carries out trade with companies based in Ukraine.

To address the aforementioned circumstances, the Group undertook measures, through which to limit the negative consequences on the financial results for 2022 and 2023.

Risk analysis and measures and actions taken:

- In 2023, there was a normalisation in the markets for the main products and goods sold by the Group compared to 2022. The following market developments were observed:
 - Increased demand for starter car batteries in Western European markets, where historic record sales of this type of product were achieved. In 2022, demand for these products was significantly depressed by sharp inflationary movements in the region and the associated shift in consumer behaviour.
 - Substantial decline in sales of larger and more profitable semi-cyclical batteries, representing mainly purchased goods, due to the normalization of the delivery period of US manufacturers of this type of batteries, which was drastically extended in 2022 due to the logistical challenges during the period, and respectively the reorientation of the market back towards US products.
 - Decline in stationary (telecom) battery sales due to substantial volumes to leading telecom operators and system integrators in Russia in the first two months of 2022, i.e. just before the start of the war in Ukraine.
- During 2023 MONBAT AD has no sales to Russian customers, while sales to customers based in Ukraine represent 3.3% of total sales revenue. (2022: Russia – 2.0%, Ukraine – 1.9%).
- In relation to supply chains, the Group is not directly dependent on Russian, Ukrainian or Belarusian suppliers.
- As a result of inflationary developments and market volatility, the average market price of lead in 2023 was around EUR 1 977/MT (2022: EUR 2 041/MT). The Group addresses this volatility and the dependence of the lead price on stock market indices by applying a standard indexation of its sales prices to all its counterparties.
- The Group's main customers have not experienced financial difficulties directly related to the military conflicts in Ukraine and the Middle East.
- To ensure the collectability of its receivables from Ukrainian counterparties for which trade receivables insurance is not available, the Group adopted a policy of 100% pre-shipment advance payments on all export sales to Ukraine following the outbreak of hostilities in the country. Although towards the end of 2023 and 2022, there are no significant delays in the collection of receivables from customers, the activity of several specific customers in Russia and Ukraine, where even in pre-war periods a delay in collection was noticeable was further complicated by the military conflict and in this connection the Group has recognized impairment charges related to the trade receivables from the same in the amount of BGN 0 in 2023 and BGN 260 thousand in 2022. As of December 31, 2023, the Group

has trade receivables from Ukrainian and Russian customers (net of impairments) in the amount of BGN 10 148 thousand.

The Group analyzes on an ongoing basis all possible impacts of changing micro- and macroeconomic conditions on the Group's future financial position and results of operations. Inflationary processes, expressed in increased costs of direct materials, energy and labour per unit of production, have a significant impact on the Group's operations. The Group has been able to limit the effect of these negative impacts of the macroeconomic environment by refining its customer and product mix (with a focus on higher-margin products and markets) and, where necessary, applying an indexation of selling prices to its customers.

3.8. Sale of Monbat Immobilien GmbH

As of December 31, 2023, the Group owns an investment property of a specific nature in Austria owned by the subsidiary Monbat Immobilien GmbH. In April 2022, the General Meeting of Shareholders decided to sell Monbat Immobilien GmbH at an appropriate price offer from a potential buyer. In 2022, the Group concluded a contract for the sale of the assets of the Austrian company, the total value of the transaction being EUR 7,200 thousand.

As of 31 December 2023, the Group performed impairment tests in accordance with the requirements of IAS 36 "Impairment of Assets" for the asset held for sale, being investment property. Indications of impairment due to the specific nature of this asset have been identified. Management has determined that the carrying value of the asset exceeds its recoverable amount as determined from a fair value estimate prepared by a licensed appraiser. For this reason, the Group recorded an impairment charge of BGN 2 641 thousand in 2023 (2022: BGN 3 169 thousand) included in "Result from discontinued operations" in the consolidated statement of profit or loss.

As of 31 December 2023, the transaction has not been completed and there has been no change in the Group's intention to complete the sale of its investment in Monbat Immobilien GmbH. Accordingly, as of 31 December 2023 and 2022, the Group classifies the investment property owned by Monbat Immobilien GmbH as an asset held for sale.

3.9. Sale of 7.2 % of Cobat s.p.a

In March 2022, the Group sold 7.2% of the Italian innovative technology company Cobat s.p.a. The profit from the transaction is worth BGN 485 thousand. The selling price of the shares is BGN 1 996 thousand (EUR 1,000 thousand).

3.10. Sale of Monbat Holding GmbH

In May 2022, the Group (through the parent company Monbat AD and one of its subsidiaries - Monbat Recycling EAD) concluded an agreement for the sale of 100% of the capital of the German-based subsidiary Monbat Holding GmbH. Monbat Holding GmbH is an intermediate holding structure of the Group, owning 100% of EAS Batteries GmbH (EAS) and Monbat New Power GmbH (MNP). EAS is responsible for the operational team and carries out the commercial activities of the Group's lithium-ion division, and MNP owns the plant, equipment and other property, including the patents, licenses and company-developed inventions and know-how. The three subsidiaries of the Group - Monbat Holding (holding structure), EAS Batteries (operating

structure) and MNP (asset management structure) form the lithium-ion division of the Group, which, in accordance with IFRS 8, as of December 31, 2021 is reported in the lithium-ion battery production segment. The sale agreement is for 100% of the share capital of Monbat Holding GmbH. The buyer of the shares of Monbat Holding GmbH is the British company Britishvolt, and the value of the transaction is 36 million euros and includes a cash payment, as well as the issuance of ordinary shares from the capital of Britishvolt.

Pursuant to the concluded sale agreement with Britishvolt, the Group received an advance payment of EUR 3,000 thousand in the form of a non-refundable deposit (EUR 2,825 thousand net after deducting legal and consulting fees).

In January 2023, Britishvolt, the company with which the Group has an agreement for the sale of its subsidiary Monbat Holding GmbH, entered a legal process of administration under the Insolvency Act 1986 of the United Kingdom in order to restructure the company's operations, due to insolvency caused by cash flow problems.

In late February 2023, Recharge Industries acquired Britishvolt as part of the administration process.

On March 22, 2023, the Group sent a notice to Britishvolt to terminate the contract for the sale of Monbat Holding GmbH, due to non-fulfillment of the agreed conditions by Britishvolt side. As a result of the termination of the sales contract, the Group has recognized income in the amount of BGN 5 868 thousand and current tax expense in the amount of BGN 587 thousand on the line "Result from discontinued operations" in the consolidated statement of profit or loss. In 2023, the Group recognized expenses related to the sale of Monbat Holding GmbH in the amount of BGN 208 thousand on the line "Result from discontinued operations" in the consolidated statement of profit or loss.

As of 31 December 2023, the Group's management has not changed its intentions to sell its investment in Monbat Holding GmbH.

3.11. Significant shareholding in "Monbat" AD

The European Bank for Reconstruction and Development and CEECAT Investments Limited announce that on June 23, 2022 the two companies have transferred 100% of the membership rights (shares) to the registered in the Kingdom of the Netherlands Prista Holdco Coöperatief UA (coöperatie met uitgesloten aansprakelijkheidcooperative). Through the said transfer, the European Bank for Reconstruction and Development and CEECAT Investments Limited have no direct or indirect participation in "Monbat" AD after the transaction.

"HOLDSCO INVESTMENT" EOOD informs that on June 23, 2022 it acquired 100% of the membership rights (shares) of the registered in the Kingdom of the Netherlands Prista Holdco Coöperatief UA (coöperatie met uitgesloten aansprakelijkheidcooperative). Through the mentioned acquisition, "HOLDSCO INVESTMENT" EOOD also acquired an indirect participation in "Monbat" AD in the amount of 20.779% of the capital and voting rights. HoldCo Investment OOD is indirectly owned by six senior managers of Monbat - Viktor Stanimirov Spiriev, Chavdar Donchev Danev, Petar Hristov Petrov, Petar Nikolov Bozadjiev, Vildiras Voin Kamenov, Bozhidar Borisov Nekeziev - through EKIP Monbat OOD.

3.12. Deletion of Monbat Batterien GmbH and Monbat Holding Tunisia B.V.

The companies Monbat Batterien GmbH and Monbat Holding Tunisia B.V. have share capital consisting solely of ordinary shares held directly by the Group. The country of incorporation is also their principal place of business, and the share of ownership of the companies is the same as the share of voting rights held. The companies' shares are not traded on stock exchanges.

The above-mentioned subsidiaries are not consolidated in the Group's financial statements for 2021 due to the immateriality of their operations and at the discretion of the Group's management. The management considers that the above mentioned does not have a material effect on the Group's consolidated financial statements for 2021. As of December 31, 2022, these two companies have been deleted by being deregistered from the commercial registers in the countries where they were established.

3.13. Purchase of license rights

In 2019, the Group signed an agreement for the purchase of license rights in connection with the acquisition of technology for the production of rechargeable batteries with bipolar plates. The contract includes an initial payment for the acquisition of the license rights of USD 2,000 thousand, as well as 8 subsequent license fees on a quarterly basis of USD 250 thousand each. In view of the circumstances due to the Covid-19 pandemic, part of the due quarterly license fees have not been paid. The recorded value in relation to the purchased license rights as of December 31, 2023 amounts to BGN 7,309 thousand or USD 4,000 thousand (2022: BGN 5,946 thousand or USD 3,250 thousand).

