

# MONBAT AD

**INTERIM REPORT ON THE ACTIVITIES  
OF MONBAT AD  
DURING THE FIRST QUARTER OF 2013  
ON A CONSOLIDATED BASIS  
PURSUANT TO ARTICLE 1000, PARAGRAPH 4, ITEM 2 OF LPOS**

**1. IMPORTANT DEVELOPMENTS FOR MONBAT AD AND THE SUBSIDIARIES FROM THE GROUP THAT OCCURRED DURING THE FIRST QUARTER OF 2013 (01.01.2013 – 31.03.2013)**

Date	Developments								
26.03.2013	<p>Monbat AD presented the following announcement:</p> <p>In February, 2013 the companies in the economic group of Monbat Plc have generated consolidated net sales revenues in the amount of BGN 19 712 000 which represents a growth by 33 % compared to the consolidated net sales revenues generated in February, 2012.</p> <p>The summarized data for the first two months of 2013 show that the companies in the economic group of Monbat Plc have generated consolidated net sales revenues in the amount of BGN 44 581 000 which represents a growth by 63 % compared to the consolidated net sales revenues for the same period of 2012.</p> <p>The generated net sales revenues for the first two months of 2013 in the amount of BGN 44 581 000 are allocated as follows:</p> <table border="1" data-bbox="328 1070 1468 1234"><thead><tr><th>Production</th><th>BGN 43 188 000</th></tr></thead><tbody><tr><td>Products</td><td>BGN 16 000</td></tr><tr><td>Services</td><td>BGN 325 000</td></tr><tr><td>Others</td><td>BGN 1 052 000</td></tr></tbody></table> <p>The generated consolidated profit before taxes of the companies in the economic group of Monbat Plc for February, 2013 is BGN 2 533 000 which represents a profit growth by 78 % compared to the generated consolidated profit before taxes for February 2012.</p> <p>The summarized data for the first two months of 2013 show that the companies in the economic group of Monbat Plc have generated profit before taxes to the amount of BGN 5 497 000, which represents a profit growth by 222 % compared to the generated consolidated profit before taxes for the same period of 2012.</p> <p>In February, 2013 the companies in the economic group of Monbat Plc have reached EBITDA in the amount of BGN 3 639 000 which represents a growth by 42 % compared to the achieved in February, 2012. The summarized data for the first two months of 2013 show that the companies in the economic group of Monbat Plc have reached EBITDA in the amount of BGN 7 733 000 which represents a growth by 95 % compared to the achieved for the same period of 2012.</p>	Production	BGN 43 188 000	Products	BGN 16 000	Services	BGN 325 000	Others	BGN 1 052 000
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28.02.2013	<p>Monbat AD presented consolidated quarterly financial report for the fourth quarter of 2012.</p>								

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Monbat AD presented the following announcement:

In January, 2013 the companies in the economic group of Monbat Plc have generated consolidated net sales revenues in the amount of BGN 24 869 000 which represents a growth by 101 % compared to the consolidated net sales revenues generated in January, 2012.

The generated net sales revenues in the amount of BGN 24 869 000 are allocated as follows:

<b>Production</b>	BGN 24 292 000
<b>Products</b>	BGN 14 000
<b>Services</b>	BGN 143 000
<b>Others</b>	BGN 420 000

The generated consolidated profit before taxes of the companies in the economic group of Monbat Plc for January, 2013 is BGN 2 964 000 which represents a profit growth by 951 % compared to the generated consolidated profit before taxes for January 2012.

In January, 2013 the companies in the economic group of Monbat Plc have reached EBITDA in the amount of BGN 4 094 000 which represents a growth by 189 % compared to the achieved in January, 2012.

18.02.2013

Monbat AD presented the following announcement:

Monbat Plc signed a deposit contract with Prista Oil Holding EAD under the conditions of Art. 114, para. 9, item 3 of the POSA with the following parameters of the contract:

1. Amount of the deposit: BGN 2 934 000;
2. Term of the deposit: 6 months with a provision for extension at the initially agreed conditions in the event that the deposit contract is not terminated;
3. Interest rate: in the amount of 6.00 % annually for the term of the deposit.
4. The conditions of the deposit are not less favorable than the market conditions in the country.

11.02.2013

Monbat AD presented the following announcement:

Under the eleventh reverse buying out procedure of Monbat's own shares, initiated on August 15th 2012, as at February 11th 2013 were bought out 365 576 shares in total at the average price of BGN 4.83 per share.

