



INDUSTRIAL HOLDING BULGARIA

**INDUSTRIAL HOLDING BULGARIA PLC
PUBLIC NOTIFICATION FOR FINANCIAL POSITION
ON A CONSOLIDATED BASIS**

31 March 2020

INDUSTRIAL HOLDING BULGARIA PLC
Public notification for financial position on a consolidated basis
For the period ended 31 March 2020

CORPORATE INFORMATION

Industrial Holding Bulgaria PLC (the „Company“) is a joint stock company (PLC), registered in the Republic of Bulgaria on Company File number 13081 / 1996 with headquarters and registered office at 42 Damyan Gruev Str., Sofia, Bulgaria. The financial year of the Company ends on 31 December.

Initially, the Company has been established as a Privatisation Fund according to the Privatisation Funds Act under the company name Privatisation Fund Bulgaria PLC.

The General Meeting of Shareholders held on 27 February 1998 passed a decision to reorganize the activities of Privatisation Fund Bulgaria PLC into a holding company and to rename it from Privatisation Fund Bulgaria PLC to Industrial Holding Bulgaria PLC. The Company’s capital amounts to BGN 107,400,643 at 31 March 2020. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

As at 31 December 2019, Industrial Holding Bulgaria PLC has 9 direct subsidiaries (31 December 2018: 9), no associates (31 December 2018: Nil), and 12 indirect subsidiaries (31 December 2018: 12 indirect subsidiaries), collectively referred to as “the Group”.

As at 31 March 2020, Industrial Holding Bulgaria PLC has 10 direct subsidiaries (31 December 2019: 9), no associates (31 December 2019: None), and 12 indirect subsidiaries (31 December 2019: 12 indirect subsidiaries), collectively referred to as “the Group”.

The scope of activity of the Group includes production and trading activities in the area of heavy machinery, shipbuilding, ship repair and maritime transportation, port services, designer’s services, maintenance and repair, and other services.

The duration of all Group companies shall be perpetual and the companies are not limited by other resolute condition, except for IHB Electric AD (in liquidation), with respect of which a decision to commence a voluntary liquidation procedure was taken by the General Meeting of Shareholders of the company on 15 January 2020.

Industrial Holding Bulgaria PLC is entered into the Register kept by the Registry Agency under Unified Identification Code (UIC) 121631219. The Company is registered in compliance with the Law on Value Added Tax. The shares of the Company are listed on Bulgarian Stock Exchange AD, Sofia.

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NOTES

Consolidated Statement of Comprehensive Income

For the period ended 31 March 2020

In BGN'000

	31 March 2020	31 March 2019
Revenue	21,494	24,513
Other operating income	346	468
	21,840	24,981
Change in stock of work in progress and finished products	1,460	764
Costs of acquisition and development of assets' self-construction	904	389
Costs of materials	(8,243)	(8,312)
Costs of hired services	(3,370)	(3,936)
Depreciation / amortization expenses	(3,550)	(3,566)
Costs of personnel	(7,223)	(6,820)
Other operating expenses	(6,939)	(1,174)
Operating profit	(5,121)	2,326
Finance income	765	416
Finance costs	(431)	(549)
Profit before tax	(4,787)	2,193
Income tax expense	(335)	(382)
Profit for the year	(5,122)	1,811
Attributable to:		
Equity holders of the parent	(5,234)	1,609
Non-controlling interests	112	202

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Consolidated statement of financial position

As at 31 March 2020

In BGN'000

	31 March 2020	31 December 2019
Assets		
Non – current assets		
Property, plant and equipment	341,969	346,644
Intangible assets	2,697	2,780
Investment property	12,839	12,108
Right-to-use assets	1,880	1,966
Goodwill	9,130	9,130
Differed tax asset	123	108
Total non-current assets	368,638	372,736
Current assets		
Inventories	19,164	18,672
Trade and other receivables	6,314	7,718
Contract assets	1,746	845
Income tax receivable	2	3
Cash and cash equivalents	3,658	7,542
Total current assets	30,884	34,780
Assets classified as held for sale	1,358	1,368
TOTAL ASSETS	400,880	408,884

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Consolidated statement of financial position

As at 31 March 2020

(continued)

In BGN'000

	31 March 2020	31 December 2019
Equity		
Share capital	107,400	107,400
Share premium	30,604	30,604
Treasury shares redeemed	(7,570)	(6,536)
Other reserves	84,388	84,630
Foreign currency translation reserve	22,655	20,078
Retained earnings	82,936	88,170
	<u>320,413</u>	<u>324,346</u>
Non-controlling interest	2,551	2,496
Total equity	<u>322,964</u>	<u>326,842</u>
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	26,112	28,519
Lease liabilities	1,562	1,642
Loans from related parties	10,407	7,306
Derivative financial liability	297	194
Trade and other payables	166	181
Financing	1,460	1,473
Retirement benefit liabilities	719	784
Provisions	-	-
Deferred tax liabilities	10,438	10,336
Total non-current liabilities	<u>51,161</u>	<u>50,435</u>
Current liabilities		
Interest-bearing loans and borrowings	12,343	12,163
Lease liabilities	337	341
Loans from related parties	147	3,311
Derivative financial liability	384	218
Trade and other payables	10,476	12,529
Contract liabilities	2,474	2,519
Provisions	104	244
Financing	109	116
Income tax liability	381	166
Total current liabilities	<u>26,755</u>	<u>31,607</u>
Total liabilities	<u>77,916</u>	<u>82,042</u>
TOTAL EQUITY AND LIABILITIES	<u>400,880</u>	<u>408,884</u>