In 2021, 1 payment worth BGN 420 thousand (USD 250 thousand) was made in December 2021.

In 2023 and 2022, three of the agreed license payments of USD 250 thousand each were made, in total amount of BGN 1 363 thousand in 2023 (2022: BGN 1 531 thousand).

The remaining amount of the contractual commitments for the acquisition of the license rights is in the amount of USD 750 thousand. (3 quarterly payments of USD 250 thousand). The Group intends to make all payments under the contract and has the necessary technical, financial and other resources.

In 2022, the Group signed an agreement with the same supplier for the production of bipolar plate battery prototypes to be made available to customers during the commercialization of the new production. As of 31 December 2023, advances amounting to BGN 887 thousand (USD 459 thousand) have been paid under this contract and were presented in group "Others" of intangible assets. The production of the prototypes is expected to be completed in 2024.³

3.14. Buyback of shares

In 2022, the Board of Directors of Monbat AD took the decision to repurchase own shares amounting up to 3% of the registered capital or up to 1,170,000 shares at a minimum repurchase

³ In the Annual Consolidated Financial Statements of "Monbat" AD for 2022, it is written that "The production of the prototypes is expected to be completed in 2023."

price of BGN 4.51 and a maximum repurchase price of BGN 8.75 with initial term September 26, 2022.

In case of exhaustion of the quantity, namely the company buys back up to 1,170,000 shares, before the deadline - 180 calendar days, starting from September 26, 2022, the buyback procedure will be terminated as successfully completed. In the event that the maximum number of shares is not repurchased by the end of the period, the Board of Directors, at its discretion, may either extend the period by a further 180 calendar days with the corresponding application of the provision of the previous sentence, or terminate the procedure regardless of the number of repurchased shares. During the term of this procedure, depending on the market conditions, the Board of Directors may, at its discretion, change the minimum or maximum repurchase price.

In 2022, 27,000 shares were bought back by the parent company.

In 2023 Monbat AD re-purchased 6,545 own shares.

3.15. Additional information in connection with the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018⁴

Monbat AD has not exercised the option to redeem the remaining portion of the issue at the expiry of the 60th month after the date of issue of the bonds.

The fair value of the bond conversion option at initial recognition has been estimated using a valuation model assuming that the Group's share price follows a Brownian motion. The valuation model uses an iterative Monte Carlo simulation using a large number of trial outcomes to approximate the target solution. The fair value of the conversion option falls within Level 3 of the fair value hierarchy.

The subsequent measurement of the conversion option follows the same model as in 2023. The Group reports income from the change in fair value of the option in the amount of BGN 2 640 thousand presented as "Financial instruments income" (2022: BGN 589 thousand).

The fair values of the conversion options at 48, 66 and 78 months after issuance are estimated. Conversion option 48 months after issuance of the bond loan, not exercised in 2022 or 2023. The fair value of the conversion option is deducted from the nominal value of the bond obligation, and the residual value of the bond loan obligation is valued at amortized cost using the effective interest method.

For other features (e.g. repurchase option (regarding the prepayment of the debt) and zero or positive 6M EURIBOR option (regarding the minimum interest rate level) the Group believes that they are closely related to the underlying contract. The difference between the amortized value of the debt, including the cash flows resulting from the exercise of the repurchase option (on each applicable date), is assumed to be insignificant compared to the amortized value of the underlying debt contract prior to the exercise of the repurchase option. On the date of initial recognition, the zero or positive 6M EURIBOR option was valued as "out-of-the-money", i.e. the exercise price of

⁴ Information from the Annual Consolidated Financial Report of "Monbat" AD for 2022.

the option (6M EURIBOR plus 300 b.p.) was valued below the level of the interest rate required for a comparable bond without an option for conversion.

The transaction costs of issuing the bond loan, related to the component of the derivative instrument for conversion in the amount of BGN 47 thousand were recorded as an expense in "Interest expenses" in 2018. The transaction costs in the amount of BGN 353 thousand, relating to the debt component of the Bond, are included in the balance sheet value of the debt component. They are amortized over the term of the convertible bond using the effective interest method.

Upon initial recognition of the liability, the calculated and applied effective interest rate on the bond debt component, accounted for at amortized value, is equal to approximately 6% per annum.

The initial time horizon for calculating the effective interest rate was equal to 5 years from the issuance of the bond due to the fact that the Group's management expected that the redemption option on the 5th year of the issued bond loan would be exercised.

In 2023 and 2022, as a result of a change in market conditions – an increase in the 6M EURIBOR interest rate, the Group recalculated the amortized value of the bond debt. The revised effective interest rate from 2023 is around 9% per annum (2022: around 8% per annum). The recalculation of debt with a revised effective interest rate does not require the reporting of a one-time effect in the statement of profit and loss in 2023 and 2022.

3.16. Delay of first principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018

On January 20, 2023, the first principal payment in the amount of 20% of the nominal value of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD, was to be made. On January 17, 2023, the following notice was published by "Monbat" AD on the [X3News](#) financial website:

"According to the terms and conditions of the issue of convertible corporate bonds with ISIN BG2100023170 issued by Monbat AD, the principal amount of the issue is to be repaid in three installments at the end of the 5th, 6th and 7th years, and the amounts of the repayment installments being 20%, 30% and 50% of the nominal amount, respectively. On 20.01.2023 Monbat AD is obliged to repay the first principal instalment of EUR 5 603 000.

The quarterly reports pursuant to Article 100b (8) of the Public Offering of Securities Act (POSA) on compliance with the terms of the bond loan indicate that a substantial part of the proceeds from the bond issue were used to acquire shares in the capital of the entity Monbat Holding Germany GmbH, in the balance sheet of which the lithium-ion division of the Monbat Group is consolidated. On 28.05.2022 Monbat AD announces its intention to sell the shares in the capital of Monbat Holding GmbH to Britishvolt, a pioneer in the battery industry whose activities focus on the development of next-generation lithium-ion battery technologies and related research and solutions. The value of the transaction for the shares of Monbat Holding GmbH is EUR 36 million and includes two components - a cash payment and the acquisition of ordinary shares from a subsequent capital increase of Britishvolt. The expected cash portion to be received by Monbat AD from the transaction significantly exceeds the amount of the obligation for the first principal

payment of the convertible bond issue. For this reason, the intention of the management of Monbat AD was to use the cash from the Britishvolt transaction to service this payment.

Due to circumstances outside the control of Monbat AD, the transaction with Britishvolt was not finalized within the planned timeframe. The management of Monbat AD has promptly undertaken a plan to alternatively secure funds for the payment. The expectation was that by the maturity date the necessary funds would be available. Unfortunately, the short time for reaction reflects on the ability of Monbat AD to make the principal payment due on 20 January 2023 in a timely manner.

The principal payment is among the parameters that may be changed by a decision of the general meeting of bondholders in accordance with the procedure detailed in the Securities Offering Document. It provides for an obligation of Monbat AD as the issuer to request a General Meeting of Bondholders to consider this issue. The management of Monbat AD considers that the delay in the receipt of the proceeds needed to cover the first principal payment will be shorter than the time required convening and holding a general meeting of bondholders.

Taking into account the above circumstances, the management of Monbat AD informs the public, investors, the regulated market - BSE AD and the FSC that the repayment installment of the convertible bond issue will be paid not later than 31.01.2023. The interest due as of 20.01.2023 will be paid in due time according to the repayment plan."

Later that day, news was published on investor.bg that the British start-up for electric vehicle batteries Britishvolt Ltd. has appointed an administrator in bankruptcy. On March 22, 2023, the Group, through the companies Monbat AD and Monbat Recycling Bulgaria EAD, sent a notification to Britishvolt for termination of the sale contract of Monbat Holding GmbH, due to non-fulfillment of the agreed conditions by Britishvolt.

The principal payment due on January 20, 2023 in the amount of EUR 5,603,000 was made on January 27, 2023.

3.17. Loans granted to related parties

On March 15, 2023, the Board of Directors of Monbat AD took a decision after receiving a proposal from the debtors to renegotiate the term of the loans granted and due as of December 31, 2022 to Atanas Bobokov, Plamen Bobokov, Torlashka sreshta EOOD and Monbat Eco Projects OOD with a new maturity date of December 31, 2023 and updated interest rates in the amount of 6M EURIBOR plus a margin of 3.5%.

The loans were renewed with the signing of additional agreements on March 15, 2023.

In March 2024, the loans granted to the companies under common control and the persons exercising joint control over the parent company, maturing as of 31.12.2023 were renewed with the signing of additional agreements with a new maturity date of 31.12.2024.

