

Industrial Holding Bulgaria PLC
Interim Financial Statements

For twelve months period ended 31 December 2005

Income statements

For 12 months period ended 31 December 2005

<i>In thousands of BGN</i>	Note	For 12 months period ended 31 December	
		2005	2004
Revenues from interests, dividends and investment operations	1	8,148	1,351
Other operating revenue	2	113	690
		8,261	2,041
Personnel expenses	3	(206)	(211)
Hired services		(165)	(120)
Other operating expenses	4	(148)	(145)
Profit/(loss) from operations		7,742	1,565
Net financing income/(expenses)	5	(602)	(497)
Profit/(loss) before tax		7,140	1,068
Income tax income/(expense)			(20)
Profit/(loss) after tax		7,140	1,048
Basic earnings per share (BGN)		0,340	0,049

The applications set out on pages 6 to 14 are an integral part of these financial statements

Daneta Zheleva
Executive Director

Toshka Vassileva
Chief accountant

Balance sheet
As at 31 December 2005

<i>In thousands of BGN</i>	Note	31 December 2005	31 December 2004
Non – current assets			
Property, plant and equipment	7	122	183
Intangible assets	8	2	5
Long - term investments in subsidiaries	9	28,199	14,086
Investments in associates	10	4,822	9,228
Long-term related parties payables	11	165	2,699
Financial activities held for trading	12	228	1,650
Long-term receivables	13	523	906
Total non-current assets		34,061	28,757
Current assets			
Trade and other receivables	15	483	592
Related party receivables	16	452	883
Financial activities held for trading	17	1,310	-
Cash and cash equivalents	18	3,044	4,691
Inventories		3	3
Total current assets		5,292	6,169
Total assets		39,353	34,926
Equity			
Equity and reserves			
Issued capital	19	21,003	21,003
Reserves		2,761	1,336
Retained earnings (net)		10,070	3,035
Total equity and reserve		33,834	25,374
Non-current liabilities			
Interest-bearing bank loans	21(a)	-	1,244
Debenture loan		5,233	5,221
Total non-current liabilities		5,233	6,465
Current liabilities			
Interest-bearing bank loans	21(б)	-	1,150
Trade and other payables	22	286	609
Tax payables	21	0	1
Dividends payables	25	-	1,327
Total current liabilities		286	3,087
Total equity and liabilities		39,353	34,926

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Statement of cash flows
For 12 months period ended 31 December 2005

12 months period ended 31 December 2005

<i>In thousands of BGN</i>	2005	2004
Operating activities		
Proceeds from sales of shares and other trade receivables	7,428	2,450
Reimbursed amounts on payables	4,859	4,212,
Interests received	301	387
Dividends received	978	571
Payments for acquisition of shares	(9,992)	(7,974)
Loans granted	(1,927)	(4,636)
Payments for salaries	(187)	(222)
Foreign currency exchange rate gains / losses	316	(392)
Taxes paid	(7)	(44)
Other payments	(319)	(367)
Proceeds from option contract	-	191
<i>Net cash flows from operating activities</i>	1,450	(5,824)
Investing activities		
Acquisition of property, plant and equipment	6	(121)
Acquisition of intangible assets		(5)
<i>Net cash flows from investing activities</i>	6	(126)
Financing activities		
Bank loan received	-	3,110
Interests and fees on bank and debenture loan paid	(442)	(188)
Dividends paid	(4)	(15)
Amount reversed on bank loans	(2,657)	(513)
Debenture loan	-	5,366
<i>Net cash flows from financing activities</i>	(3,103)	1,811
Increase/(decrease) in cash and cash equivalents	(1,767)	1,334
Cash and cash equivalents at 1 January	4,691	2,880
Cash and cash equivalents at 31 December	3,044	4,691

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Chief accountant

Statement of changes in equity
For 12 months period ended 31 December 2005

<i>In thousands of BGN</i>	Note	Issued capital	Legal reserves	Additional reserves	Retained earnings	Total
Balance at 1 January 2004		21,003	713	608	2,006	24,330
Gain for the current period		-	-		1,048	1,048
Donations chargeable to reserves				(4)		(4)
Increase of reserves chargeable to the profit of 2003			19		(19)	
Balance at 31 December 2004		21,003	732	604	3,035	25,374
Balance at 1 January 2005		21,003	732	604	3,035	25,374
Gain for the current period		-	-	-	7,140	7,140
Increase of reserves chargeable to the profit of 2004			105		(105)	
Increase of reserves chargeable to dividend written off from 1997				1,323		1,322
Donations chargeable to reserves				(3)		
Balance at 31 December 2005		21,003	837	1,924	10,070	33,834

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(a) Legal Statute

Industrial Holding Bulgaria PLC (the Company or the Holding) is a public limited company, registered in Bulgaria under court case 13081 / 1996 and is domiciled in Sofia.

