



INTERIM ACTIVITY REPORT

AS AT 30 JUNE 2007

/individual/

**in accordance with the requirements of art. 100o, para 4, item 2 of the
Law on Public Offering of Securities (LPOS)**



I. Important events occurred during the 1st and 2nd quarter of 2007 and their impact on the results reported in the financial statements

1. Core activity

In February 2007 Bulyard AD – a subsidiary of Industrial Holding Bulgaria PLC (IHB PLC) has launched a procedure for the acquisition of 25% of the capital of Bulyard Shipbuilding Industry AD, following notice to Navigation Maritime Bulgare EAD that all permissions required for the transaction are in place. The procedure was finalised on 6 March 2007 when Bulyard AD acquired 5 469 476 shares representing 25% of the capital of Bulyard Shipbuilding Industry AD. The transaction amounts to USD 5 555 555. As a result of the transaction the IHB PLC control in Bulyard Shipbuilding Industry AD reached 61.50%.

By virtue of decision No 5 dated 19 March 2007 Sofia City Court entered an increase in the capital of Bulyard AD from BGN 24 018 980 to BGN 32 618 980. The funds raised after the increase were used to pay 25% of the capital of Bulyard Shipbuilding Industry AD, which Bulyard AD acquired from Navigation Maritime Bulgare EAD.

IHB PLC participated in Bulyard AD capital increase by subscribing 5 289 000 shares with a par value of BGN 1 each, pro rata to its participation in the capital of Bulyard AD.

By virtue of decision No 6 dated 20 April 2007 Sofia City Court entered an increase in the capital of Bulyard AD from BGN 32 618 980 to BGN 37 292 980. The funds raised through the increase are for an increase of the capital of Bulyard Shipbuilding Industry AD by BGN 5 000 000 – from BGN 21 877 905 to BGN 26 877 905.

IHB PLC subscribed 2 874 510 shares with a par and issue value of BGN 1 each, pro rata to its participation in the capital of Bulyard AD.

As a result of the two capital increases in Bulyard AD as of the beginning of the year by the end of the 2nd quarter IHB PLC has invested BGN 8 164 thousand, the participation of IHB PLC amounts to BGN 25 591 thousand.

On 2 May 2007 the second corporate guarantee issued by IHB PLC in relation to contracts for the construction of ships concluded between Bulyard AD and companies of Navigation Maritime Bulgare EAD was terminated. The terminated corporate guarantee amounts to EUR 3 433 424 and USD 2 977 531. The guarantee is issued in relation to the third advance instalment under a shipbuilding contract for ship bearing construction No 457 and it was terminated due to performance of the obligations under the contract.

2. Corporate events

Regular annual meeting of the shareholders

Regular Annual Meeting of the Shareholders (RAMS) of IHB PLC was held on 1 June 2007, in Sofia, 16-20 Alabin street, Bulgarian Industrial Association. The AMS approved the activity report, the report of the registered auditor and the 2006 financial statements, discharged from liability the members of the Supervisory



and Management Boards in relation to their activities in 2006, voted the remuneration of the members of the SB and appointed a registered auditor for 2007 - KPMG Bulgaria.

The GMS approved a decision that the IHB profit for 2006 amounting to BGN 1 857 735 should be distributed as follows:

- 10%, namely BGN 185 773 should be taken to the Reserve Fund of the Company;
- 90%, namely BGN 1 671 962 should remain as retain earnings of the Company.

Convertible bonds

Due to maturity on 2 July 2007 of the issue of convertible bonds issued by IHB PLC the GMS held on 1 June 2007 approved decision on the grounds of art. 195 of the Commercial Act to increase the capital of the Company through converting the convertible bonds ISIN code BG 2100010045 into shares, namely:

1. The capital of the Company should be increased with up to BGN 5 250 805 through the issue of up to 5 250 805 ordinary registered dematerialised voting shares. The capital increase is carried out through conversion of up to 5 250 805 registered dematerialised convertible bonds into ordinary registered dematerialised voting shares. The conversion of the bonds is carried out in a ratio 1 (one) bond for 1 (one) share on the debenture loan maturity date – 02 July 2007;
2. On the grounds of art. 217 of the Commercial Act it assigns to the management Board of the Company to determine the deadline for the conversion of the bonds into shares;
3. Shares in the Company's capital increase may be subscribed by the bond holders of the Company as at 22 June 2007.

The subscription of shares against convertible bonds should be carried out through an explicit written application which should be submitted at the address of management of the investment intermediary – Commercial Bank Allianz Bulgaria AD, Sofia, 79, Knyaginya Maria Luisa blvd. In the cases when the application is submitted by a proxy the latter should present explicit written power of attorney with notarised signature of the person giving the powers.