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

The recoverability of the receivables from the parent company Prista Oil Holding EAD at the amount of BGN 38 917 thousand was assessed based on a 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 of the receivables from the parent company, the contractual guaranteed agreement related to shares of Project Ruse AD, property of Atanas Bobokov and Prista Old Holding EAD, is considered. The monetary value of this agreement concluded between the Group and Prista Oil Holding EAD is comparable to net exposition of the receivables of the Group from Prista Oil Holding EAD, Prista Invest 2016 AD, Atanas Bobokov, Plamen Bobokov, Alliance Energy Companies AD and Black Star International AD.

3.18. Non-compliance with the terms of signed contracts⁵

Pursuant to the agreements entered into with DSK Bank EAD under contract no. 1674/16.09.2015 and UBB AD under contract dated 25.02.2014, the Group shall maintain a financial ratio, calculated as the ratio of the consolidated net debt of the Monbat Group to EBITDA, which ratio shall be lower than 3. The Group is in breach of this requirement. The loan is short-term, and this does not affect the classification in the consolidated financial statements. Based on historical experience and in view of the long-term business relationships with the banks, the Group does not believe that such non-compliance would result in material consequences.

3.19. Loan agreement with an interested person

On April 28, 2023, Monbat AD informed of a concluded loan agreement between Monbat AD - Lender - and Black Star International AD with UIC: 206893902 - Borrower - interested person within the meaning of Art. 114, para. 7, point 1 of the POSA. The amount of the monetary loan is EUR 500,000, the amount of the remunerative interest is 6-month EURIBOR plus 5.5% on an annual basis, and the maturity date is December 31, 2023. The maturity date has been extended with an annex until 31.12.2024. The loan is provided without collateral and its purpose is to fund part of the operational expenses related of Black Star International AD until third-party financing is secured (under negotiation).

3.20. Delay of second principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018

On January 20, 2024, the second principal payment in the amount of 30% of the nominal value of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD, had to be made. On January 05, 2024, an invitation was published on the [X3News](#) financial website to convene a general meeting of bondholders for the issue of corporate bonds issued by "MONBAT" AD with ISIN BG2100023170, which will be held on January 22, 2024 with agenda: discussion and adoption of a decision on a proposal received from the issuer "MONBAT" AD for a change in the terms of the bond issue with ISIN code BG2100023170 consisting in a change in the

⁵ The information is available in the consolidated financial statements of the Group as of June 30, 2023, December 31, 2022 and December 31, 2021.

repayment plan of the bond loan, namely: postponement of payment of the second principal repayment installment – and proposal for decision: Acceptance of a proposal received from the Issuer for a change in the terms and conditions of the bond issue with ISIN code BG2100023170 and agreement to postpone the payment of the second principal repayment installment in the amount of EUR 8 404 500, representing 30% of the total raised amount of the issue, for a period of sixty calendar days starting from 20 January 2024.

On the General Meeting of Bondholders (GMB) on January 22, 2024, the proposal to postpone the payment of the second principal repayment installment in the amount of EUR 8 404 500, representing 30% of the total raised amount of the issue, for a period of sixty calendar days starting from 20 January 2024, was accepted unanimously.

Viktor Spiriev, Executive Director of Monbat AD, explained the reasons for the postponement of the principal payment, namely: delay in the utilization of the secured financing due to administrative procedures with a new financing institution. He explained that the basic scenario for 2023 has been related to the sale of the investments in the lithium-ion division in Germany, for which contracts were already signed with Britishvolt in 2022. The contract has included a two-part payment – cash and shares from Britishvolt's capital increase. Due to a default by Britishvolt, the contract was terminated as the company was unable to raise capital by February 2023. For failure to perform, the deposit paid was withheld as a penalty. After February 2023, Monbat AD entered into an active process of finding a new investor. As of September 2023, it was clear that no deal will be possible, although some of the potential buyers have entered into a commercial agreement with EAS. For this reason, procedures for proved financing through a credit institution were also launched, and at the end of December 2023, approval was received for the proved financing. The administrative procedure for the use of funds takes a long time, and for this reason it is necessary to request an additional 30 + 30 days postponement of payment of the second principal repayment installment. The loan has a net amount of EUR 8,000,000 and also it will be used not only for the principal repayment, but a small part of it will be used to repay other debts to banks.

Chavdar Danev, Chairmen of the Board of Directors of Monbat AD added to the statement: According to Monbat's prospectus for the bond issue, Monbat AD was expected to acquire ASSAD Tunis, but due to identified risks during the exploratory phase, it was decided that these risks could not be undertaken. That is why Monbat AD turned to another battery manufacturer in Tunisia - NOUR, which led to a delay in the return on investment. This made it necessary to focus on alternative solutions of financing. Additionally, the 2020-2021 pandemic slowed Monbat's sales growth. The delay in receiving notifications for the export of lead slag from Italy, as well as the energy crisis in 2022, also had a negative impact.

Viktor Spiriev, CEO of Monbat AD committed to present a liquidity plan by the end of February 2024 and accordingly to hold online meetings with investors on a quarterly basis. He added that the basis for the liquidity plan will be the information publicly disclosed by the company, but in a different format.

Regarding the future financing of the payments, Viktor Spiriev explained that there is still a chance of a transaction for the lithium-ion division. Besides, the company will also rely on own funds from the operating activities, with an expected cash flow of EUR 7 million. If the financial

resources are not sufficient, the company will also rely on funding through borrowed resources without disturbing the 2024 base scenario. The possible sale of the recycling facilities in Italy and the investment property in Austria is also under discussion. At the moment it is not appropriate for Monbat AD to exit the investment in NOUR Tunisia as the prospects for the company are very good.

Viktor Spiriev said that there are also funds on deposits provided to Prista Oil Holding AD, which are executable and can be relied on. On the question whether it is possible to receive the deposits from Prista Oil Holding AD if necessary in 2024, Chavdar Danev, Chairman of the Management Board of Monbat AD explained that the indicators of Prista Oil Holding AD have improved in recent years due to sales of lubricating oils used in the production of electricity in Iraq. Key sales of transformer oils for the recovering electricity grid in Ukraine were made, and a significant value contract was signed for the supply of oils in North Africa. The above transactions demonstrate the improving financial position of Prista Oil Holding AD. Thus, Prista Oil Holding AD has the potential to generate resources.

On March 07, 2024, an online meeting of the bondholders was held, at which "Monbat" AD provided the promised liquidity plan.

As of March 20, 2024, the second principal payment in the amount of 30% of the nominal value of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD, has not yet been made. On the financial electronic page [X3News](#), a notification was published by "Monbat" AD, which reads:

“According to the loan agreement, a pre-condition for the use of the loan is to provide the necessary collateral, which is free from encumbrances in third parties. Part of this security is a mortgage on immovable property used to secure debts owed to the another lending institution servicing Monbat AD, which have been repaid or which Monbat AD has declared its willingness to repay early, of for which the company has notified the bank in writing of its intention.

In consideration of the longer than originally expected time for the competent authority of the creditor bank (based abroad) to make a decision on the removal of the encumbrances, Monbat AD is not yet in a position to use the agreed loan which should be used to pay the second principal installment the issue.

At this moment, the decision to remove the encumbrances has already been taken by the competent authority of the Bank and technically the removal process has been initiated, with the relevant documentation to be signed.

In consideration of the technical time required for the removal of the encumbrances and securing the real estate as collateral free from encumbrances to the financing institution Monbat AD, and in regard of the time required for the transfer of the money from Central Depository AD to the bondholders, management expects that the Company will be in a position to pay the second installment on the convertible bond issue no later than 15 April 2024.”

On March 28, 2024, on the website of the financial electronic page [X3News](#), an invitation was published by "DV Invest" EAD, in the capacity of representative of the bondholders, for convening a general meeting of the bondholders of a corporate bonds issue, issued by "MONBAT" AD with

ISIN BG2100023170, which will be held on 16.04.2024 with an agenda and proposals for decisions:

Item 1. Finding by the General Meeting of bondholders that there has been a non-fulfilment of the conditions of the corporate bond issue with ISIN code BG2100023170, issued by "MONBAT" AD.

Proposal for a resolution on item 1: The General Meeting of bondholders of the corporate bond issue with ISIN code BG2100023170 issued by "MONBAT" AD, taking into consideration that:

The date of payment of the second principal repayment installment in the amount of EUR 8 404 500, representing 30% of the total raised value of the issue, according to the terms of the bond issue, was January 20, 2024;

By decision of the General Meeting of bondholders according to the minutes dated January 22, 2024, the payment of the specified installment was postponed for a period of sixty calendar days starting from January 20, 2024;

The Issuer has not paid the second principal repayment installment in the amount of EUR 8 404 500 due on March 20, 2024;

The General Meeting of bondholders finds that there is non-fulfilment of the conditions of the corporate bond issue with ISIN code BG2100023170, issued by "MONBAT" AD, as well as non-fulfilment of the resolution of the General Meeting of bondholders dated January 22, 2024, and there is an overdue payment of the second principal repayment installment in the amount of EUR 8 404 500, representing 30% of the total raised value of the issue.

Item 2. Discussion and adoption of a resolution to take actions to protect the rights and interests of the bondholders according to the terms of the corporate bond issue with ISIN code BG2100023170, issued by "MONBAT" AD, and in accordance with the current legislation and the documents of the bond issue.