Originally the Company was established as Privatization Fund pursuant to the Privatization Funds Act under the name Privatization Fund Bulgaria PLC.

The general meeting of the shareholders on 27.02.1998 took a decision to transform the activities of the Privatization Fund Bulgaria PLC to a Holding Company and it was renamed to Industrial Holding Bulgaria PLC.

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

The Company has a two – tier management system which is managed by Managing Board and Supervisory Board.

The operations of the Company include acquisition, management, evaluation and sale of participations in Bulgarian and foreign companies, acquisition, evaluation and sale of patents, yielding of licenses for using of companies patents, where the holding company has a participation, financing of companies, which the holding company participates in, as well as any other activities not prohibited by the law.

The Company was established indefinitely

The Company is registered pursuant to the Tax Proceeding Act under the tax registration number 1221112349. The Company is entered into the unique state register of the economic subjects BULSTAT under identification code N 121631219, as well as in the State Social Security. The Company is registered pursuant to the Value Added Tax Act.

The shares of the Company are traded on the Bulgarian Stock Exchange - city of Sofia.

The Company does not have an activity with seasonal character.

(6) Statement of compliance

The present financial statements have been prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

(B) Basis of preparation

The Company applies consistent accounting policies in preparing of these financial statements as in the last presented annual report as at 31 December 2004. These interim financial statements have to be read in conjunction with the annual financial report for 2004.

The Company has not consolidated the financial statements of its subsidiaries as at 31 December 2005. According to requirements of article 31, paragraph 3, point 2 from the Ordinance N 2 for prospectus for

public offering of securities the consolidated interim financial 3Q statements will be prepared till 28 February 2006.

1. Revenues from interests, dividends and investment operations

	31 December 2005	31 December 2004
<i>In thousands of BGN</i>		
Interest income	289	396
Profit from sales of shares and financial operations	6,997	271
Revenues from dividends	862	684
	8,148	1,351

The main interest incomes are associated with interest – bearing receivables from subsidiaries as well as from other companies on the occasion of deferred payments on contracts for sale of shares. The reported profit from the sale of shares is realized with the sale of shares of Dockyard Odesos AD, which were in possession of the Company and which were sold with the total sale price at the amount of BGN 7 881 reduced with the commissions and with book value at the amount of BGN 1 100 thousand, a profit is realized from the sale of 21% from the capital of Maritime Holding AD – 76 038 number of shares, with sale price at the amount of BGN 338 thousand and book value at the amount of BGN 190 thousand, the profit is realized from the sale of 17 312 number of shares from the capital of Bulgartabac Holding PLC with sale price amounting to BGN 629 thousand and book value BGN 561 thousand.

The received revenues from dividends are from ZMM Bulgarian Holding, Maritime Holding AD and Bulgartabac Holding PLC.

2. Other operating revenue

	31 December 2005	31 December 2004
<i>In thousands of BGN</i>		
Revenue from sale of services	113	690
	113	690

The revenues from sale of services are associated with provided services to enterprises from and outside the group of Industrial Bulgarian Holding

3. Personnel expenses

	31 December 2005	31 December 2004
<i>In thousands of BGN</i>		
Wages and Salaries	150	160
Compulsory social security contributions	56	51
	206	211

4. Other operating expenses

<i>In thousands of BGN</i>	31 December 2005	31 December 2004
Amortizations	57	43
Cost of materials	17	20
Other operating expenses	74	82
Incl. Impairment of assets	-	7
	148	145

5. Net financing income / expenses

<i>In thousands of BGN</i>	31 December 2005	31 December 2004
Foreign currency gain	422	450
Foreign currency loss	(362)	(627)
Interests on bank and debenture loan	(454)	(316)
Impairment of financial activities held for trading	(206)	
Other financial profit /loss/	(2)	(4)
	(602)	(497)

7. Property, plant and equipment

<i>In thousands of BGN</i>	Computers and computers equipment	Vehicles	Fixtures and fittings and others	Total
<i>Carrying amount</i>				
Balance at 1 January 2005	80	172	82	334
Additions	-		6	6
Disposals	(8)	(33)	(6)	(47)
Balance at 31 December 2005	72	139	82	293
<i>Depreciation</i>				
Balance at 1 January 2005	66	29	57	151
Depreciation charge for the period	12	34	6	28
Depreciation for assets written off	(8)	(25)		(33)
Balance at 31 December 2005	70	38	63	147
<i>Carrying amount</i>				
At 1 January 2005	14	144	25	183
At 31 December 2005	2	101	19	122

As at 31 December 2005 there are not imposed restrictions on the right of ownership of the fixed assets and there are not pledged assets on liabilities or for other reasons.

