

INDUSTRIAL HOLDING BULGARIA PLC
INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2006

INCOME STATEMENT

For the 9-month period ended 30 September 2006

<i>In BGN thousand</i>	Note	2006 30 September	2005 30 September
Income from interests, dividends and investment transactions	1	766	8,097
Other operating revenue	2	789	81
		1,555	8,178
Payroll costs	3	(151)	(150)
Costs of hired services		(127)	(113)
Other operating expenses	4	(110)	(109)
Net operating profit		1,167	7,806
Net financial expenses	5	(390)	(346)
Profit prior to taxation		777	7,460
Income tax revenue (expenses)		(43)	-
Profit after taxation		734	7,460
Basic earnings per share (in BGN)	19	0,0349	0,355

This Income Statement shall be considered together with the Notes given on pages 6 to 20, which shall represent an inseparable part of these Financial Statements.

Executive Director:
Ms. Daneta Zheleva

Drawn by:
Ms. Toshka Vassileva

INDUSTRIAL HOLDING BULGARIA PLC
INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

**BALANCE SHEET
AS OF 30 SEPTEMBER 2006**

<i>In BGN thousand</i>	Note	2006 30 September	2005 31 December
Non-current assets			
Property, plant and equipment	7	109	122
Intangible non-current assets	8	0	2
Long-term investments in subsidiaries	9	31,320	28,199
Investments in associates	10	4,345	4,822
Long-term loans to related parties	11	96	165
Financial assets available for sale	12	107	228
Other long-term receivables	13	990	523
Deferred tax asset	14	31	31
Total non-current assets		36,998	34,092
Current assets			
Trade and other receivables	15	634	482
Receivables from related parties	16	2,242	453
Financial assets held for trading	17	1,310	1,310
Cash and cash equivalents	18	1,021	3,044
Materials		3	3
Total current assets		5,210	5,292
Total assets		42,208	39,384
Equity			
Capital and reserves			
Share capital	18	21,003	21,003
Reserves		3,475	2,761
Retained earnings (net)		10,118	10,100
Total equity and reserves		34,596	33,864
Non-current liabilities			
Payable on debenture loan	20	5,240	5,233
Payables to related parties		-	-
Total non-current liabilities		5,240	5,233
Current liabilities			
Trade and other payables	21	2,363	285
Payables to related parties		-	2
Tax payables		9	-
Total current liabilities		2,372	287
Total equity and liabilities		42,208	39,384

This Balance Sheet shall be considered together with the Notes given on pages 6 to 20, which shall represent an inseparable part of these Financial Statements.

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CASH FLOW STATEMENT

For the 9-month period ended 30 September 2006

In BGN thousand

	2006	2005
Operating cash flow		
Receivables from sale of shares and other trade receivables	993	7,306
Received dividends	494	678
Recovered amounts on loans	2,009	3,154
Received interests	119	242
Payments related to acquisition of shares and stocks	(950)	(9,992)
Granted loans	(3,710)	(1,727)
Payments related to payroll	(145)	(137)
Foreign exchange gain (loss)	(129)	299
Paid corporate taxes	(1)	(6)
Other payments	(345)	(208)
<i>Net operating cash flow</i>	(1,665)	(391)
Investment cash flow		
Purchase of tangible non-current assets	(30)	5
<i>Net investment cash flow</i>	(30)	5
Financial cash flow		
Paid bank loan interests and charges	-	(280)
Paid bond interests and charges	(315)	(159)
Recovered amounts on bank loan	-	(938)
Paid dividends	-	(4)
Other financial payments	(13)	
<i>Net financial cash flow</i>	(328)	(1,381)
Increase (decrease) in cash and cash equivalents	(2,023)	(1,767)
Cash and cash equivalents at the beginning of the period	3,044	4,691
Cash and cash equivalents as of 30 September	1,021	2,924

This Cash Flow Statement shall be considered together with the Notes given on pages 6 to 20, which shall represent an inseparable part of these Financial Statements.