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Consolidated statement of cash flows

For the period ended 31 March 2020

In BGN'000

	31 March 2020	31 March 2019
<i>Operating activity</i>		
Proceeds from customers	22,183	27,266
Payments to suppliers	(13,233)	(15,044)
Staff remuneration related payments	(7,376)	(6,959)
Corporate income taxes paid	14	(349)
Other taxes refunded /(paid)	689	413
Foreign currency differences	9	(10)
Other payments	(492)	(503)
Net cash flows from operating activity	1,794	4,814
<i>Investing activity</i>		
Proceeds on sale of property, plant and equipment	-	75
Payments on the acquisition of fixed assets and assets' self-construction	(1,070)	(1,038)
Other (payments) / proceeds	-	75
Net cash flows used in investing activity	(1,070)	(888)
<i>Financing activity</i>		
Proceeds from sale / (Payments on) redemption of treasury shares	(1,034)	(511)
Interest-bearing loans and borrowings received	391	100
Interest-bearing loans and borrowings paid	(3,434)	(3,347)
Lease liabilities paid	(85)	(84)
Dividends paid	(56)	(74)
Interest paid on loans and borrowings	(301)	(457)
Interest paid on leases	(7)	(7)
Charges and commission fees paid on loans and borrowings	(8)	(10)
Amounts paid on an interest rate swap contract	(60)	(27)
Other payments	(14)	(12)
Net cash flows used in financing activity	(4,608)	(4,429)
Net increase / (decrease) in cash and cash equivalents	(3,884)	(503)
Cash and cash equivalents on 1 January	7,542	4,107
Cash and cash equivalents on 31 March	3,658	3,604

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Consolidated statement of changes in equity

For the period ended 31 March 2020

<i>In BGN'000</i>	Attributable to the equity owners of the parent company							Total	Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares redeemed	Statutory and additional reserves	Revaluation reserve	Foreign currency translation reserve	Cash flows hedge reserve				Retained earnings
At 1 January 2020	107,400	30,604	(6,536)	4,843	80,140	20,078	(353)	88,170	324,346	2,496	326,842
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	(5,234)	(5,234)	112	(5,122)
Other comprehensive income for the year	-	-	-	-	-	2,577	(242)	-	2,335	-	2,335
Total comprehensive income for the year	-	-	-	-	-	2,577	(242)	(5,234)	(2,899)	112	(2,787)
Transactions with shareholders recognised in equity											
Profit distribution to reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(106)	(106)
Treasury shares redeemed	-	-	(1,034)	-	-	-	-	-	(1,034)	-	(1,034)
Capital contributions	-	-	-	-	-	-	-	-	-	49	49
Total transactions with shareholders	-	-	(1,034)	-	-	-	-	-	(1,034)	(57)	(1,091)
Transfer of revaluation reserve of assets sold to retained earnings	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2020	107,400	30,604	(7,570)	4,843	80,140	22,655	(595)	82,936	320,413	2,551	322,964

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Consolidated statement of changes in equity

For the period ended 31 March 2020

<i>In BGN'000</i>	Attributable to the equity owners of the parent company							Total	Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares redeemed	Statutory and additional reserves	Revaluation reserve	Foreign currency translation reserve	Cash flows hedge reserve				Retained earnings
At 1 January 2019	107,400	30,604	(3,308)	4,825	80,239	17,865	(184)	80,493	317,934	2,499	320,433
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	1,609	1,609	202	1,811
Other comprehensive income for the year	-	-	-	-	-	2,123	19	-	2,142	-	2,142
Total comprehensive income for the year	-	-	-	-	-	2,123	19	1,609	3,751	202	3,953
Transactions with shareholders recognised in equity											
Profit distribution to reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(74)	(74)
Treasury shares redeemed	-	-	(511)	-	-	-	-	-	(511)	-	(511)
Total transactions with shareholders	-	-	(511)	-	-	-	-	-	(511)	(74)	(585)
Transfer of revaluation reserve of assets sold to retained earnings	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2019	107,400	30,604	(3,819)	4,825	80,239	19,988	(165)	82,102	321,174	2,627	323,801