With a view to the expiring of the initially announced term the Management of Monbat Plc would like to announce the extension with new 180 calendar days of the eleventh reverse buying out procedure to the amount of the rest number of shares, namely 414 424 shares. Within the extended term of the current procedure, depending on the market conditions, the Board of Directors, in its own judgment, may change the minimum and maximum price of the buy back. In this case, the company shall inform the Financial Supervision Commission, Bulgarian Stock Exchange, the investors and the public, as the announcement shall be made after the end of the stock exchange session, not later than the end of the business day, preceding the day when the change in the minimum or maximum price of the reverse buying out takes effect. In view of the price increase of the company's shares during the last several days reaching the maximum price for the reverse buying out procedure as well as with a view to continue the implementation of the reverse buying out procedure, Monbat Plc would like to announce a change in the parameters of the reverse buying out – namely in the part related to the maximum price. As from February 12th 2013 the maximum price of the reverse buying out of the rest of the shares liable to reverse buying out under the eleventh procedure, namely 414 424 shares shall be corrected to BGN 6.50.

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Monbat AD presented the following announcement:

In January 2013 MONBAT Plc has bought back 33 784 company's own shares at the average price of 4.79 BGN per share.

In January 2013 MONBAT Plc has sold 75 000 shares out of the total number of bought back shares. The total number of the own shares hold by the company by 31.01.2013 is 2 588 520 shares at the average price of 5.80 BGN per share.

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Monbat AD presented individual financial report for the fourth quarter of 2012.

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Monbat AD presented the following announcement:

In December, 2012 the companies in the economic group of Monbat Plc have generated consolidated net sales revenues in the amount of BGN 20 552 000 which represents a growth by 14 % compared to the consolidated net sales revenues generated in December, 2011. The summarized data for 2012 show that the companies in the economic group of Monbat Plc have generated consolidated net sales revenues in the amount of BGN 200 729 000 which represents a growth by 10 % compared to the consolidated net sales revenues for 2011.

The generated net sales revenues for 2012 in the amount of BGN 200 729 000 are allocated as follows:

<b>Production</b>	BGN 193 030 000
<b>Products</b>	BGN 220 000
<b>Services</b>	BGN 1 446 000
<b>Others</b>	BGN 6 033 000

The generated consolidated profit before taxes of the companies in the economic group of Monbat Plc for December, 2012 is BGN 1 884 000 which represents a profit decrease by 10 % compared to the generated consolidated profit before taxes for December 2011. The summarized data for 2012 show that the companies in the economic group of Monbat Plc have generated consolidated profit before taxes in the amount of BGN 20 450 000 which represents a decrease by 5 % compared to the generated consolidated profit before taxes for 2011.

16.01.2013

Monbat AD presented the following announcement:

At its meeting held on 15.01.2013 the Board of Directors of Monbat Plc approved a Business plan for the development of the companies, included in the economic group of Monbat Plc for 2013. The Business plan also contains a Forecasts for net sales revenues, net profit and EBITDA on consolidated basis, as follows:

Net Sales Revenues - 2013	Net Profit - 2013	EBITDA - 2013
BGN 283 331 000	BGN 33 773 000	BGN 44 761 000

The 2013 Forecast is based on the expected average lead price for 2013 – EUR 1850 per ton.

**DISCLAIMER:** This material contains forward-looking statements that reflect the view of the company's management with respect to certain future events within the economic group of Monbat Plc. Although it is believed that these expectations are reasonable, they may be affected by a variety of factors and changes in underlying assumptions that could cause actual results to differ materially. Neither Monbat Plc as a legal entity, nor the members of its Board of directors, managers or employees or any other person shall bear any liability whatsoever for any loss arising from the use of this material.

The Board of Directors adopted a resolution regarding the monthly results announced by the company to the attention of the investor community that as of January 2013 the

data will be presented on consolidated basis and will comprise information on all of the companies in the economic group of Monbat Plc. The results will be published on the 26<sup>th</sup> day of each month following the month to which they relate. If the 26<sup>th</sup> day is not a business day, the results will be published on the next business day.

With this regard, the first monthly consolidated results of the companies in the economic group of Monbat Plc for January 2013 will be announced on 26.02.2013.