8. Intangible assets

The Company owns intangible assets at the immaterial carrying amount, which comprise software products at carrying amount BGN 1 thousand and property rights – BGN 1 thousand.

9. Investments in subsidiaries

The Company possesses the following investments as at 31 December 2005 and as at 31 December 2004 as follows:

<i>In thousand of BGN</i>	31 December 2005		31 December 2004	
	Amount of ownership	% Ownership	Amount of ownership	% Ownership
ZMM Bulgaria Holding AD	7,886	99.998	7,885	99.998
Privat Engineering AD	2,800	97.22	2,800	97.22
Dockyard Port Bourgas AD	1,776	91.72	1,775	91.44
Augusta Mebel AD	823	97.86	823	97.86
Maritime Holding AD	400	61.00	590	90.00
International Industrial Holding Bulgaria AG	130	100.00	130	100.00
KLVK AD	44	66.84	44	99.998
Hydropower Bulgaria AD	34	67.00	34	67.00
Build 2000 EOOD	-	-	5	100.00
Bulyard AD	14307	51.5		
	28,199		14,086	

During the reporting period the Holding sold 76 038 shares from the capital of Maritime Holding AD (29% of the company's capital). The positive result from this transaction is at the amount of BGN 149 thousand.

During the first quarter of 2005, the Company established a joint-stock company Dunav River Navigation, with capital amounting to BGN 50 thousand.

The company was established on purpose of taking participation in privatization process of Bulgarian River Navigation, but subsequently the intention of the Managing Board of the Holding was revised and during the third quarter, the Company was sold. Because of the fact that the Company Build 2000 EOOD does not implement the expected activity, it was also sold.

In February Electromachinery Holding AD sold to Industrial Holding Bulgaria PLC its 2 762 183 nos. of shares, representing 11.5% of the Bulyard AD's capital. In April Dockyard Odesos sold to Industrial Holding Bulgaria PLC its 3 602 487 nos. of shares, representing 15% of the Bulyard AD's capital. With these transactions, by acquiring 51, 50% from the capital of the latter, Industrial Holding Bulgaria PLC became the majority shareholder of Bulyard Shipbuilding Industry AD, city of Varna.

IHB PLC increased its participation in Dockyard - Port Bourgas to 91, 72% by acquiring additional 388 shares.

10. Investment in associates

<i>In thousand of BGN</i>	31 December 2005		31 December 2004	
	Amount of ownership	% Ownership	Amount of ownership	% Ownership
Dunav Tours AD	2,762	48,395	2,747	45,43
Chimremontstroy AD	476	25,86	476	25,86
Odesoss PMB AD	1,584	30,00%		
	<u>4,822</u>		<u>9,228</u>	

The Holding's share in the capital of Dunav Tours AD reached to 48.395% during the first six month period of the year 2005 through acquiring 14 373 nos. of shares.

In March 2005 the management of IHB passed a resolution for taking participation in Odesos PMB AD, Varna, with activities rendering of port services and associated activities from / to vessels and land transport motor vehicles and capital of 5 280 000 nos. of shares. The share of the Holding's participation in the capital of the Company is 30%.

11. Long term receivables from related parties

The receivables at the amount of BGN 165 thousand from related parties are associated with the granted monetary loan of the subsidiary Leiarmash AD according to article 280, paragraph 1 from the Commercial Act, and must be refunded after one year from the balance sheet date.

<i>In thousand of BGN</i>	31 December 2005	31 December 2004
KLVK AD	-	2,561
Elprom ZEM PLC	-	138
Leiarmash AD	165	-
	<u>165</u>	<u>2,699</u>

12. Financial assets held for sale

<i>In thousand of BGN</i>	30 December 2005		31 December 2004	
	Amount of ownership	% Ownership	Amount of ownership	% Ownership
Dockyard Odesos AD			1,100	17,04%
Transbalkan Oil Pipeline Bulgaria AD	107	14.29%	429	14.29%
Elpo AD	121	17.99%	121	17.99%
	<u>228</u>		<u>1,650</u>	

During the past period all the 100 thousand nos. of shares from the capital of KRZ Odesos in possession of the Holding were sold.