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Revenue

<i>In BGN'000</i>	31 March 2020	31 March 2019
Revenue from manufacture of metal-cutting machines, components and details	6,731	8,439
Revenue from cargo transportation under voyage charter contracts	5,252	6,861
Revenue from time-charter contracts	2,378	1,792
Revenue from repair and reconstruction of ships	890	1,532
Revenue from manufacture of metal structures	156	209
Revenue from designer's services	1,135	1,253
Revenue from cargo processing	2,127	2,780
Revenue from cargo storage	277	277
Quay rentals	376	400
Property rentals	557	537
Revenue from other services	1,615	433
	<u>21,494</u>	<u>24,513</u>

The contraction of the global economy and the slowdown in economic growth as a result of the measures taken by governments to limit the spread of the COVID-19 pandemic have had a negative impact on all business agents. The reduced economic activity worldwide affected the Group as well, as the consolidated revenue for the period January-March 2020 scored a decline compared to the same period a year earlier. The shipping industry was the segment of the portfolio of Industrial Holding Bulgaria AD that was first and most severely impacted on. Although at a later stage, restrictive measures affected business activity in other segments as well.

Other operating income

<i>In BGN'000</i>	31 March 2020	31 March 2019
Gain on sale of materials and scrap	76	326
Income from financing	20	59
Gain on sale of fixed assets and assets classified as held for sale	-	40
Provisions reversed	119	-
Other income	131	43
	<u>346</u>	<u>468</u>

Costs of materials

<i>In BGN'000</i>	31 March 2020	31 March 2019
Main materials	(3,800)	(4,062)
Fuel used on ships	(2,595)	(1,926)
Auxiliary materials	(762)	(851)
Electric power	(508)	(718)
Spare parts	(396)	(574)
Other materials	(182)	(181)
	<u>(8,243)</u>	<u>(8,312)</u>

The increase in fuel consumption in the operation of ships is due on the one hand to the higher average exchange rate of the US dollar for the first quarter of 2020 compared to the same period in 2019, and on the other hand - to the different duration of charters in both periods (for 2020 more time in transition on the high seas and less in loading and unloading operations).

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Costs of hired services

In BGN'000

	31 March 2020	31 March 2019
Services of subcontractors	(687)	(862)
Port-related expenses	(912)	(1,238)
Agency services	(135)	(264)
Insurances	(392)	(369)
Repairs	(209)	(249)
Security	(186)	(220)
Software maintenance on subscription	(173)	(123)
Civil contracts	(80)	(107)
Other services	(596)	(504)
	<u>(3,370)</u>	<u>(3,936)</u>

The decrease in the subcontractors' services is mainly due to the reduced volume of work during the current period of the companies operating in the field of ship repair and machine building. Port costs decreased due to a change in the structure of the charters of the Group's vessels - more days in time charter in 2020 compared to an year earlier. The costs of software support subscription relate mainly to the design services offered by the Group and their increase is due to the expansion of the activities of IHB Shipdesign AD before the spread of the COVID-19 pandemic.

Costs of personnel

In BGN'000

	31 March 2020	31 March 2019
Salaries	(5,758)	(5,438)
Compulsory social insurance	(841)	(804)
Management contracts	(352)	(335)
Compulsory social and health insurance on management contracts	(29)	(29)
Other personnel costs	(243)	(214)
	<u>(7,223)</u>	<u>(6,820)</u>

Other operating expenses

In BGN'000

	31 March 2020	31 March 2019
Impairment	(6,521)	(300)
Business trips and replacement of crew	(197)	(251)
Local taxes and charges, tax on expenses and VAT	(136)	(474)
Scrapping and liquidation of fixed tangible assets	-	(58)
Other expenses	(85)	(91)
	<u>(6,939)</u>	<u>(1,174)</u>

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Impairment

In BGN'000

	<u>31 March 2020</u>	<u>31 March 2019</u>
Impairment of fixed assets	(6,521)	-
Impairment of receivables	-	(300)
	<u>(6,521)</u>	<u>(300)</u>

An impairment loss of BGN 6,521 thousand due to impairment of fixed assets (ships) was reported as at 31 March 2020 in the Maritime Transport segment. The recoverable amount of ships is determined by calculating the value in use, which was adversely affected by:

- the decline in the freight market as a result of the decline in global trade as a result of the COVID-19 pandemic and the restrictive measures taken by countries around the world to limit its spread, which further exacerbated the trend of low freight levels observed over the last 10 years;
- the higher environmental requirements for ships in operation, which has led to investments on the part of shipowners, which do not have a positive impact on profitability and are associated with serious costs and additional days out of operation;
- increasing market volatility and instability (political risks, etc.).