## **2. IMPORTANT DEVELOPMENTS FOR MONBAT AD THAT OCCURRED FROM THE BEGINNING OF THE FINANCIAL 2013 YEAR TO THE END OF THE FIRST QUARTER OF 2013**

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### **3. IMPACT OF THE IMPORTANT DEVELOPMENTS FOR MONBAT AD AND THE SUBSIDIARIES FROM THE GROUP THAT OCCURRED DURING THE FIRST QUARTER OF 2013 ON THE RESULTS IN THE FINANCIAL STATEMENT**

As at 31.03.2013 MONBAT AD reports consolidated net sales revenues in the amount of BGN 64 461 thousand which represents an increase by 40.23 % compared to the net sales revenues generated as at 31.03.2012 in the amount of BGN 45 967 thousand.

The profit before taxes generated by MONBAT AD on a consolidated basis as at 31.03.2013 is in the amount of BGN 5 342 thousand compared to the consolidated profit before taxes as at 31.03.2012 in the amount of BGN 4 344 thousand. This represents a profit increase by 22.97 %.

The consolidated net profit of MONBAT AD as at 31.03.2013 is in the amount of BGN 4 807 thousand and reports an increase by 22.53 % compared to the consolidated net profit of the Company as at 31.03.2012 which is in the amount of BGN 3 923 thousand.

As at 31.03.2013 EBITDA (profit before interest + amortization, decreased with financial incomes and increased with financial expenses) of MONBAT AD on a consolidated basis is in the amount of BGN 8 758 compared to EBITDA reported as at 31.03.2012 in the amount of BGN 7 761 thousand. This represents an EBITDA increase by 12.85 %.

As at 31.03.2013 EBIT (profit before interest, decreased with financial incomes and increased with financial expenses) of MONBAT AD on a consolidated basis is in the amount of BGN 6 158 thousand compared to EBIT in the amount of BGN 5 234 thousand as at 31.03.2012.

### **4. DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES WHICH THE COMPANIES INCLUDED IN THE ECONOMIC GROUP OF MONBAT AD WILL FACE DURING THE FOLLOWING FINANCIAL PERIOD**

#### **SYSTEMATIC RISKS**

##### **OVERALL MACROECONOMIC RISK**

According to data of the National Statistical Institute, the exports of Bulgaria to the EU in January 2013 increased by 16.8 % compared to the same month of the previous year and amounted to BGN 2.0 billion, while the imports of Bulgaria from the EU decreased by 2.9 % and was in the amount of BGN 2.1 billion.

During the period January - February 2013 the exports of Bulgaria to third countries increased by 20.2 % compared to the respective period of the previous year and amounted to BGN 2.8 billion while the imports increased by 14.1 % and amounted to BGN 3.3 billion.

During the period January - February 2013 the goods exported in total to third countries and the EU were in the amount of BGN 6.7 billion and compared to the respective period of 2012 the exports increased by 18.4 % and the total value of imported goods was 7.8 billion lev and increased by 9.7%.

According to data of the National Statistical Institute, in February 2013 the industrial production index decreased by 2.0 % compared to January 2013. Compared to the respective month of 2012, the calendar adjusted industrial production index registered a growth by 5.1%.

In February 2013 the production index in the "Construction" field calculated, based on seasonally adjusted data, was 0.6 % higher than the level of the previous month.

According to data of the National Statistical Institute, the overall business climate in the country in March 2013 registered a decrease compared to the level of the previous month by 1.8 percentage points due to the more unfavorable business climate in industry, construction and retail trade.

### **INTEREST RATE RISK**

The interest rate risk is related to possible, contingent adverse changes in the interest rates, set by the financial institutions in the Republic of Bulgaria.

On 10.01.2013 was held a session of the European Central Bank where a resolution was adopted for the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility to remain unchanged – respectively 0.75 % 1.50 % and 0.00 %.

On 07.02.2013 again was held a session of the European Central Bank where a resolution was adopted for the base interest rates to remain unchanged.

Based on its regular economic and monetary analysis, at its session of 07.03.2013 the Management Board of the European Central Bank has adopted a resolution to leave the base interest rates unchanged.

### **THE BASE INTEREST RATES OF THE BULGARIAN NATIONAL BANK FOR THE PERIOD JANUARY – MARCH, 2012 ARE THE FOLLOWING:**

**Table № 1**

<b>Month</b>	<b>Interest rate</b>
January, 2013	0.01 %
February, 2013	0.01 %
March, 2013	0.01 %

**\*Source: BNB**

### **INFLATION RISK AND LOSS OF VALUE**

Inflation risk is the overall increase in prices, where money is devalued and there is likelihood for households and businesses to suffer a loss.