Because of impossibility of Transbalkan Oil Pipeline Bulgaria AD to perform the purpose for which the company was established and according to circumstances of the Company's statute it is indispensable for the Company to enter in procedure of liquidation. The liabilities at the amount of BGN 321 thousand for additional payments of the capital are reversed.

13. Long term receivables on contracts for sale of shares

The part of long term receivables on contracts for sale of shares at the amount of BGN 749 thousand, which must be refunded for more than one year from the balance sheet date.

<i>In thousand of BGN</i>	31 December 2005	31 December 2004
For the shares of Chimremontstroy AD	313	626
For the shares of MAK AD	210	280
	<u>523</u>	<u>906</u>

15. Trade and other receivables

<i>In thousand of BGN</i>	31 December 2005	31 December 2004
Receivables on the contracts for sale of shares	400	531
Other receivables	28	11
Taxes receivables	44	37
Prepayments	11	13
	<u>483</u>	<u>592</u>

16. Receivables from related parties

<i>In thousand of BGN</i>	31 December 2005	31 December 2004
<i>Receivables on granted monetary loan</i>		
Privat Engineering AD	260	3
Leirmash AD	1	166
Elprom ZEM PLC	138	461
Augusta Mebel AD	-	35
KLVK AD	-	14
Other short term loans	1	10
	399	689
<i>Receivables on dividends</i>		
ZMM Bulgaria Holding AD	-	119
Maritime Holding AD	3	

<i>Provided services</i>	1	4
<i>Other receivables - Bulyard AD</i>	48	71
	452	883

The receivables on the granted monetary loans are the short term part of the related parties's loans.

17. Financial assets held for trading

During the current year the Holding purchased 64 100 numbers of shares from the capital of Bulgartabac Holding PLC and subsequently 17 312 shares from them were sold. /refer note 1/. As a result of decrease of the share price on the Bulgarian Stock Exchange, the Company has revalued the rest part of the available shares, and reported a loss from the revaluation of the financial assets at the amount of BGN 206 thousand. To express the intention of the Company to sell the rest portion of the available shares in the near future – 0.64% from the capital of Bulgartabac Holding they are reclassified from financial assets held for sale / in the interim financial statements for the 2Q and 3Q/ to financial assets held for trading.

18. Cash and cash equivalents

The Company does not have frozen cash and cash equivalents and can operate with them at every moment. The major part of the available cash and cash equivalent – BGN 2 928 thousand as at 31 December are put in the savings.

21. Trade and other payables

21 (a) Non-current liabilities

<i>In thousand of BGN</i>	31 December 2005	31 December 2004
Secured bank loans	-	1,244
Liabilities on debenture loans	5,233	5,221
	5,233	6,465

On 25.01.2005 Industrial Holding Bulgaria PLC makes the interest down payment on debenture loan and on 25.07.2005 the second interest down payment out of the six payments which will be made in connection with the issued bonds.

In the beginning of October 2005 Industrial Holding Bulgaria refunded entirely its liabilities to Bank DSK on the occasion of granted loan for USD 2 million and balance at 30.09.2005 BGN 1 725 thousand.

21 (6) ,22. Current liabilities

<i>In thousand of BGN</i>	31 December 2005	31 December 2004
Current portion of bank loans	-	1,150
Liabilities on subscribed shares	-	321
Liabilities on voting right of shareholders sold	116	116

Interests on debenture loans	158	158
Other liabilities	12	14
	286	609

25. Dividends payables

The unpaid part of the dividends distributed from the profit for the year 1997 at the amount of BGN 1 323 thousand as at 01.03.2005 is written off and transferred to the company's reserves due to expiration of the term of payment and with a decision of the Management Board.

26. Related parties

There are not unusual circumstances or diversions from the market circumstances on the occasion of transactions that are made.

		31 December 2005
<i>In thousand of BGN</i>		
Interest income		174
Revenues from sale of services		113
Granted monetary loans		
Privat Engineering.AD	Subsidiaries	922
Elprom ZEM PLC	Indirect control	160
KLVK AD		1,352
Reimbursed monetary payables		
Elprom ZEM PLC	Subsidiaries	620
KLVK AD	Subsidiaries	3,913
Augusta Mebel AD	Subsidiaries	35
Privat Engineering.AD		622

27. Events that occurred after the balance sheet date

The subsidiary Privat Engineering.AD refunded completely its liabilities to Industrial Holding Bulgaria PLC on the occasion of granted monetary loan / refer to note 16/ .

On 25.01.2006 Industrial Holding Bulgaria made the third interest down payment on debenture loan out of the six payments which will be made in connection with the issued bonds.