Finance income and finance costs for the reporting period:

In BGN'000

	<u>31 March 2020</u>	<u>31 March 2019</u>
<i>Finance income</i>		
Foreign currency gains, net	765	416
	<u>765</u>	<u>416</u>
<i>Finance costs</i>		
Interest expenses	(389)	(502)
Other finance costs	(42)	(47)
	<u>(431)</u>	<u>(549)</u>

Interest expenses

In BGN'000

	<u>31 March 2020</u>	<u>31 March 2019</u>
Interest expenses on bank loans received	(264)	(407)
Interest expenses on loans from related parties	(58)	(63)
Interest expenses on interest rate swap	(60)	(25)
Interest expenses on lease liabilities	(7)	(7)
Other interest expenses	-	-
	<u>(389)</u>	<u>(502)</u>

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Bank loans

Long-term

In BGN'000

	Currency	Interest rate, %	Maturity	31 March 2020	2019
Credit line for working capital amounting to BNG 3,000 thousand 7,000 thousand	BGN	1 M EURIBOR +1.5%	2020	1,598	1,310
Secured bank loan amounting to USD 37,300 thousand: long-term portion	USD	1 M LIBOR + 1.5%	2022	15,648	17,443
Secured bank loan amounting to EUR 10,000 thousand: long-term portion	EUR	1.9%	2023	8,149	9,126
Secured investment loan amounting to EUR 640 thousand; long-term portion	EUR	1.6%	2026	717	640
				26,112	28,519

Short-term

In BGN'000

	Currency	Interest rate, %	Maturity	31 March 2020	2019
Secured bank loan amounting to USD 37,300 thousand: short-term portion	USD	1 M LIBOR + 1.5%	2022	8,269	8,073
Secured bank loan amounting to EUR 10,000 thousand: short-term portion	EUR	1.9%	2023	3,919	3,920
Secured investment loan amounting to EUR 640 thousand; short-term portion	EUR	1.6%	2026	155	170
				12,343	12,163

The bank loans are secured by mortgages on land and buildings, and registered pledges on plant, equipment and motor vehicles, including ships owned by the Group companies, with total carrying amount as at 31 March 2020 of BGN 205,274 thousand (31 December 2019: BGN 205,273 thousand). In addition, KRZ Port Bourgas AD has been pledged as an entity.

At 31 March 2020, the amount of the liabilities under bank loans from related parties according to IAS 24 amounted to BGN 23,917 thousand (2019: BGN 25,516 thousand). Further details are provided in the section Related Party Transactions.

At 31 March 2020, the unutilized limits on bank loans of the Group amounted to BGN 5,497 thousand.

The Group hedged its interest rate risk relating to the change in the 1M LIBOR rate, by contracting an interest rate swap transaction covering the risk upon payment of interest on a secured bank loan totalling to USD 37,300 thousand (hedge of 80% of cash flows). Under the swap contract, the Group pays a fixed interest rate of 2.88% and receives a variable interest rate (1M LIBOR), with the payments being made on a net basis. The maturity under the interest rate swap contract coincides with the loan maturity – December 2022.

In May 2020, the Group renegotiated the terms and conditions of the secured bank loan of USD 37,300 thousand, as three of the instalments due for 2020 had been deferred and transferred to the last repayment instalment to be paid in December 2022. The nominal contingent principal of the interest rate swap transaction had also been changed to reflect the new loan repayment plan, and the fixed interest rate percentage of 2.88% was reduced to 2.60%

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Equity

Share capital - registered

The share capital is stated at nominal value according to the registration with the Commercial Register.

In BGN'000

	31 March 2020	2019
107,400,643 ordinary shares with nominal amount of BGN 1 each	107,400	107,400
	<u>107,400</u>	<u>107,400</u>

The capital of the Group comprises 107,400,643 registered dematerialised voting shares with nominal amount of BGN 1 each that are listed for trading on Bulgarian Stock Exchange. The share capital is subscribed at its nominal amount and is paid in full. There is no preference shares or bearer's shares.

Shareholders

The shareholders of Industrial Holding Bulgaria PLC holding more than 5% of the company's capital as of 31 March 2020 are as follows:

<i>Shareholder</i>	Number of shares as at 31 March 2020	<u>31 March 2020</u>
BULLS AD	37,608,121	35.02%
DZH AD	8,957,874	8.34%
Venside Enterprises	7,089,320	6.60%
Industrial Holding Bulgaria PLC*	7,700,836	7.17%
Others	<u>46,044,492</u>	<u>42.87%</u>
	<u>107,400,643</u>	<u>100.00%</u>

*Treasury shares redeemed

The total number of the treasury shares held as at 31 December 2019 is 6,648,222 for the total amount of BGN 6,536 thousand. Over the period 01 January 2020 – 31 March 2020, 1,052,614 treasury shares amounting to BGN 1,034 thousand were bought up. The number of the treasury shares redeemed as at 31 March 2020 was 7,700,836 for the total amount of BGN 7,570 thousand. Pursuant to article 187a, paragraph 3 of the Commercial Act, the voting right attached to these shares has been suspended until their transfer.