4. On the grounds of art. 218 of the Commercial Act the Management Board of the Company should apply for entry at Sofia City Court of the accurate amount of the capital increase following completion of the procedure for subscription of shares against bonds and to indicate on a name-by-name basis the bond holders whose bonds have been converted into shares.

At a meeting held on 1 June 2007 the Management Board of IHB PLC, in relation to decision of the General Assembly of the Shareholders of the Company held on 1 June 2007, has determined a deadline between 25 June 2007 and 28 June 2007 inclusive, during which period the bond holders of the Company holding dematerialised convertible bonds as at 22 June 2007 shall subscribe shares in the capital increase of the Company against conversion of the bonds held by them.

On 29 June 2007 it was found that within the determined deadline, in accordance with the preset terms and conditions all bond holders of IHB PLC have stated their will to convert all 5 250 805 bonds into 5 250 805 shares.

On 2 July 2007 the debenture loan concluded by IHB PLC was repaid through conversion of the convertible bonds into shares. The last interest payment on the loan was made on the maturity date – 2 July 2007 through the Central Depository.



Capital increase

On 29 June 2007 documents for registration of the capital increase in the Commercial Register have been filed.

On 23 July 2007 court decision No 21/ 19 July 2007 was received in respect of the entry of the capital increase of Industrial Holding Bulgaria PLC from BGN 21 003 235 to BGN 26 254 040 through issue of 5 250 805 ordinary registered dematerialised voting shares with a par value of BGN 1 each.

Summoning of extraordinary general meeting of the shareholders

On the grounds of art. 223, para 1 of the Commercial Act the Management Board of IHB PLC summons extraordinary General Meeting of the Shareholders of the Company to be held on 29 August 2007 at 10.30 am in Sofia, 16-20 Alabin Street, Bulgarian Industrial Association, meeting room on the 1st floor with the following Agenda:

1. Passing a decision for an increase of the Company's capital as provided for in art. 112 and the following of the LPOS;
2. Amendment of the Company's Articles of Association;
3. Changes in the Supervisory Board of the Company.

The draft decision for the capital increase is as follows:

The General Meeting of the Shareholders increases the capital of the Company from BGN 26 254 040 to BGN 43 756 733 through the issue of up to 17 502 693 new ordinary dematerialised voting shares with a par value of BGN 1 each and issue value of BGN 2.40.

The capital is increased under the order and as provided for in art. 192, para 1, proposal one, art. 194, para 1 of the Commercial Act, art. 112 and the following of the LPOS.

On the grounds of art. 112b, para 2 of the LPOS the right for participation in the capital increase is given to persons acquiring shares 14 days at the latest following the date of the decision of the General Meeting of the Shareholders as to the capital increase.

One right is issued against each share existing as at the end of the specified deadline. Each 3 (three) rights give opportunity to subscribe 2 (two) new shares at the issue value of BGN 2.40 each.

Each person may subscribe a number of shares equal to the number of rights acquired and / or held by this person multiplied by 2/3.

The capital of the Company will be increased only if at least 15 000 000 shares with a par value of BGN 1 (one) and issue value of BGN 2.40 each shall be subscribed and paid up, in which case the capital of the Company will be increased only with the amount of the subscribed shares. No deviation above the upper threshold of the capital to be raised shall be allowed.

The invitation and materials related to the Agenda are available on IHB PLC website: www.bulgariaholding.com



II. Major risks and uncertainties faced by the Company during the remainder of the year

IHB PLC is able to cover all of its liabilities. The key financial commitments of the Company are related to investment projects of its subsidiaries.

In respect of receivables no uncertainty as to their collectibility exists.

IHB PLC has minimised payments in currencies other than Bulgarian levs and EUR and therefore it does not face currency risk. IHB PLC has payables in US dollars amounting to USD 500 000 maturing by November 2007. No material fluctuations in the exchange rate of the USD are expected to maturity, but even in case of such, the FX differences would not be material for the results of IHB PLC.

IHB PLC does not have payables on loans from banks or other financial institutions.

The guarantees that IHB PLC has provided for liabilities of subsidiaries are secured. Furthermore at this stage no risk exists that the subsidiaries may not perform their commitments which the guarantees have been issued for. At present two out of the three corporate guarantees to Navigation Maritime Bulgare AD have been repaid as a result of performance of the obligations of Bulyard Shipbuilding Industry AD.

III. Information on material related party transactions

During the 1st and 2nd quarter of 2007 no material transactions have been concluded between IHB PLC and its related parties.

Bogomila Hristova
Investor Relations Director

Daneta Zheleva
Executive Director