Executive Director:
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Drawn by:
Ms. Toshka Vassileva

EQUITY STATEMENT

For the 9-month period ended 30 September 2006

<i>In BGN thousand</i>	Share capital	Statutory reserves	Additional reserves	Retained earnings	Total
Balance as of 1 January 2004	21,003	713	608	2,006	24,330
Donations made	-	-	(2)	-	(2)
Profit for the period	-	-	-	931	931
Increase in reserves against 2003 profit		19		(19)	
Balance as of 30 September 2004	21,003	732	606	2,918	25,259
Balance as of 1 January 2005	21,003	732	604	3,035	25,374
Increase in reserves against 1997 dividend written-off	-	-	1,322	-	1,322
Profit for the period	-	-	-	7,460	7,460
Increase in reserves against 2004 profit		105		(105)	
Balance as of 30 September 2005	21,003	837	1,926	10,390	34,156
Balance as of 1 January 2006	21,003	837	1,924	10,100	33,864
Profit for the period	-	-	-	734	734
Other changes			(3)	1	(2)
Increase in reserves against 2004 profit	-	717	-	(717)	
Balance as of 30 September 2006	21,003	1,554	1,921	10,118	34,596

This Equity Statement shall be considered together with the Notes given on pages 6 to 20, which shall represent an inseparable part of these Financial Statements.

Executive Director:
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Drawn by:
Ms. Toshka Vassileva

(a) Legal Status

Industrial Holding Bulgaria PLC (the Company or the Holding) is a joint-stock company registered in the Republic of Bulgaria under company file 13081 dated 1996 having its seat in Sofia.

Initially the Company was established as a privatization fund in compliance with the Law on Privatization Funds under the name of Privatization Fund Bulgaria AD.

The General Meeting of Shareholders adopted a resolution on rearrangement of the activities of Privatization Fund Bulgaria AD as a holding company and change of the name of the latter to Industrial Holding Bulgaria PLC at a session held on 27.02.1998

The capital of the Company amounts to BGN 21,003,235.

The Company has a two-tier system of management including Management Board and Supervision Board.

The scope of activity of the Company includes acquisition, management, assessment and sale of shares in Bulgarian and foreign companies, acquisition, assessment and sale of patents, cession of licenses for usage of patents of companies in which the Company holds interest, financing of companies in which the Company holds interest, as well as any other activity not prohibited by law.

The operations of the Company are bound by no term or termination clause.

The Company is registered in compliance with the Law on Tax Procedure under Tax No 1221112349, entered into the BULSTAT Unified Public Classifier of Economic Entities under Identification No 121631219 U and with the State Public Social Security Office. The Company is also registered in compliance with the Law on Value Added Tax.

The Company's shares are listed and traded at Bulgarian Stock Exchange AD – City of Sofia.

(b) Statement of Compliance

These Financial Statements have been prepared in compliance with the International Financial Reporting Standards adopted by the Commission of the European Union, which were approved (revision as of 01.01.2005) for application in the Republic of Bulgaria by Decree of the Council of Ministers No 207 of 07.07.2006.

(c) Basis of Preparation

The Financial Statements are presented in BGN thousand. Historical cost has been used as basis for preparation with the exception of long-term investments held for sale, which have been presented at their fair value determined on an active stock exchange market.

The accounting policies have been consistently applied by the Company during all periods presented in these Financial Statements.

The financial statements of the Company's subsidiaries were not consolidated as of 30 September 2006. Interim consolidated financial statements will be prepared by 30 November 2006 in compliance with national legal provisions on accounting.

These Financial Statements should be read in relation to the annual financial statements of the Company for 2005.

(d) Comparative Information

When the presentation or classification of items in the statements have been adjusted, comparative amounts have been restated to ensure comparability with the current period. Such restatements result from the more detailed presentation of the Balance Sheet and Income Statement items in the Notes to the Financial Statements.