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Related party disclosure under IAS 24

The consolidated financial data of the Group covers the following companies:

	Country of registration	Equity interest, %	
		31 March 2020	31 December 2019
		%	%
Industrial Holding Bulgaria PLC	Bulgaria	Parent company	Parent company
Privat Engineering EAD	Bulgaria	100.00	100.00
ZMM Bulgaria Holding AD	Bulgaria	100.00	100.00
ZMM Sliven AD	Bulgaria	95.98	95.98
ZMM Nova Zagora AD	Bulgaria	93.57	93.57
IHB Metal Castings AD*	Bulgaria	100.00	100.00
IHB Electric AD (in liquidation)	Bulgaria	97.87	97.87
KRZ Port Bourgas AD	Bulgaria	99.65	99.65
KLVK AD	Bulgaria	100.00	100.00
International Industrial Holding Bulgaria AG	Switzerland	100.00	100.00
Maritime Holding AD	Bulgaria	61.00	61.00
Bulgarian Register of Shipping EAD	Bulgaria	61.00	61.00
Bulyard Shippbuilding Industry AD	Bulgaria	100.00	100.00
IHB Shipping Co EAD	Bulgaria	100.00	100.00
Emona LTD	Marshal Islands	100.00	100.00
Karvuna LTD	Marshal Islands	100.00	100.00
Odria LTD	Marshal Islands	100.00	100.00
Tirista LTD	Marshal Islands	100.00	100.00
Serdika LTD	Marshal Islands	100.00	100.00
Bulport Logistics AD	Bulgaria	100.00	100.00
Odessos PBM EAD	Bulgaria	100.00	100.00
IHB Shipdesign AD	Bulgaria	70.00	70.00
IHB 3 Design AD	Bulgaria	61.00	-

On 15 January 2020, the General Meeting of Shareholders of IHB Electric AD (in liquidation) took a decision to terminate the company's activities and to declare it in liquidation. The term of liquidation is 12 months as of 24 March 2020 - the date of registration of the notice to the company's creditors with the Commercial Register at the Registry Agency in accordance with Article 267 of the Commercial Act.

The newly incorporated company IHB 3 Design AD was registered in the Commercial Register on 10 February 2020 with capital of BGN 100 thousand split into 100,000 shares with nominal amount of BGN 1, of which Industrial Holding Bulgaria PLC subscribed 51%.

In view of the definitions contained in IAS 24, the Group deems that it has a related party relationship with the following companies:

I. Persons controlling the activities of the entity within the meaning of IAS 24

- Bulls AD, a company that at 31 March 2020 holds, directly and indirectly, through a subsidiary, 41.61% of Industrial Holding Bulgaria PLC, which in view of the scattered shareholding structure of Industrial Holding Bulgaria PLC as a former privatization fund with more than 50,000 shareholders and the quorums at the GMS during the last two years, has made it possible for Bulls AD to exercise a majority vote and de facto control over the GMS of Industrial Holding Bulgaria PLC;
- Dimitar Zhelev, an individual controlling Bulls AD and a husband of Daneta Zheleva, the Chief Executive Director of Industrial Holding Bulgaria PLC.

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II. Key management personnel, including the Management and Supervisory Boards of the Company

III. Entities over which the persons exercising control within the meaning of IAS 24 (according to paragraph I) has joint control

IV. Entities over which the persons exercising control within the meaning of IAS 24 (according to paragraph I) has significant influence or are members of their key management personnel

Related party transactions

Trade and other receivables from related parties

<i>In BGN'000</i>	31 March 2020	2019
Entities under common control of the persons exercising control within the meaning of IAS 24	12	-
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	4	7
	16	7

Cash with banks – related parties

<i>In BGN'000</i>	31 March 2020	2019
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	2,303	4,351
	2,303	4,351

Interest-bearing loans and borrowings from banks – related parties

<i>In BGN'000</i>	31 March 2020	2019
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	23,917	25,516
	23,917	25,516

Loans from related parties (including interest)

<i>In BGN'000</i>	31 March 2020	2019
Persons exercising control within the meaning of IAS 24	10,554	10,617
	10,554	10,617
Long-term portion	10,407	7,306
Short-term portion	147	3,311
Principal	10,508	10,600
Interest	46	17

Trade and other payables to related parties

<i>In BGN'000</i>	31 March 2020	2019
Entities under common control of the persons exercising control within the meaning of IAS 24	-	3
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	36	10
	36	13

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Other liabilities (derivative financial liability) to banks – related parties

In BGN'000

Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff

31 March 2020	2019
681	412
681	412

Interest expenses accrued over the period 01 January 2020 - 31 March 2020 under the interest rate swap contract with a bank - related party amount to BGN 60 thousand (01 January 2019 – 31 March 2019: BGN 25 thousand), and interest paid amounts to BGN 60 thousand (01 January 2019 – 31 March 2019: BGN 27 thousand).