Proposal for a resolution on item 2: The General Meeting of bondholders adopts a resolution to take actions to protect the rights and interests of the bondholders in accordance with the terms of the corporate bond issue with ISIN code BG2100023170, issued by "MONBAT" AD, and in accordance with the current legislation and the documents of the bond issue (item 4.6 of the Document on the offered securities, containing information on the securities that are subject of a public offer - Part II of the Prospectus).

On April 03, 2024, the amount for the second principal payment has been transferred by "Monbat" AD to the Central Depository AD ("CD" AD). **The principal payment due on January 20, 2024 in the amount of EUR 8,404,500 was made on April 05, 2024.**

Due to lack of quorum for regular holding, the General Meeting of bondholders on April 16, 2024 was not held and the same is to be held on May 09, 2024.

On the General meeting of the bondholders, held on May 09, 2024, Viktor Spiriev, representative of the issuer, stated that the payment of the second principal repayment installment in the amount of EUR 8 404 500 was received on the accounts of the bondholders on April 5, 2024, and therefore there is no reason to vote for actions to protect the rights and interests of the bondholders against

the issuer. A liquidity plan has been prepared, in which basic and additional options related to the payment of the last principal installment in January 2025 are presented. The plan was presented to the bondholders at a meeting with them held on March 07, 2024. The second planned meeting with bondholders is scheduled for June 2024.

The chairman Mr. Milenkov announced to the General meeting of the bondholders that on April 03, 2024 a sum of 8 404 500 euro, second repayment of principal of the bond issue, consisting of 30% of the full bond issue, was transferred from "MONBAT" AD to the Central Depository AD, and the payment for the bonds issue to the bondholders was done on April 05, 2024 and therefore there are no grounds to take actions against the issuer by the bondholders under item 4.6 of the Document on the offered securities, containing information on the securities that are subject of a public offer - Part II of the Prospectus.

The decisions on the first and second items of the agenda of the General Meeting of bondholders on May 09, 2024, have not been adopted.

3.21. Action to discontinue the activity of Energy Batteries Nigeria Ltd

In August 2023 the Board of Directors of Monbat AD resolved to take action to discontinue the activity of Energy Batteries Nigeria Ltd, a company operating in Nigeria. The Group's management expects the operations of Energy Batteries Nigeria Ltd. to be discontinued within one calendar year of the end of the reporting period.

Following a review of the recoverable amount of the assets, the Group recognized an impairment charge of BGN 101 thousand included in the 'Result from discontinued operations' line in the consolidated statement of profit or loss. In 2023, Energy Batteries Nigeria Ltd. reported a loss from operations of BGN 352 thousand. As required by IFRS 5 'Non-current assets held for sale and discontinued operations', the financial result of Energy Batteries Nigeria Ltd. for the current and comparative period (2022) is presented in the line 'Result from discontinued operations' in the consolidated statement of profit or loss.

3.22. Action to discontinue the business of Monbat SA Proprietary Limited

In December 2023. The Board of Directors of Monbat AD resolved to take action to discontinue the business of Monbat SA Proprietary Limited, a company operating in South Africa. Group management expects the operations of Monbat SA Proprietary Limited to be discontinued within one calendar year of the end of the reporting period.

Following a review of the recoverable amount of the assets of Monbat SA Proprietary Limited, the Group recognized an impairment charge of BGN 291 thousand included in the 'Result from discontinued operations' line in the consolidated statement of profit or loss. In 2023, Monbat SA Proprietary Limited reported a loss from operations of BGN 1 239 thousand. As required by IFRS 5 'Non-current assets held for sale and discontinued operations', the financial result of Monbat SA Proprietary Limited for the current and comparative period (2022) is presented in the 'Result from discontinued operations' line in the consolidated statement of profit or loss.

3.23. Corporate tax liabilities of Piombifera Italiana Spa

In May 2022, Piombifera Italiana Spa, a company of the Group, received from the Italian Revenue Agency, Province of Varese, summons number 117/2022/90021964 for the payment of corporate tax liabilities amounting to EUR 3 539 thousand. The summons was received by Piombifera Italiana Spa in its capacity as joint debtor with an unrelated party, Piombifera Bresciana Srl, which entity received, but did not pay, tax audit certificates in 2016 relating to the tax years 2009, 2010 and 2011.

The Italian Revenue Agency considers Piombifera Italiana Spa and Piombifera Bresciana Srl to be jointly and severally liable insofar as in March 2012 Piombifera Bresciana Srl was transformed into Piombifera Italiana Spa following a decision of the then shareholders of Piombifera Bresciana Srl. The Group of Monbat AD, through its subsidiary Monbat Italy Srl, acquired Piombifera Italiana Spa in November 2017.

Through its lawyers, in June 2022 Piombifera Italiana Spa disputed the payment invitation received. In September 2023, by judgment number 246/2023, the court of first instance in Varese dismissed Piombifera Italiana Spa's appeal and demanded payment of the tax amounts in question. In October 2023, Piombifera Italiana Spa challenged, at second instance, before the Regional Court of Lombardy the dismissal of the action, in terms of the joint liability of Piombifera Italiana Spa and Piombifera Bresciana Srl in respect of the tax assessment notices issued and in terms of the maximum amount of Piombifera Italiana Spa's liability. According to Italian law, the maximum liability should be up to the amount of the transformed company's equity, namely EUR 2 075 thousand.

It is the expectation of the Group and its tax and legal collaborators that the Court will confirm the existence of the joint and several indebtedness of Piombifera Italiana Spa in respect of the tax liabilities established for Piombifera Bresciana Srl, limiting the liability, respectively the obligation of Piombifera Italiana Spa, to the maximum liability, namely EUR 2 075 thousand. In this respect, the Group has recognised a provision for tax liabilities of BGN 4 058 thousand in 2023 (2022: nil), shown in line "Income tax expense" in the consolidated statement of profit or loss, and a liability of the same amount in line "Corporate income tax payable" in the consolidated statement of financial position.

Pursuant to the agreement defining the terms and conditions of the acquisition of the ownership of Piombifera Italiana Spa in 2017, entered into between the Group and the Seller, the Group has obtained representations and warranties of the absence of material tax liabilities in the acquired company by the Seller. The management of the Group is considering bringing a claim for damages against the Seller, due to the incorrect and/or incomplete information provided during the sale process.

3.24. Investments in associates

In 2023, the Group participated in the capital increase of Leventa OOD through cash contributions in the amount of BGN 281 thousand, while the Group's participation in the capital of Leventa OOD remains unchanged at 46%.

In 2023, the Group acquired a 14.4% interest in the capital of Akumplast Industry, Tunisia through a cash payment of BGN 184 thousand made by the subsidiary Societe Nouvelle de l'accumulateur Nour.

3.25. Share capital

As of December 31, 2023, one legal entity exercises control over the public company “Monbat” AD – “Prista Oil Holding” EAD, Sofia. “Prista Oil Holding” EAD controls another shareholder with a significant participation, namely “Monbat Trading” OOD. The total number of voting shares owned directly and through related parties by “Prista Oil Holding” EAD is 19,452,021 or 49.87%. The shares held by Monbat Trading Ltd. and Prista Oil Holding EAD are subject to a pledge agreement under the Financial Collateral Contracts Act (FCCA) in favor of UniCredit Burbank AD in connection with a loan granted by UniCredit Burbank AD to Prista Invest 2016 AD.

3.26. Dividends

At the General Meeting of Shareholders which took place on 29th June 2023, a decision was made to distribute a dividend in the amount of BGN 4 000 thousand, which is part of the profit for 2022 in the amount of BGN 1 219 thousand and from previous years in the amount to BGN 2 781 thousand. This amount represents a payment of 0.10 BGN per share. In 2023 Monbat AD has paid out dividends in the amount of BGN 3 992 thousand.

At the General Meeting of Shareholders, held on 14th June 2022, a decision was made to distribute a dividend in the amount of BGN 5 500 thousand, which is part of the profit for 2021 in the amount of BGN 1 195 thousand and from previous years in the amount of BGN 4 305 thousand. This amount represents a payment of 0.14 BGN per share. In 2022 Monbat AD paid out dividends in the amount of BGN 5 434 thousand.

3.27. Credit risk

The Group has assessed expected credit losses in respect of certain trade receivables from customers from the Russian Federation, whose credit risk has increased significantly in 2022. The amount of the gross book value of these trade receivables is BGN 2 595 thousand (2022: BGN 2 595 thousand). The accrued impairment of these receivables as of 31.12.2023 is BGN 2 595 thousand (2022: BGN 2 595 thousand).

In 2023 and 2022, the Group did not test for impairment receivables from Ukrainian companies in the amount of BGN 7 987 thousand (net of accrued impairment in the amount of BGN 519 thousand). Receivables are uninsured and unsecured. In connection with the ongoing military conflict in Ukraine, which began on 24 February 2022, the Group is unable to determine expected credit losses as required by IFRS 9 and has not tested these receivables for impairment.