(e) Reporting Currency

The functional and reporting currency of the Company is the Bulgarian lev. With the introduction of the EURO as the official currency of the European Union, the Bulgarian lev has been pegged to the EURO at a ratio of BGN 1.95583 for EUR 1.

(f) Foreign Currency Transactions

Transactions in foreign currency are recorded in Bulgarian leva at the exchange rate effective on the date of the transaction. As of Balance Sheet date monetary assets and liabilities denominated in foreign currency have been translated to Bulgarian leva applying the foreign exchange rate on that date. Foreign currency gains and losses arising as a result of translation are taken to the Income Statement.

(g) Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are valued at acquisition cost less the accumulated depreciation and impairment losses.

Newly acquired property, plant and equipment are reported at acquisition cost, which includes the purchase price and costs incurred to commission the asset.

As of 2003 the adopted value materiality threshold, below which tangible assets are reported as current expenses upon acquisition, is BGN 500.

Upon classification of subsequent expenses on property, plant and equipment as costs increasing the carrying amount of the assets or as current operating costs it is considered whether these costs are related to an increase of the economic benefit in excess of the initially assessed efficiency of the asset.

(h) Property, Plant and Equipment and Intangible Assets, continued

The Company applies the straight-line depreciation method for property, plant and equipment, considering their useful life, determined by the Company's management by groups, as follows:

- Computers and computer equipment 2-5 years
- Transport vehicles (cars) 5 years

- Fixtures and fittings and all others 6-10 years

(i) Intangible Assets

Intangible non-current assets acquired by the Company are presented at acquisition cost, less the accumulated amortisation and impairment loss, if any.

The amortisation of intangible assets is charged based on the straight-line amortisation method depending on their assessed useful lives.

Patents and trademarks 7 years

Software 7 years

(j) Long-Term Investments in Subsidiaries

The share of the attributable net profit of the subsidiary, in which the Company has invested, is reported as current financial income, i.e. the dividend following its distribution.

Subsidiaries are the entities on which the Company exercises control. Control exists where the Company is in position, directly or indirectly, to direct the financial and operating policies of the subsidiary in order to benefit from its operations. The cost method is used to report these investments. Upon acquisition the investment is initially recorded at cost, which includes the cash amounts paid and the costs related to the acquisition: charges, commissions, fees, non-refundable taxes, etc.

(k) Long-Term Investments in Associates

Associates are entities where the Company has significant influence, but not control, on the financial and operating policies. Current reporting is at cost. Dividend income is recognised following its determining.

(κ) Financial Assets available for Sale

Financial assets available for sale valued at their fair value have been presented as other long-term financial assets, with the resulting gains or losses being taken to the Income Statement. Financial assets, the fair value of which cannot be measured reliably are valued at depreciated cost or at cost. Dividends received therefrom are taken to the Income Statement.

(l) Financial Assets held for Trading

Financial assets held for trading include debenture and equity securities, as well as loans and receivables which the Company has acquired with the intention of realising short-term profit.

Financial instruments held for trading are presented as current financial assets and are measured at fair value. Fair value measurement gains and losses are taken to the Income Statement as incurred.

(m) Trade and Other Receivables

For sales realised under share sale agreements and stated terms of payments, the portion of the receivable which should be paid within one year as of Balance Sheet date as per the contractual terms is presented as short-term. Receivables under cash loans granted under Article 280, Paragraph 1 of the Law on Commerce are presented similarly.

Trade and other receivables are presented at amortised cost of acquisition less the impairment loss (see Accounting policies (p)).

Receivables under share sale agreements and loans granted are split into short-term and long-term depending on the term of their collectibility.

(n) Cash

Cash includes cash on hand and at banks and cash on deposits placed with local banks.

For the purposes of the Cash Flow Statement:

- Cash proceeds from customers and cash payments to suppliers are presented gross, including VAT (20%).
- Cash flows for acquisition and sale of equity shares and stocks in companies in which the Holding invests, as well as dividends received from them, are reported as proceeds from and payments for operating activities.
- Cash flows related to the granting of loans to subsidiaries in compliance with Article 280 of the Law on Commerce and the proceeds upon their repayment are reported as proceeds from and payments for operating activities.
- The underwriting of cash from the issue of equity securities or debenture securities, short-term or long-term loans from lenders external for the Company's operations, and their repayment, as well as the payment of dividends, are reported as proceeds from and payments for financing activities.