Sale transactions

In BGN'000

Entities under common control of the persons exercising control within the meaning of IAS 24

Transaction type	31 March 2020	31 March 2019
Rental income	3	2
Other sales	-	15
	3	17

Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff

Sale of services	62	24
Rental income	21	-
Other sales	-	15
	83	39
	86	39

Purchase transactions

In BGN'000

Entities under common control of the persons exercising control within the meaning of IAS 24

Transaction type	31 март 2020	31 March 2019
Purchase of materials	3	13
Purchase of services	1	-
	4	13

Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff

Purchase of hired services	191	181
Other finance costs	30	32
	221	213
	225	226

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Liabilities under lease contracts with related parties

<i>In BGN'000</i>	<u>31 March 2020</u>	<u>2019</u>
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	22	28
Total	<u>22</u>	<u>28</u>

The annual fee due for the period from 01 January 2020 to 31 March 2020 under the lease contracts with entities over which the persons exercising control have significant influence or are members of their key management staff amounts to BGN 6 thousand (01 January 2019 – 31 March 2019: BGN 9 thousand) and cash outflow amounts to BGN 6 thousand (01 January 2019 – 31 March 2019: BGN 9 thousand).

Movements of interest-bearing loans and borrowings from banks – related parties

<i>In BGN'000</i>		<u>Amounts received</u>	<u>Principal paid</u>	<u>Interest expenses</u>	<u>Interest paid</u>
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	31 March 2020	-	(2,216)	(197)	(204)
Entities over which the persons exercising control within the meaning of IAS 24 have significant influence or are members of their key management staff	31 March 2019	-	(2,019)	(326)	(327)
	31 March 2020	<u>-</u>	<u>(2,216)</u>	<u>(197)</u>	<u>(204)</u>
	31 March 2019	<u>-</u>	<u>(2,019)</u>	<u>(326)</u>	<u>(327)</u>

Movements of loans from related parties

<i>In BGN'000</i>		<u>Amounts received</u>	<u>Principal paid</u>	<u>Interest expenses</u>	<u>Interest paid</u>
Persons exercising control within the meaning of IAS 24	31 March 2020	-	(200)	(58)	(29)
Persons exercising control within the meaning of IAS 24	31 March 2019	-	-	(63)	(48)
	31 March 2020	<u>-</u>	<u>(200)</u>	<u>(58)</u>	<u>(29)</u>
	31 March 2019	<u>-</u>	<u>-</u>	<u>(63)</u>	<u>(48)</u>

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the period-end are unsecured (except for loans), interest free (except for loans) and the settlement is made in cash. There have been no guarantees provided to or received for related party payables or receivables, except for the ones listed below. For the period ended 31 March 2020 (31 December 2019: Nil), the Group had not written down related party receivables. A review for impairment is made every financial year through examining the financial position of the related party and the market in which the related party operates.

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Commitments and contingencies

Legal claims

In connection with a ship repair, the Group has filed a claim with the Arbitration Court in London, according to the Rules of the Association of London Maritime Arbitrators (ALMA), for non-compliance by a client with payment commitments. Accordingly, the client has filed a counterclaim challenging the term of performance of the service and the volume of

Guarantees

According to a contract signed with a commercial bank for granting a credit limit for issuance of bank guarantees, letters of credit and working capital financing of the Holding and/or Group entities with a limit of BGN 10,000 thousand, as at 31 March 2020:

- bank guarantees amounting to BGN 254 thousand (31 December 2019: BGN 708 thousand) were issued to the following Group companies: **KRZ Port Burgas AD**, **Bulyard Shippbuilding Industry AD**, Odessos PBM EAD, ZMM Sliven AD, ZMM Nova Zagora AD, and **IHB Metal Castings AD**,
- a letter of guarantee was issued to cover a liability of **KRZ Port Burgas AD** amounting to BGN 3,000 thousand (31 December 2019: BGN 3,000 thousand);
- a revolving credit line for working capital financing was opened amounting to BGN 7,000 thousand (31 December 2019: BGN 7,000 thousand). As of 31 March 2020, the amounts utilised under this revolving credit line for working capital financing by the subsidiary ZMM Sliven AD was BGN 493 thousand, by Odessos PBM EAD - BGN 300 thousand, by KRZ Port Burgas AD – BGN 115 thousand, and by ZMM Nova Zagora AD – BGN 690 thousand, respectively.

As of 31 March 2020, the unutilized limit under this contract for provision of a credit limit amounted to BGN 5,148 thousand.

The contract with the bank is secured by a registered pledge on the commercial enterprise of KRZ Port Burgas AD as a combination of rights, obligations and factual relations, with registration of the main assets with the respective registries.

Collateral

In 2019, in connection with a secured bank loan of EUR 600 thousand received for the purpose of financing the construction of a photovoltaic power plant, a company- borrower under the loan signed a financial collateral agreement through a pledge of receivables over all its accounts with the bank-creditor in an amount that should be at least equal to the loan liability, but not more than EUR 640 thousand.

In 2018, in connection with a contract concluded to secure a bank loan of the total amount of EUR 10,000 thousand, obtained for the purpose of partial financing of a debenture loan, Industrial Holding Bulgaria PLC and the entities-guarantors under the loan signed financial collateral agreements through a pledge of receivables providing for a right of use over all their accounts with the bank-creditor in an amount that should be at least equal to the loan liability, but not more than EUR 10,000 thousand.