According to data of the National Statistical Institute, the consumer price index (CPI) for January, 2013 compared to December, 2012 was 100.4 %, i.e. monthly inflation was 0.4 %. The yearly inflation for January, 2013 compared to January, 2012 was 4.4 %.



The consumer prices index (CPI) for February, 2013 compared to January, 2013 was 100.1 %, i.e. monthly inflation was minus 0.1 %. The inflation from the beginning of the year (February, 2013 compared to December, 2012) was 0.5 %, and the annual inflation for February, 2013 compared to February, 2012 was 3.6 %.

The average annual inflation for the period March, 2012 – February, 2013 compared to the period March, 2011 – February, 2012 is 3.3 %.

The consumer prices index (CPI) for March, 2013 compared to February, 2013 was 99.5 %, i.e. monthly inflation was minus - 0.5 %. Inflation from the beginning of the year (March, 2013 compared to December, 2012) was -0.1% and the annual inflation for March, 2013 compared to March, 2012 was 2.7%.

The average annual inflation for the period April, 2012 – March, 2013 compared to the period April, 2011 – March, 2012 is 3.3 %.

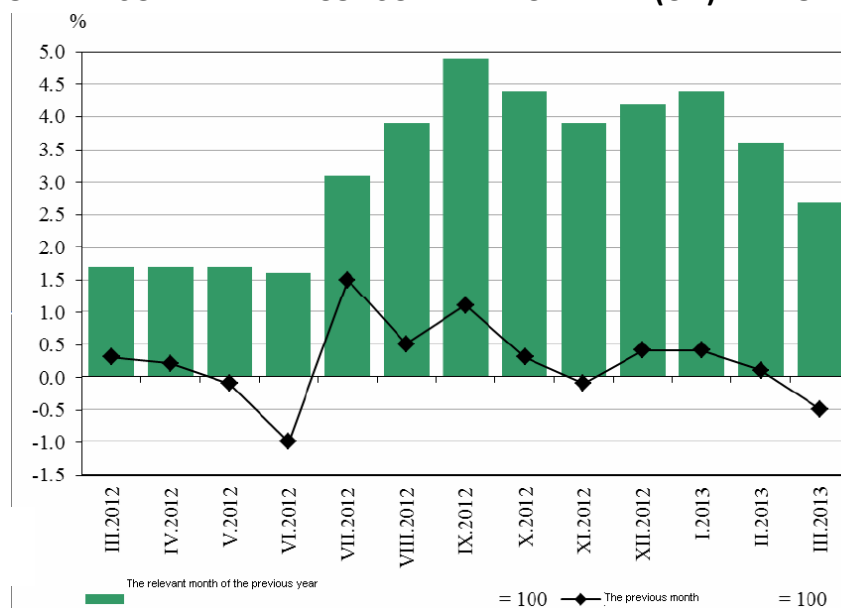
**INFLATION IN THE COUNTRY FOR THE PERIOD JANUARY – MARCH 2012 IS THE FOLLOWING:**

**Table № 2**

Month	% of inflation
January, 2013	0.4 %
February, 2013	0.1 %
March, 2013	-0.5 %

\* Source: NSI

**INFLATION MEASURED BY THE CONSUMER PRICE INDEX (CPI) BY MONTHS**



**POLITICAL RISK**

Political risk is related to the stability of the Government of the country and to eventual adverse changes in its long term foreign and internal economic policy that might affect negatively the investment environment.

The unstable political situation in the country as of the beginning of 2013 and the continuing civil protests are factors that inevitably adversely affects all economic actors in 2013.

## **CURRENCY RISK**

Exposure to currency risk is the dependence on and the effects from changes in the currency exchange rates. Systematic currency risk is the likelihood of any possible change of the currency regime in the country (currency board) which would either lead to devaluation of the BGN or the appreciation of the BGN against foreign currencies.