(o) Share Capital

The share capital is presented at nominal value and it corresponds to the current court registration of the Company.

(p) Payables on Loans Received

Loans received are initially recorded at cost less the respective transaction expenses. Following initial recording loans received are stated at amortised cost, while any difference between the origination cost and the subsequent measurement are taken to the Income Statement in the period of origination of the loan based on the effective interest rate.

(q) Trade and Other Payables

Short-term and long-term payables in Bulgarian leva are measured at amortised cost. Dividend payables and the current portion of long-term debt are stated in the Balance Sheet as short-term payables.

(r) Impairment of Assets

The carrying amount of the Company's assets, with the exception of investment properties, inventories and deferred tax assets, are reviewed as of Balance Sheet date to determine whether events or circumstances exist that indicate impairment. If such events or circumstances exist, assessment is made as to the recoverable amount of the asset.

For intangible assets, not ready for use yet, the assessment of the asset's recoverable amount is made as of each Balance Sheet date. Impairment loss is recognised if the carrying amount of the asset or the cash generating unit to which the asset belongs exceeds its recoverable amount. Impairment losses are taken to the income statement.

(i) Measurement of the recoverable amount

The Company applies receivables write-down policy while reviewing and analysing the individual receivables.

The recoverable amount of other assets is the higher of their net selling price and their value in use. Upon measuring value in use future cash flows are discounted to their present value by applying a discount rate prior to taxation, reflecting the current assessments of the market, time value of money and the risk specific to the asset. For an asset which does not generate cash independently, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(ii) Reversal of impairment losses

Impairment loss for a receivable is reversed when subsequent increase of the recoverable amount of the receivable can be objectively related to an event occurring following the recognition of the impairment.

In respect of other assets, impairment loss is reversed if there is a change in the assessment used to determine the recoverable amount.

Impairment loss is reversed only to the carrying amount of the asset, not exceeding the carrying amount, less the accumulated depreciation, had the impairment loss not been recognised.

(s) Income and Expense Recognition

(i) Operating revenue

Financial and non-financial income and expenses are charged as incurred, regardless of cash proceeds and payments.

(ii) Interest income

Interest income and expenses are charged by using the effective interest rate.

(ii) Dividend income

Dividend income is recognised when the entitlement of the shareholder to receive the payment is established.

(t) Income Taxes

Income taxes for the year include current and deferred taxes. Income taxes are recognised in the income statement unless related to items, which are taken directly to equity, while in such a case the taxes are presented in equity as well.

Current tax is the estimated tax payment on the taxable profit for the year applying the tax rates in effect as of Balance Sheet date.

Deferred tax is measured by applying the liability method to temporary differences between the current value of assets and liabilities for accounting purposes and for tax purposes. The following temporary differences are not taken into account: positive goodwill not recognised for tax purposes, recording of assets and liabilities which do not affect the accounting or tax profit, as well as differences related to investments in subsidiaries to the extent it is expected that these will not reverse in the foreseeable future. The amount of deferred tax is based on the estimated carrying amount of the asset or the liability, applying tax rate effective as of Balance Sheet date.

Deferred tax asset is recognised to the extent it is probable that future taxable profit will be available against which the unused tax asset can be utilised. The deferred tax asset is reduced to the extent where it is no longer probable that future economic benefit will be realised.

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1. Income from Interests, Dividends and Investment Transactions

<i>In BGN thousand</i>	30 September 2006	30 September 2005
Interest income	145	238
Income from sale of shares	130	6,997
Dividend income	491	862
	<u>766</u>	<u>8,097</u>

The major portion of interest income is related to interest-bearing receivables from subsidiaries, as well as from other entities in respect of deferred payments on share sale agreements. The share sale profit is realised in the sale of the shares of Chimremontstroy AD and Elpo AD, which the Company held with a total selling price of BGN 728 thousand, book value of the shares of BGN 597 thousand and selling costs of BGN 1 thousand.