The Group has BGN 2 080 thousand of overdue trade receivables from a Russian counterparty, which are insured with the Bulgarian Export Insurance Agency (BAEZ) EAD and according to an agreement of 22 June 2023 concluded with the insurer, these receivables will be paid after the conclusion of a court case concerning the terms and performance of delivery led by the Group against the Russian counterparty. According to the legal counsel of the Group, the claim in the commercial case will be granted in full.

3.28. Report of the independent auditor on the audit of the Annual Consolidated Financial Statements of "Monbat" AD for 2023

Based on the performed financial audit, in section "Basis for Qualified Opinion" of the Independent Auditor's Report on the audit of the Annual Consolidated Financial Statements of "Monbat" AD for 2023, the following issue is described on which the auditor was unable to obtain sufficient and appropriate audit evidence:

“As disclosed in note 41 “Risks related to financial instruments” to the consolidated financial statements, the Group has overdue trade receivables from Ukrainian counterparties with a carrying amount of BGN 7,987 thousand as of 31 December 2023, of which BGN 5,469 thousand is overdue more than two years and BGN 2,518 thousand is overdue more than one year. No payments have been received as of the date of this report. We have not been able to obtain sufficient appropriate audit evidence regarding the recoverability of these trade receivables.”

Also, in section "Emphasis of Matter" of the Independent Auditor's Report on the audit of the Annual Consolidated Financial Statements of "Monbat" AD for 2023, the following matters are described, regarding which the auditor's opinion has not been modified:

“1. We draw attention to note 39 “Contingent assets and contingent liabilities” of the consolidated financial statements, which describes tax liabilities of BGN 3,233 thousand of the subsidiary Monbat Recycling EAD in connection with a tax inspection act issued in 2022, for which the Group has not accrued provisions in the consolidated financial statements. The Group's expectations are that the appealed tax inspection act will be cancelled. Through its lawyers, Monbat Recycling EAD appealed the tax inspection act in the Administrative Court Sofia - city. The next court session is scheduled on May 8, 2024. Our opinion is not modified in respect of this matter.

2. As disclosed in note 13 "Income tax" of the consolidated financial statement, the subsidiary Piombifera Italiana Spa, Italy, has received an invitation from the Italian revenue agency to pay tax liabilities for corporate tax in the amount of BGN 6,922 thousand. (EUR 3,539 thousand), related to old tax liabilities of Piombifera Bresciana Srl, which merged into Piombifera Italiana Spa. Through its lawyers, Piombifera Italiana Spa disputed the invitation, but in September 2023 a court decision was issued, by which the court demanded payment of the above amount. In October 2023, Piombifera Italiana Spa disputed the amount of the tax liabilities at a second court instance. According to the Italian legislation, the maximum liability should be up to the amount of the equity capital of the transformed company Piombifera Bresciana Srl into Piombifera Italiana Spa, namely BGN 4,058 thousand (EUR 2,075 thousand). The expectation of the Group and its tax and legal associates is that the court will confirm the existence of the joint and several liability of Piombifera Italiana Spa in relation to the established tax liabilities of Piombifera Bresciana Srl, limiting the liability and the corresponding liability of Piombifera Italiana Spa, to the maximum amount of 4,058 thousand. In this regard, in 2023 the Group has recognized an adjustment in respect of prior periods BGN 4,058 thousand. Our opinion is not modified in respect of this matter.”

In section "Key Audit Matters" of the same report, the most important assessed risk is described - the Group's disclosures regarding the assessment of the recoverability of loans and receivables

from Prista Oil Holding EAD, the auditor's response and important observations in relation to this risk are summarized:

“Key audit matter:

The Group's operations include significant transactions and balances with Prista Oil Holding EAD, as described in notes 37 “Related party transactions” and 38 “Related party balances at year- end”.

As at 31 December 2023 the carrying amount of receivables and loans granted to Prista Oil Holding EAD is BGN 38 917 thousand (or 8% of the total assets of the Group). IFRS 9 requires the Group to determine at each reporting date the expected credit losses of its financial assets, based on a change, if any, in the credit risk of the financial instrument. As disclosed in note 39 “Related party balances at year-end”, the Group has determined that no impairment on loans and receivables from Prista Oil Holding AED is required, based on the assessment of the recoverability as at 31 December 2023. This assessment is related to a complex analysis and numerous judgments by the Group's management, regarding the expected time and amount of repayments by the related party based on different scenarios, as well as considerations for the existence of additional non-operational sources of repayment (e.g. possible sales of businesses or assets outside the core business.) Management's analysis and judgments focus on a recoverability assessment scenario that includes repayment over a period of time and is based on the projected cash flows of "Prista Oil" Group's lubricants business for the period 2024 - 2028, as well as an assessment of the capacity for distribution of dividends of "Monbat" Group, based on its projected cash flows for the same five-year period.

Due to the significant outstanding amount of loans and receivables from Prista Oil Holding AD, as well as the annual assessment of their recoverability, including complex analysis and multiple assumptions by Group's management, we have identified this area as a key audit matter.

How this matter was addressed during the audit:

In this area, our audit procedures included, among others:

- analysis of the Group's contractual agreements with related parties, as well as specific facts and circumstances, in order to identify the nature of the transactions and their effect on the financial condition and results of the Group's operations;
- receipt of confirmation letters on related party transactions and balances and, as well as statements, which we analysed in the context of the available documentation for these transactions;
- analysis of certain documents and registers selected by us in order to identify relationships and transactions with related parties that have not been previously identified or disclosed by management;
- we focused on the assessment of the presentation and disclosure of transactions and balances with related parties in view of their consistency with our understanding of the business model of the Group, as well as the results of our audit procedures in other relevant areas;
- regarding management's assessment of the recoverability of loans and receivables from related parties outside Monbat Group, we included our internal valuation specialists in the audit procedures, and focused in particular on:

- gaining an understanding of the different scenarios considered by management in their analysis of recoverability and assessing the applicability of the methods used, in particular, discounted cash flows in the scenario that includes repayment over a period of time;
- analysis of the projected cash flows for the period 2024 - 2028 of the lubricants business of "Prista Oil" Group by reviewing the reasonableness of key assumptions such as revenues, expenses, profitability before interest, taxes and depreciation against historical data and industry data. We also performed a test on the relevance of the recoverability of the loans and receivables of "Prista Oil" Group, using an estimate of Group's equity value using market comparables and the net asset value methods, as well as a sensitivity analysis of "Prista Oil" Group's ability to repay amounts due in the context of assumptions regarding adverse effects on its operating activities. We also considered the availability of additional non-operational sources of repayment (e.g. possible sales of businesses or assets outside the main activity), which are included as other considerations in the recoverability analysis by management;
- assessment of the dividend distribution capacity of "Monbat" Group, based on projected cash flows for the period 2024 - 2028, by analysing the reasonableness of key assumptions such as income, expenses, earnings before interest, taxes and depreciation against historical data and industry data. We also took into account the history of the dividends distributed and the dividend distribution policy of "Monbat" Group.
- procedures for assessment the adequacy of Group's disclosures in the attached consolidated financial statements regarding related parties, including the assessment of the recoverability of loans and receivables from them.”

3.29. Preliminary sale-purchase contract for a real estate owned by „Leventa" OOD, associate of “Monbat” AD

On March 22, 2024, the following notification was published by "Monbat" AD on the website of the financial electronic page [X3News](#):

“In relation to the decision of the Board of Directors (BOD) of Monbat AD, taken on 21.02.2024, presented to the FSC in accordance with the requirements of Article 116b, para. 4 of the Public Offering of Securities Act (POSA), with reference No. RG-05-1293-7/26.02.2024, we hereby inform that a preliminary sale-purchase contract was signed on 22.03.2024 for a real estate owned by „Leventa" Ltd, UIC 117632621.”

Leventa OOD is owned by “Monbat” AD and “Prista Oil Holding” AD.

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:	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: <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).

4.1. First conversion option of bonds into shares

On the 20.01.2022 the first conversion option of bonds into shares for 100% of the outstanding nominal value of the bond has expired. The option was not exercised by the bondholders.

4.2. First principal payment of the bond loan

The first principal payment of the bond loan in the amount of 20% of the nominal value of the issue was to be made on January 20, 2023. On January 17, 2023, the management of "Monbat" AD notified that there will be a delay in the payment due to unsuccessful finalization of a transaction within the stipulated terms, the funds from which the Company planned to use to service this payment. On January 27, 2023, the first payment of the principal of the bond loan was made in the amount of EUR 5,603,000. (For detailed information, see section [Delay of first](#)

[principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018](#) of this report.)

4.3. Second conversion option of bonds into shares

On the 20.07.2023 the second conversion option of bonds into shares for 80% of the outstanding nominal value of the bond has expired. The option was not exercised by the bondholders.

4.4. Second principal payment of the bond loan

The second principal payment of the bond loan in the amount of 30% of the nominal value of the issue was to be made on January 20, 2024. At a General Meeting of the Bondholders on January 22, 2024, a decision was adopted to postpone the payment of the second repayment installment on the principal in the amount of EUR 8,404,500 by sixty calendar days, starting from January 20, 2024. As of March 20, 2024, the second principal payment was yet been made. On the financial electronic page [X3News](#), a notification was published by "Monbat" AD, stating that the expectations of the management are that the company will be able to pay the second repayment installment on the issue of convertible bonds no later than April 15, 2024. The principal payment with due on January 20, 2024 in the amount of EUR 8,404,500 was made on April 05, 2024 (For detailed information, see section [Delay of second principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018](#) of this report.)