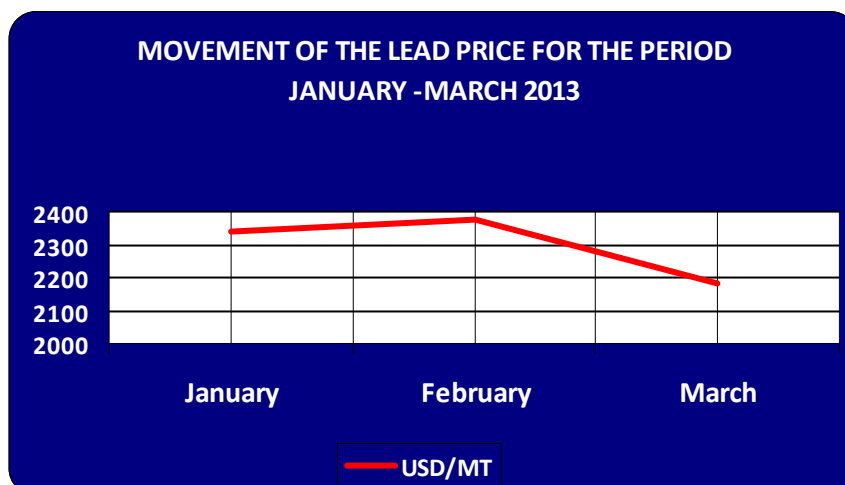
Currency risk will have impact over companies having market shares, payments to which are made in currencies different from the Bulgarian lev and the euro. In view of the fact that according to the current legislation in the country the Bulgarian lev is pegged to the euro at the rate of EUR 1 = BGN 1.95583 and the Bulgarian National Bank is obliged to maintain a level of Bulgarian lev in circulation equivalent to the foreign exchange reserves of the Bank, the risk of devaluation of the lev against the European currency is minimal and consists in a possible elimination of the currency board in Bulgaria ahead of term. At this stage it appears to be unlikely since the Currency Board is expected to be repealed upon adoption of the euro as an official legal tender in Bulgaria, which was planned for 2012. Theoretically, currency risk could increase when Bulgaria joins the second phase of the European Exchange Rate Mechanism (ERM II). This is a regime under which the country must maintain the currency rate against the euro within a + / -15% from central parity. In practice, all countries which are currently in the mechanism (Denmark, Estonia, Cyprus, Lithuania, Latvia, Malta) have witnessed fluctuations that were significantly smaller than the allowed  $\pm 15\%$ .

The fixed rate of the BGN to the EUR does not eliminate the risk for the Bulgarian currency of adverse movements in the euro exchange rate against other major currencies (U.S. dollar, British pound, Swiss franc) in the international financial markets, but at present the company does not consider that this risk would be significant in terms of its activity due to the fact that all purchases and sales of MONBAT AD are being carried out in euro.

## **UNSYSTEMATIC RISKS**

### **RISK OF PRICE CHANGES IN THE BASIC PRIME AND RAW MATERIALS**

The principal activity of MONBAT AD is production and trading with accumulator and lead-acid batteries – starter batteries, stationary batteries for telecom application, semi-traction batteries, specialized batteries – army power range and locomotive batteries. Major prime and raw materials for the company's production process are lead and lead alloys, polypropylene, polyethylene separator and sulfuric acid. From January to March 2013, lead takes approximately 70-72 % of the cost structure per unit:



\* Average lead price for the first quarter of 2013 is 2299.80 USD/MT.

The risk of price change in the basic raw material – lead is being managed through construction of company’s own recycling facilities.

### **DEPENDENCE OF MONBAT AD ON DISTRIBUTORS, SUPPLIERS, CUSTOMERS**

There is no dependence of the companies from the economic group of MONBAT AD on customers due to the fact that sales are not being made directly with customers but through the mediation of an extensive distribution network in the country and abroad. Sales with deferred payment in the country and for export are being insured in the Bulgarian Export Insurance Agency (BAEZ) by reason of which the risk of non-payment on the part of the customers is completely eliminated.

The table below shows a breakdown of the markets of MONBAT AD on a consolidated basis for as at 31.03.2013