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Non-systematic group specific risks

Risks associated with the structure of the Group's portfolio

The Group's investments are focused on industries characterised by slow rotation of funds invested (machine-building), dependency on energy and other resources (machine-building, ship repair, maritime transport) and high cyclicality (ship repair, shop design, maritime transport, classification and certification, port activity), thus reducing the level of return of the overall investment portfolio of the Holding.

Risks arising from pandemics and epidemics - globalization worldwide and the much freer movement of goods and people lead to a significantly faster spread of pandemics and epidemics, and make it difficult to locate them in individual regions / countries, which in the case of more serious diseases, such as COVID-19, blocks world trade and has an adverse impact on all economic agents.

Risks arising out of dependence on the development of the global economy and trade

The spread of COVID-19 worldwide is shrinking the world economy and has a negative impact on businesses of all economic agents.

In general, the state of the global economy and demand for raw materials underpin the development of trade and all industries in the IHB's investment portfolio are they have a direct and imminent impact on shipping industry. Stress on the market and pressure on the freight have a number of divergent factors:

- cyclicality of the shipping industry – cycles are linked to the global economy and the balance between the proposed shipping tonnage and the needs of exporters and importers. Risk exists for operators who have failed to properly plan and distribute their cash flows at a time of difficult access to finance under aggravated conditions during crisis;
- number of ships in construction and entry into service and state of the ship cutting market - low growth rate of old ships combined with a large number of newly built and put on water ships and tonnage in operation leads to oversupply;
- increased environmental restrictions – the introduction of new eco-norms and directives on environmental pollution and energy savings for vessels imposes mandatory reconstructions of vessels to comply with eco-norms and shortens the time of operation of ships;
- global fuel problems - on the one hand, oil can be a cause of conflict and, on the other hand, the price and availability of it can be a cause of erosion or a fall in the freight market, as marine fuels are the main raw material in the industry and stock commodity;
- development potential – stems from major infrastructure projects, major investments in the gas and oil sectors, etc.

The level of economic activity worldwide has impacted, albeit more slowly, on machine building, shipbuilding and ship repair, while port operations depend to a greater extent on the developments in the domestic market.

Risk of political instability in traditional markets and regions, military activities and/or penalties imposed

This risk stems from future changes in economic policy imposed by objective economic or political circumstances - continuing war conflicts around the world, political uncertainty in many places, sanctions and restrictions imposed on trade with a number of countries. The exodus of refugees toward Europe and in particular, toward Bulgaria, as an EU external border, is a negative result of these processes as well. This risk mainly affects maritime and port business as it impedes the free movement of goods and leads to a change in trade flows and transport corridors, and hampers the access of registry inspectors to supervised vessels. Additionally, the risk also affects the machine building industry by reducing sales volumes on traditional markets.

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Risks associated with fraud and abuse

As a result of the processes related to the spread of the COVID-19 pandemic and the contraction of the global economy as a result thereof, the risk of fraud and abuse increases, including that related to cyber-attacks, unscrupulous trade practices, etc. As regards the Group, this risk is most prevalent in maritime transport.

Risks relating to environment legislation

The domestic and international legislation on ecology implies compliance with a number of measures on prevention, control and reduction of various types of environmental pollution. The trend in recent years is to increase regulations in this area. The Group's policy is to comply with all regulatory obligations in this respect, which is linked to fixed investments for the alignment and maintenance of facilities and processes in accordance with the required standards and norms. All investment projects are also in line with environmental protection requirements.

Risks relating to attracting and retaining experienced and qualified employees

Given the problems with the effectiveness and relevance of the education system in Bulgaria and the demographic collapse in the country, many sectors of the national economy are experiencing a capacity crunch. Employees' professional qualities affect directly entity's financial results and innovation performance. The risk is reinforced by the convertible nature of some professions and high worldwide demand for such staff (professionally trained and motivated seamen and officers, registry inspectors, engineering personnel and specialist workers – welders, hull workers (hull fitters), pipe fitters, etc.). The most affected segments are that of machine building, maritime transport, and ship repair segments. To date, the impact of this risk has diminished as a result of staff layoffs by companies that have ceased or severely curtailed their operations as a result of the pandemic. Management has adopted a long-term approach to human resource management related to preliminary and subsequent qualification of staff, as well as a close cooperation with the academic society in the country.

Credit risk

Credit risk is the risk of possible financial loss if a client or a party to a financial instrument fails to perform its contractual obligations. The risk is mainly related to receivables from clients and investments in other financial assets.

Receivables from clients – The Group's credit risk exposure depends on the customer's individual characteristics that differ between sectors. The most affected segments are that of ship building, ship design, classification and certification, and port activities.