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.

The company has spent the full amount, EUR 28,015,000, raised through the bond issue 2018 ISIN code BG2100023170 of which EUR 13.03 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), EUR 1.58 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 and EUR 5.41 million for the acquisition of 23.30% of the shares of “Societe Nouvelle des Accumulateurs Nour”.

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 calculations for future payments below are made based on the current value of the interest rate, respectively 6.867% (6-month EURIBOR, which as of January 16, 2024 is 3.867%, plus 300 basis points), without conversion and 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) ⁶	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	365	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	366	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	Yes
20.1.2022	48	184	365	3.00%	423 678.90	Interest		423 678.90	28 015 000	Yes
20.7.2022	54	181	365	3.00%	416 771.10	Interest		416 771.10	28 015 000	Yes
20.1.2023	60	184	365	3.49% ⁷	492 597.34	Interest + 20% principal	5 603 000 ⁸	6 095 597.34	22 412 000	Yes
20.7.2023	66	181	365	5.84%	655 663.52	Interest		655 663.52 ⁹	22 412 000	Yes
20.1.2024	72	184	365	6.94%	784 201.41	Interest + 30% principal	8 404 500 ¹⁰	9 188 701.41	14 007 500	Yes
20.7.2024	78	182	366	6.87%	598 162.04	Interest		598 162.04 ¹¹	14 007 500	–
20.1.2025	84	184	366	6.87%	483 575.64	Interest + 50% principal	14 007 500	14 491 075.64	0	–
Total					6 792 771.05		28 015 000	34 807 771.05		

⁶ Regarding the calculation of the interest payments, a correction was made compared to the previous report, due to a recalculation of the Actual number of days in the year as of January 20, 2020, January 21, 2021, January 20, 2024, and January 21, 2025.

⁷ According to the terms of this bond issue, the interest rate for the period ending on January 20, 2023 should be 3.448% (6-month EURIBOR with a value of 0.448% as of July 14, 2022 plus 300 basis points), and the interest payment in amount of EUR 486,948.29. Monbat AD informed that as a result of a technical error, an interest payment in the amount of EUR 492,597.34 (calculated on the basis of an interest rate of 3.488%) was made, which will not affect the upcoming interest payments.

⁸ Delayed principal payment (For detailed information, see section [Delay of first principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018](#) of this report.)

⁹ The interest for the first 7 days of the interest period ending on 20.07.2023 was calculated on the basis of 100% of the principal amount of the bond loan (EUR 28,015,000), due to the delayed principal payment due on 20.01.2023 in the amount of EUR 5,603,000, which was carried out on 27.01.2023.

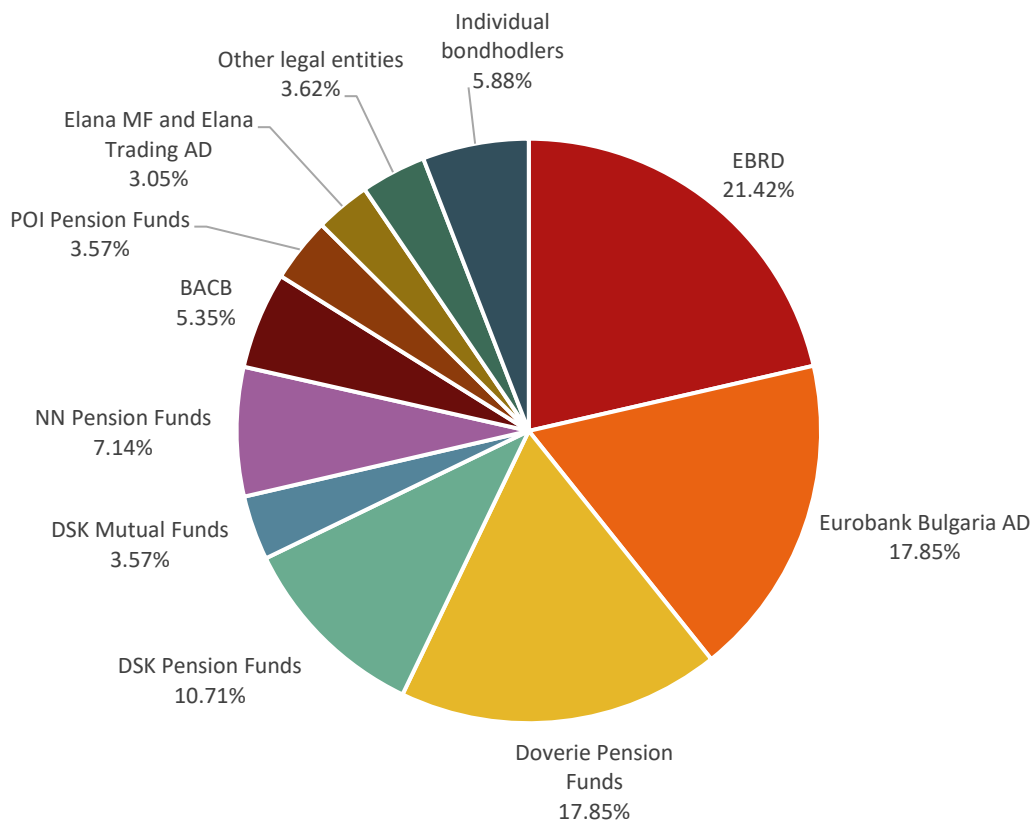
¹⁰ Delayed principal payment (For detailed information, see section [Delay of second principal payment of the first issue of corporate bonds with ISIN BG2100023170, issued by "Monbat" AD on January 20, 2018](#) of this report.)

¹¹ The interest for the first 76 days of the interest period ending on 20.07.2024 was calculated on the basis of 80% of the principal amount of the bond loan (EUR 22,412,000), due to the delayed principal payment due on 20.01.2024 in the amount of EUR 8,404,500, which was carried out on 05.04.2024.