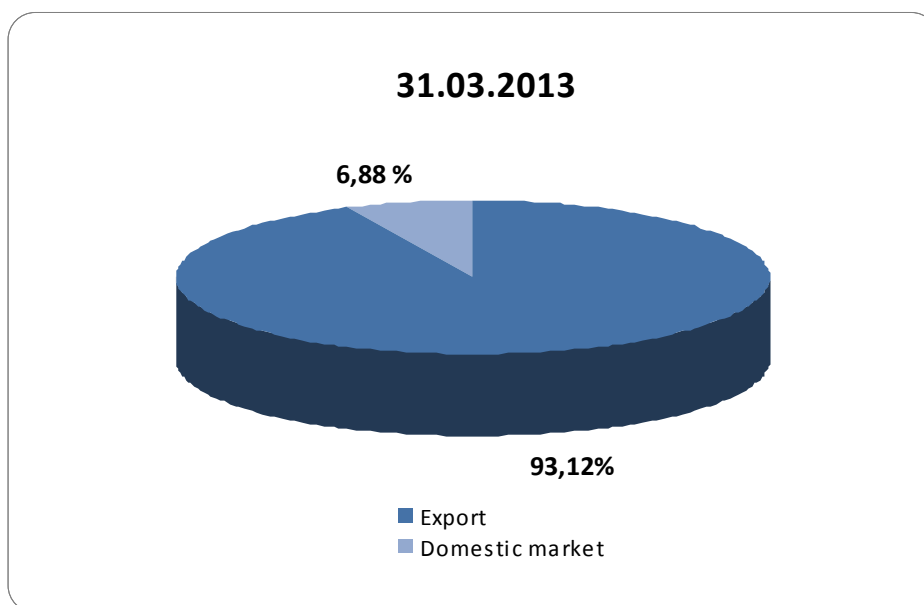
**Table № 3**

Country	31.03.2013		31.03.2012	
	Export (EUR, mln.)	%	Export (EUR, mln)	%
GREECE	4.89	15.94	2.842	14.70
POLAND	4.45	14.50	0.405	2.10
FRANCE	3.43	11.18	3.457	17.89
TURKEY	2.36	7.70	1.69	8.75
GERMANY	1.78	5.79	1.377	7.13
NETHERLANDS	1.56	5.08	0.916	4.74
SPAIN	1.40	4.56	0.721	3.69
GREAT BRITAIN	1.35	4.39	1.118	5.78
ITALY	1.02	3.32	0.343	1.77
SOUTH AFRICA	0.81	2.64	0.478	2.47
FINLAND	0.51	1.66	0.568	2.94
ROMANIA	0.50	1.63	0.89	4.60
NORWAY	0.39	1.28	0.373	1.93
HUNGARY	0.36	1.18	0.407	2.11
OTHER	5.88	19.15	3.75	19.40
<b>TOTAL</b>	<b>30.69</b>	<b>100</b>	<b>19.33</b>	<b>100</b>

For the period 01.01.2013 - 31.03.2013 MONBAT AD has generated consolidated revenues from exports totaling BGN 60 027 thousand. As at 31.03.2013 major market for the economic group of MONBAT AD was Greece with EUR 4.89 mln. sales revenues which represents 15.94 % of the total export. Poland takes the second place with EUR 4.45 mln. sales revenues which represents 14.49 % of the total export on a consolidated basis. Other important markets are France, Germany, Turkey and Netherlands.

The generated sales revenues on the domestic market on a consolidated basis as at 31.03.2013 are in the amount of BGN 4 434 thousand and represent 6.88 % of the total consolidated net sales revenues, and the generated revenues from exports, including intra-community supplies, are in the amount of BGN 60 027 thousand and represent 93.12 % of the consolidated net sales revenues.

**BREAKDOWN OF THE NET SALES REVENUES ON THE DOMESTIC AND FOREIGN MARKETS**



**5. INFORMATION ABOUT THE CONCLUDED LARGE TRANSACTIONS WITH RELATED PARTIES DURING THE FIRST QUARTER OF 2013**

Related parties to MONBAT AD are all companies where MONBAT AD holds over 50 % of the capital and the parties related to them.

Related parties to MONBAT AD are also all companies where the major shareholder PRISTA OIL HOLDING EAD holds over 50 per cent of the capital as well as all other companies where the single owner PRISTA OIL HOLDING EAD holds over 50 per cent of the capital.

The related party transactions of MONBAT AD on a consolidated basis for the first quarter of 2013 are as follows:

**Table № 4**

Related party	Type of relation	Transactions
<b>MONBAT TRADING OOD</b>	Monbat Trading OOD is a related party to Prista Oil Holding EAD with which jointly exercise control over MONBAT AD	Purchase of services on the part of MONBAT AD
<b>PRISTA OIL HOLDING EAD</b>	Related party under joint control with MONBAT AD	Granted loan on the part of MONBAT AD

Date: 30.05.2013

For MONBAT AD:

/Atanas Bobokov – Chairman of the Board of Directors/