Dividend income amounting to BGN 491 thousand, distributed by Merrytime Holding AD – BGN 456 thousand and Bulgartabac Holding AD – BGN 35 thousand, has been reported.

2. Other Operating Revenue

<i>In thousand BGN</i>	30 September 2006	30 September 2005
Income from sale of services	785	81
Other	4	-
	<u>789</u>	<u>81</u>

Income from sales of services is related to rendered consulting services to the companies within the Group of the Holding and to external companies.

3. Payroll Costs

<i>In BGN thousand</i>	30 September 2006	30 September 2005
Payroll costs	116	114
Social security costs and other social payments	35	36
	<u>151</u>	<u>150</u>

4. Other Operating Expenses

<i>In BGN thousand</i>	30 September 2006	30 September 2005
Depreciation and amortization	38	44
Costs of materials	11	13
Other operating expenses	61	52
	<u>110</u>	<u>109</u>

5. Net Financial Income (Expenses)

<i>In BGN thousand</i>	30 September 2006	30 September 2005
Exchange rate loss	(288)	(346)
Exchange rate gain	142	375
Debenture loan interest expense	(243)	(245)
Bank loan interest expense	-	(124)
Other expenses	(1)	(6)
	<u>(390)</u>	<u>(346)</u>

7. Tangible Non-Current Assets

<i>In BGN thousand</i>	Computers and computer equipment	Transport vehicles	Fixtures and fittings and other	Costs of acquisition of tangible non- current assets	Total
<i>Book value</i>					
Balance as of 1 January 2005	80	172	82	-	334
Additions	-	-	6	-	6
Disposals	(8)	(33)	(6)	-	(47)
Balance as of 31 December 2005	<u>72</u>	<u>139</u>	<u>82</u>	-	<u>293</u>
Balance as of 1 January 2006	72	139	82	-	293
Additions	22	-	2	-	24
Disposals	(12)	-	-	-	(12)
Balance as of 30 September 2006	82	139	84	-	305
<i>Depreciation and impairment loss</i>					
Balance as of 1 January 2005	66	28	57	-	151
Depreciation costs	12	35	6	-	53
Depreciation of disposals	(8)	(25)	-	-	(33)
Balance as of 31 December 2005	<u>70</u>	<u>38</u>	<u>63</u>	-	<u>171</u>
Balance as of 1 January 2006	70	38	63	-	171
Depreciation costs	6	26	4	-	36
Depreciation of disposals	(12)	-	-	-	(12)
Balance as of 30 September 2006	64	64	67	-	196
<i>Carrying amount</i>					
As of 1 January 2006	<u>2</u>	<u>101</u>	<u>19</u>	-	<u>122</u>
As of 30 September 2006	18	75	16	-	109

The Company has no limitations imposed in respect of the title of ownership on tangible non-current assets, and there are no assets pledged as collateral on liabilities or for other reasons.

8. Intangible Assets

As the intangible non-current assets held by the Company represent an insignificant portion, no detailed note on their movement for the period has been prepared.

9. Investments in Subsidiaries

Investments held by the Company as of 30 September 2006 and 31 December 2005 are as follows:

<i>In BGN thousand</i>	30 September 2006		31 December 2005	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
ZMM Bulgaria Holding AD	7,885	99,998	7,885	95,998
Private Engineering AD	2,800	97,22	2,800	97,22
KRZ Bourgas AD	1,777	91,74	1,775	91,72
Augusta Mebel AD	823	97,86	823	97,86
Bulyard AD	17,427	61,50	14,307	51,50
Merrytime Holding AD	400	61,00	400	61,00
International Industrial Holding Bulgaria AD	130	100,00	130	100,00
KLVK AD	44	66,844	44	66,844
Hydropower Bulgaria AD	34	67,00	34	67,00
	<u>31,320</u>		<u>28,199</u>	

The Company holds 2 shares from the capital of Leyarmach AD, which is controlled by the ZMM Bulgaria Holding AD Group.