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%

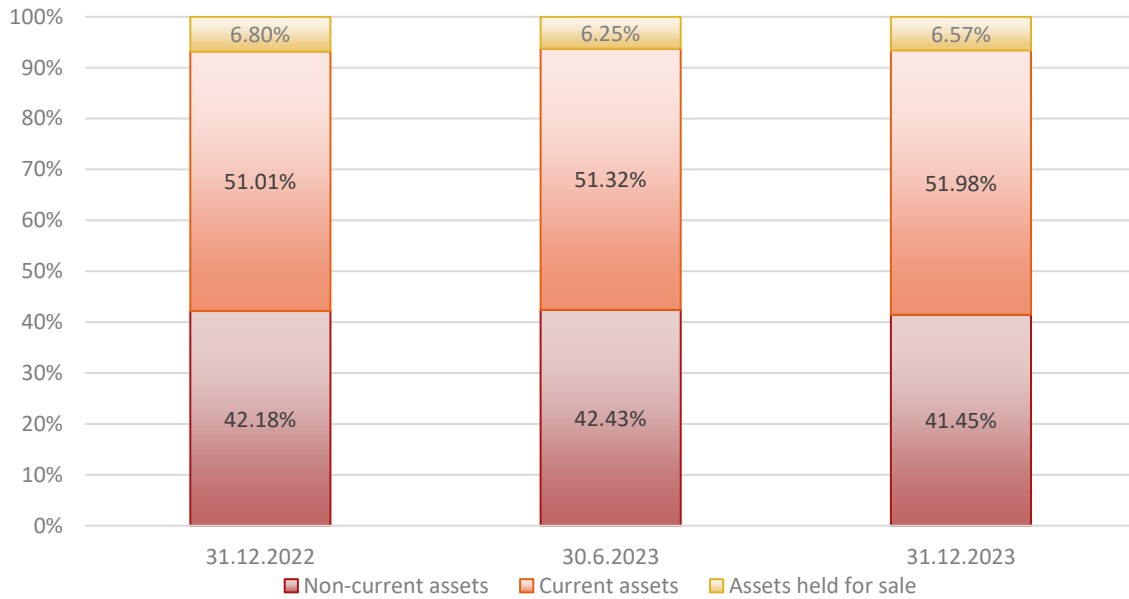
Bondholder structure



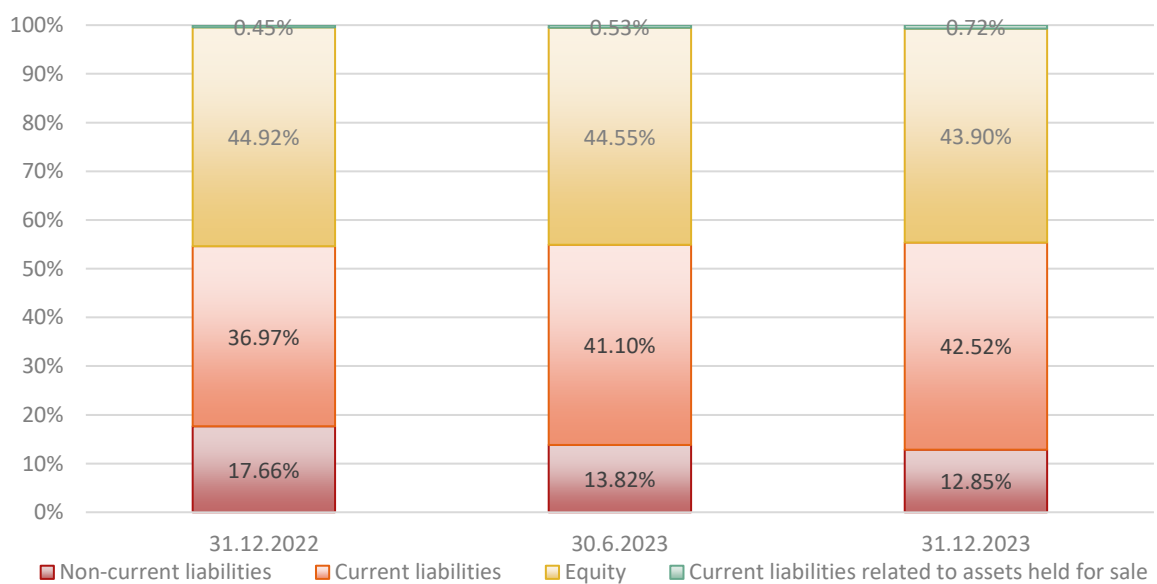
8. Structure of assets and liabilities

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)	31.12.2022	30.06.2023	31.12.2023
Non-current assets	208 475	211 387	209 168
Current assets	252 104	255 684	262 281
Assets held for sale	33 618	31 137	33 157
Total assets	494 197	498 208	504 606
Total equity	222 006	221 965	221 539
Non-current liabilities	87 251	68 841	64 847
Current liabilities	182 695	204 773	214 568
Current liabilities related to assets held for sale	2 245	2 629	3 652
Total liabilities	272 191	276 243	283 067
Total liabilities and Equity	494 197	498 208	504 606

9. Profitability analysis

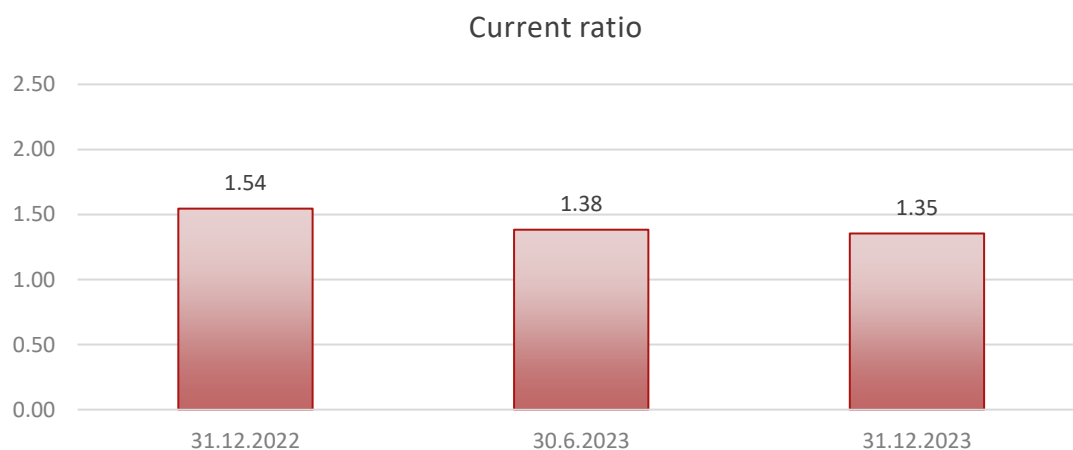
Profitability ratios are a measure of the company's ability to achieve positive results and are calculated on sales, equity and assets.

Profitability ratios (in BGN '000)	31.12.2022	30.06.2023	31.12.2023
Net sales (continuing operations)	383 300	198 292	387 623
Adjusted EBITDA from continuing operations	35 428	18 069	39 902
EBITDA margin (continuing operations)	9.24%	9.11%	10.29%
Net sales (continuing and discontinued operations)	397 212	207 119	404 870
Adjusted EBITDA from continuing and discontinued operations	36 597	17 319	45 631
EBITDA margin (continuing and discontinued operations)	9.21%	8.36%	11.27%
Depreciation (continuing operations)	-20 235	-10 820	-22 245
Impairment of financial assets and advances (continuing operations)	-481	0	-383
Impairment (discontinued operations)	-3 169	-2 640	-3 526
Depreciation (discontinued operations)	-889	0	0
Sale of asset held for sale (discontinued operations)	-413	0	-208

Recognized revenue on non-refundable deposit (discontinued operations)	0	5 868	5 868
EBIT from continuing operations	14 712	7 249	17 274
EBIT margin (continuing operations)	3.84%	3.66%	4.46%
EBIT from continuing and discontinued operations	11 410	9 727	19 269
EBIT margin (continuing and discontinued operations)	2.87%	4.70%	4.76%
Net income from continuing operations	6 982	2 676	4 520
Net income margin (continuing operations)	1.82%	1.35%	1.17%
Net income from continuing and discontinued operations	3 951	4 879	6 041
Net income margin (continuing and discontinued operations)	0.99%	2.36%	1.49%
Total Assets	494 197	498 208	504 606
Total Equity	222 006	221 965	221 539
ROE (continuing operations)	3.23%	1.28%	2.04%
ROA (continuing operations)	1.46%	0.57%	0.91%
ROE (continuing and discontinued operations)	1.83%	1.89%	2.72%
ROA (continuing and discontinued operations)	0.83%	0.85%	1.21%

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 ¹²	31.12.2022	30.06.2023	31.12.2023
Current ratio	1.54	1.38	1.35
Quick ratio	0.96	0.84	0.85
Immediate ratio	0.05	0.04	0.06
Cash ratio	0.05	0.04	0.06
Net working capital (in BGN '000)	100 782	79 419	77 218

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.

¹² The liquidity ratios as of 31.12.2022 and 30.06.2023 have been recalculated.

11. Financial conditions of the bond issue (covenants)

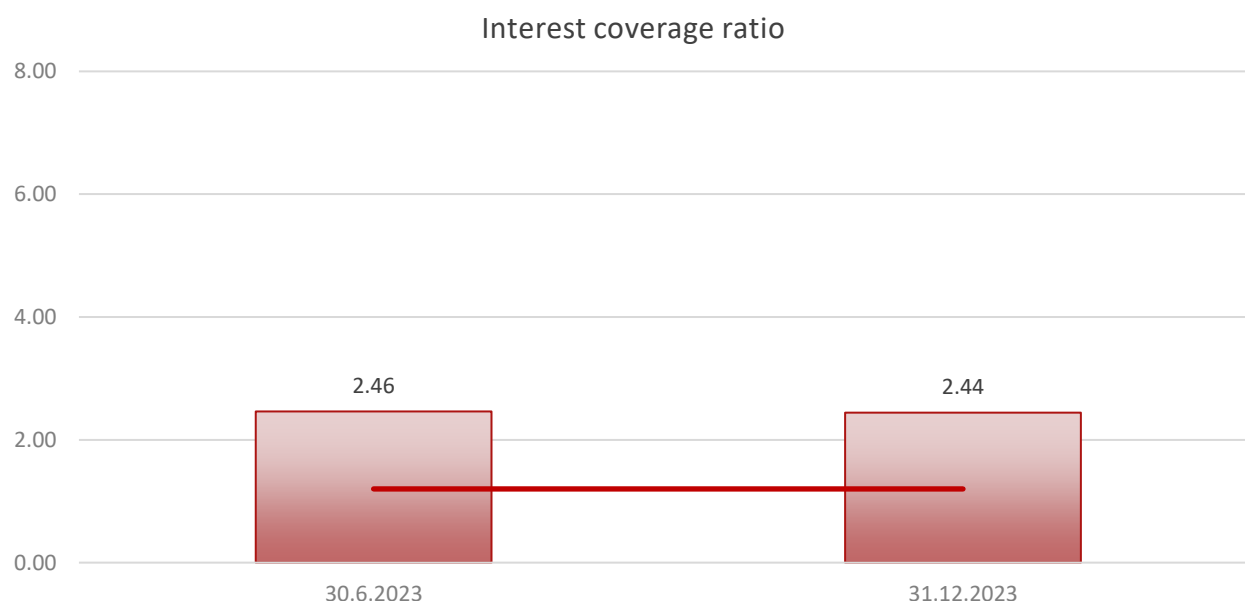
The Issuer assumes the following obligations and commitments for the life of the bonds, calculated on a consolidated basis. The financial ratios are shown below.