In April the Company acquired the 2 401 898 ordinary registered voting shares owned by Ship Repair Yard Odessos AD, representing 10% of the capital of Bulyard AD.

10. Investments in Associates

<i>In BGN thousand</i>	30 September 2006		31 December 2005	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
Dounav Tours AD	2,761	48,395	2,761	48,395
Chimremontstroy AD	-	-	476	25,86
Odessos PBM AD	1,584	30%	1,584	
	<u>4,345</u>		<u>4,822</u>	

11. Long-Term Receivables from Related Parties

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Leyarmash AD	96	165
	<u>96</u>	<u>165</u>

12. Financial Assets available for Sale

<i>In BGN thousand</i>	30 September 2006		31 December 2004	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
Transbalkan Oil Pipeline Bulgaria AD	107	14,29%	107	14,29%
Elpo AD	-	-	121	17,99%
	<u>107</u>		<u>228</u>	

The Company holds ordinary registered shares in the above mentioned commercial entities, which the management has classified as non-current assets available for sale. The Company has this investment in its portfolio for an undefined period of time and sells them if necessary to contribute to its working capital or in case of better selling price.

During the second quarter of the current year the shares of Elpo AD were sold.

In compliance with IAS 39 the Company reports investments available for sale at their fair value, when reliably measurable. For entities listed at the stock exchange, active trade is required. When reliable measurement of the fair value is impossible, the acquisition cost method is used for the investments or the most recent valuation.

13. Other Long-Term Receivables on Share Sale Agreements

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Chimremontstroy Engineering AD	743	313
MAK AD	210	210
ELPO – 2000 OOD	37	-
	<u>990</u>	<u>523</u>

Receivables on share sale agreements amounting to BGN 990 thousand are presented as other long-term receivables, which as per repayment schedule should be repaid over a period of more than one year as of Balance Sheet date.

14. Deferred Tax Asset

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Deferred tax asset	<u>31</u>	<u>31</u>

15. Trade and Other Receivables

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Receivables on share sale agreements	470	383
Other receivables from customers	123	19
Refundable tax	1	44
Advances to suppliers	23	12
Prepaid services	5	11
Other receivables	<u>12</u>	<u>13</u>
	<u>634</u>	<u>482</u>

Receivables amounting to BGN 470 thousand (2005: BGN 383 thousand) represent the short-term portion of deferred receivables under share sale agreements.

16. Receivables from Related Parties

<i>In BGN thousand</i>	30 September 2006	31 December 2005
<i>Receivables on loans granted</i>		
Private Engineering AD	443	260
Leyarmash AD	70	1
Elprom ZEM AD	216	138
KLVK AD	642	-
Augusta Mebel AD	5	-
KRZ Port Bourgas AD	495	-
Bulyard AD	36	-
ZMM Bulgaria Holding AD	<u>282</u>	<u>399</u>
	2,189	399
Dividend receivables from Merrytime Holding AD	-	3
Rendered services	53	3
Other receivables	<u>0</u>	<u>48</u>
	<u>2,242</u>	<u>453</u>

Receivables from related parties are associated mainly with loans granted and receivables on services rendered.

17. Financial Assets held for Trading

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Shares at acquisition cost	1,516	1,516
Impairment	(206)	(206)
Value as of 30 September 2006	<u><u>1,310</u></u>	<u><u>1,310</u></u>

The Company holds 46,788 shares amounting to BGN 1,310 thousand as of Balance Sheet date. The shares are valued at the amount at which they are traded at the Bulgarian Stock Exchange as of 31 December 2005.

18. Cash and Cash Equivalents

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Cash on hand	2	5
Cash at banks	106	110
Deposits with banks	913	2,929
	<u><u>1,021</u></u>	<u><u>3,044</u></u>

Cash in BGN is valued at its nominal value, and cash in foreign currency - at the closing exchange rate of BNB at the end of the reporting period. Foreign exchange gains and losses are reported as current income, respectively expenses.

Deposits with banks are presented at amortised cost.

The Company has no blocked cash which is unavailable for free operation as of Balance Sheet date.

19. Share Capital

The capital of the Company comprises 21,003,235 dematerialised registered voting shares with a face value of BGN 1.

The share capital has been subscribed at its face value and is fully paid-in. There are no preference shares or bearer shares

19(a). Earnings per Share

Basic earnings per share

The calculation of basic earnings per share as of 30 September 2006 is based on the net yield attributable to the holders of ordinary shares, amounting to BGN 734 thousand (30 September 2005: profit of BGN 7,460 thousand) and the average weighted number of ordinary shares available for the year ended 30 September 2006 of 21,003,235 (2005: 21,003,235).

20. Long-Term Payables

<i>In BGN thousand</i>	30 September 2006	31 December 2005
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INDUSTRIAL HOLDING BULGARIA PLC
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Debenture loan payables	5,240	5,233
	5,240	5,233

In July 2006 the fourth interest payment out of the total of six interest payments was made.

21. Short-Term Payables

<i>In BGN thousand</i>	30 September 2006	31 December 2005
Payables on options sold to shareholders	116	116
Interest on debenture loan	79	158
Payable on subscribed share contributions	2,163	-
Other short-term payables	5	11
	2,363	285

22. Transactions with Related Parties

No unusual terms and conditions or departures from the market conditions exist in transactions with third parties executed during the period.

<i>In BGN thousand</i>	Type of relation	2006
<i>Interest income</i>		
- Private Engineering AD	Subsidiary	14
- Leyarmash AD	Indirect control	10
- Elprom ZEM AD	Indirect control	11
- KLVK AD	Subsidiary	19
- ZMM Bulgaria AD	Subsidiary	15
- KRZ Port Bourgas AD	Subsidiary	9
<i>Income from sale of services</i>		
- Augusta Mebel AD	Subsidiary	45
- Dounav Tours AD	Associate	56
- Elprom ZEM AD	Indirect control	201
- ZMM Nova Zagora AD	Indirect control	30
- Leyarmash AD	Indirect control	65
- Bulyard Shipbuilding Industry AD	Indirect control	281
<i>Granted loans</i>		
- Private Engineering AD	Subsidiary	2,322
- Elprom ZEM AD	Indirect control	316
- KLVK AD	Subsidiary	668
- ZMM Bulgaria AD	Subsidiary	600
- Augusta Mebel AD	Subsidiary	19
- KRZ Port Bourgas AD	Subsidiary	567
- Bulyard AD	Subsidiary	36
<i>Repaid loans</i>		
- Elprom ZEM AD	Indirect control	238

- Private Engineering AD	Subsidiary	2,143
- Augusta Mebel AD	Subsidiary	14
- ZMM Bulgaria AD	Subsidiary	318
- KLVK AD	Subsidiary	74
- Bulyard AD	Subsidiary	40

23. Contingent Liabilities

The Company has provided guarantees for payables of subsidiaries in the form of avals on promissory notes of the total amount of BGN 214 thousand on a performance bond as of 30 September 2006.

The Company's management bodies do not believe that there are indications that the promissory notes would be claimed, therefore no provisions have been set aside for contingent liabilities.

In June 2006 the Company issued the first corporate guarantee of EUR 4 280 850 and USD 3 729 018 as a security for third advance payments received for building of ships with construction No 516, No 457 and No 515.

24. Post Balance Sheet Events

ZMM Bulgaria Holding AD, a subsidiary, made a decision on distribution of 2005 profit dividend of BGN 0.13 per share at a special general meeting held in October. The dividend of BGN 727 thousand to be received by Industrial Holding Bulgaria PLC will be reported during the next quarter. In October ZMM Bulgaria AD paid the granted loan of BGN 600 thousand in full and in advance.