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	30.06.2023	31.12.2023
Interest coverage ratio	2.46	2.44
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 ratio¹³

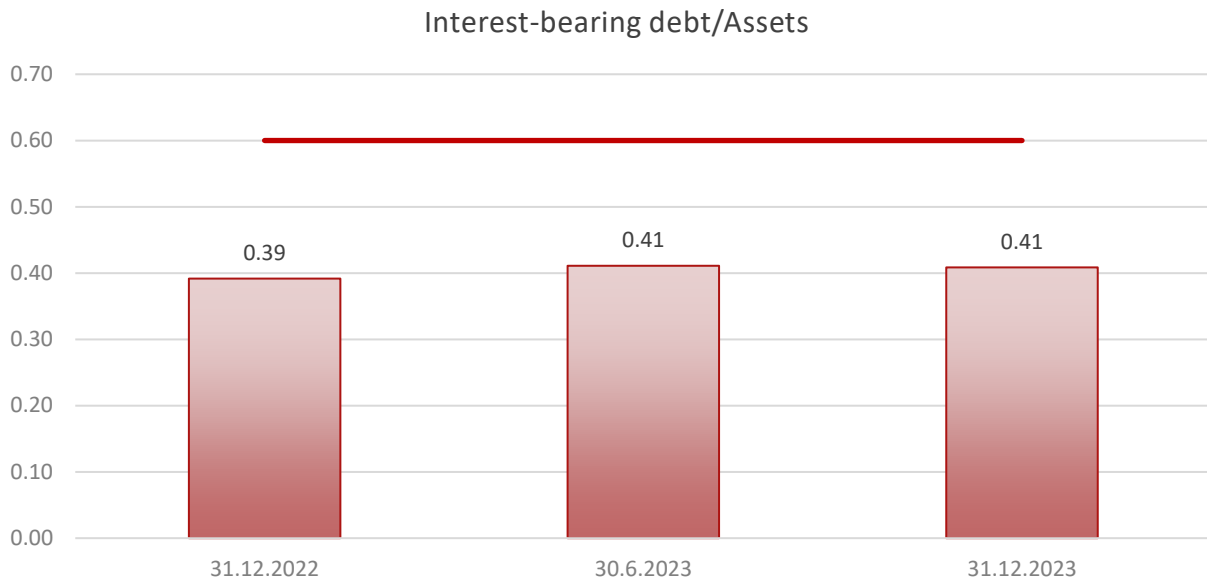
Interest-bearing debt to Assets ratio – the ratio is equal to the total of the short-term and long-term interest-bearing liabilities divided by the assets in the consolidated balance sheet as of a certain date. Maximim value of the ratio: 0.60.

Interest-bearing debt/Assets	31.12.2022	30.06.2023	31.12.2023
Short-term interest-bearing debt (1) (in BGN '000)	120 138	148 419	149 200
Long-term interest-bearing debt (2)	73 430	56 347	56 973
Interest-bearing debt discontinued operation			
Interest-bearing debt	193 568	204 766	206 173
Total assets	494 197	498 208	504 606
Interest-bearing debt/Assets	0.39	0.41	0.41
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 and short-term bond liabilities
- (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.

¹³ Lease obligations are excluded from the value of interest-bearing debt, as these are obligations related to right-of-use assets, calculated in accordance with IFRS 16. The data as of December 31, 2022 in this report have been adjusted respectively.

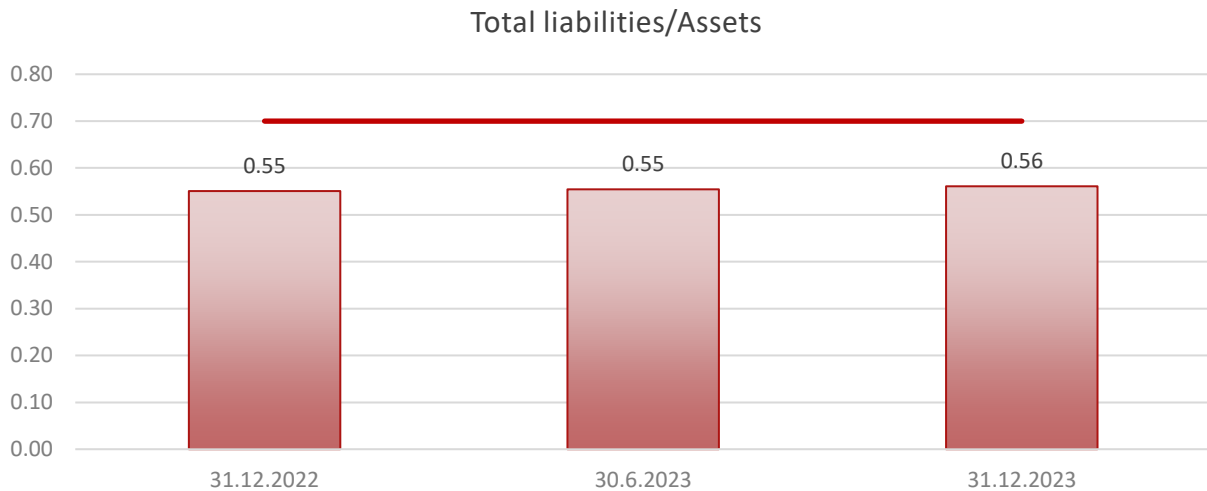


11.3. Total Liabilities to Asset ratio

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	31.12.2022	30.06.2023	31.12.2023
Total Liabilities (in BGN '000)	272 191	276 243	283 067
Total Assets (in BGN '000)	494 197	498 208	504 606
Total Liabilities/ Total Assets	0.55	0.55	0.56
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 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.

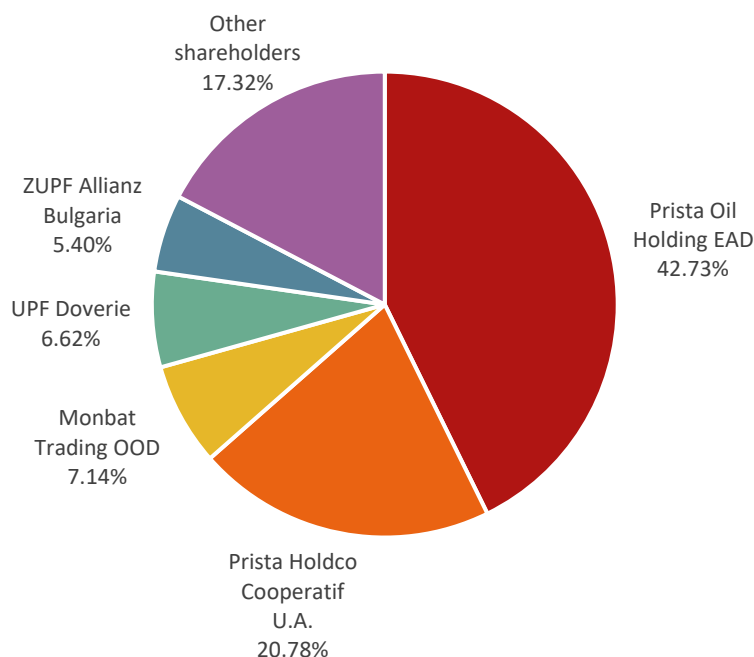
Conclusion: There was no change of control and the Issuer meets the requirements of the issue terms.

Shareholder structure as at 31.12.2023

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	2 785 650	7.14%	0.0%
UPF Doverie	2 582 864	6.62%	0.0%
ZUPF Allianz Bulgaria	2 105 403	5.40%	0.0%
Other shareholders	6 755 954	17.32%	0.0%
Total	39 000 000	100.00%	
Purchased own shares from other legal entities and individuals	(44 491)	(0.11%)	0.0%
Total	38 955 509	99.89%	

As of December 31, 2023, one legal entity exercises control over the public company “Monbat” AD – “Prista Oil Holding” EAD, Sofia. “Prista Oil Holding” EAD controls another shareholder with a significant participation, namely “Monbat Trading” OOD. The total number of voting shares owned directly and through related parties by “Prista Oil Holding” EAD is 19,452,021 or 49.87%.

Shareholder structure



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)	31.12.2022	30.06.2023	31.12.2023
Profit from continuing and discontinued operations (EBIT)	11 410	9 727	19 269
Impairment	-3 650	-2 640	-3 909
Sale of asset held for sale	-413	0	-208
Recognized revenue on non-refundable deposit		5 868	5 868
Adjusted operating profit (Adjusted EBIT)	15 473	6 499	17 518
Interest expenses	8 066	5 074	12 144
Adjusted operating profit (Adjusted EBIT) + Interest expenses	23 539	11 573	29 662
Twelve months			
Profit from continuing and discontinued operations (EBIT)	11 410	14 183	19 269
Impairment	-3 650	-6 290	-3 909
Sale of asset held for sale	-413	-413	-208
Recognized revenue on non-refundable deposit	0	5 868	5 868
Adjusted operating profit (Adjusted EBIT)	15 473	15 018	17 518
Interest expenses	8 066	10 272	12 144
Adjusted operating profit (Adjusted EBIT) + Interest expenses	23 539	25 290	29 662
Interest coverage ratio	2.92	2.46	2.44
Minimum required level	1.2	1.2	1.2
Does it meet the requirements	YES	YES	YES