Currently, the level of credit risk worldwide and for the Group, in particular, has increased significantly due to the contraction of economic activity because of COVID-19. The Group's credit policy provides for that each new client shall be investigated for solvency before being offered the standard delivery and payment terms and conditions. Besides the price offered, when selecting a potential client or a charterer managers consider its credit rating, reputation, popularity, recommendations, etc.

Investments – The Group invests mainly in businesses and companies where the Holding holds the control and power to determine their development strategy. With respect to portfolio investments, the ambition is to invest in liquid securities. Part of investments are made over considerable periods of time, during which it is possible that the Group will receive a very limited yield, lower profits, and may even experience losses.

Guarantees - It is a policy of the Group to issue financial guarantees only to subsidiaries and only after obtaining the preliminary approval of the managing bodies. There is a risk that the guarantees may be utilised in the event of non-performance of the covered liabilities.

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Liquidity risk

Liquidity risk is the probability that the Group will be unable to meet all its obligations when they become due. Such risk may arise in case of delayed payments by clients. The Group companies elaborate financial planning to cover their expenses and current payables for a period of 90 days, including settlement of financial liabilities. Where possible, a deferred payment to suppliers and subcontractors is applied in combination with the above measures, but without affecting negatively their businesses. Currently, the level of credit risk worldwide and for the Group, in particular, has increased significantly due to the contraction of economic activity because of COVID-19. The Holding's management supports the Group companies' efforts towards attracting bank financing for investments and capacity utilization in the form of revolving credits for working capital in support of production. The attracted volumes of funds are maintained at pre-determined levels and approved only after their economic effectiveness for each company has been proven.

Currency risk

The Group companies are exposed to currency risk as they perform purchases and/or sales and/or receive loans in currencies, other than the functional currency. Aiming at reducing the Group's exposure to currency risk, the Holding's management is trying to minimise the payments in foreign currencies other than the functional currency in the operating activity of most companies. The goal is that transactions with customers and suppliers are agreed primarily in BGN and EUR for the companies the functional currency of which is the Bulgarian lev and in USD for the ship companies, as USD is the main currency, in which the ship business operates. Given the expected Bulgaria's joining the ERM II exchange rate mechanism (the so-called euro area waiting room), there is a risk that the EUR exchange rate agreed under the applicable resolutions vis-à-vis the exchange rate of the Bulgarian lev to be different from the current fixed exchange rate. The latter, besides a risk on balance sheet items (receivables and liabilities) could also give rise to price risk on payments denominated in BGN. The increase in the revenue share from foreign ships in total sales strengthens the impact of currency risk on the financial results of the ship register.

Interest rate risk

The Group companies are exposed to interest rate risk in cases of financing, whose price includes a floating interest rate component plus a margin. In managing this risk, management seeks to either negotiate fixed-rate loans or to conclude hedging transactions aiming at minimizing the effects of the changes in the floating interest rate component.

Systematic risks

The Holding and its subsidiaries are exposed to systematic risks relating to the market and macro-environment in which the companies operate; these risks cannot be managed and controlled by the management team.

Trends for business in which Group companies operate

Maritime transport

Despite the upward trend in the freight market in 2019 and the initial expectations preserving it in 2020, the spread of COVID-19 and restrictive measures taken by many countries had a strong negative impact on the sector. In early 2020, China's economy, one of the largest net importers of raw materials by sea, was first blocked, reducing global cargo and freights. The closure of the borders of many other countries in mid-March 2020, including the United States and Europe, has intensified the negative impact of the significant drop in freight traffic, exacerbated by a number of difficulties in organizing loading and unloading in ports as a result of measures introduced to limit any possibility of infection.

The suspended work of traditional shipwreck locations (such as India, Pakistan) has led to virtually zero vessel scrapping in the last three months, which is usually a strong factor in reducing global ship tonnage in times of crisis. The reduction of world cargo by sea, the decline in the number of shipwrecks, as well as the uncertainty and difficulties in carrying out operational business processes, have led to greatly reduced rates and increased competition among economic agents. Unidirectional effect of these factors has increased the degree of unpredictability of the freight market development in the coming months and the expectations for a difficult and volatile 2020. In the longer term, a possible change in the policy of the main countries, factors for the development of world trade and economy, may have a negative effect on maritime transport, if after overcoming the spread of COVID-19, their economies close and focus primarily on satisfying domestic demand through their own production. This will reduce freight flows as a sustained trend (mostly from and to China).

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The sector is also affected by the entry into force of the conventions on mandatory use by sea vessels of ballast water treatment systems and the low sulphur content of fuels from the beginning of 2020. The Group's vessels are gradually preparing for the new requirements. In March 2020, a ballast system was installed on a second ship from the IHB's fleet m / v Antea. These mandatory investments at present worsen the entities' financial ratios as they do not have a positive impact on their profitability and require serious expenses and more days out of operation; however, they enable the ships to continue their operation and to continue to generate revenue in the future as well. It is expected that the other ships of the Group will comply gradually with the new environmental requirements in their next scheduled repairs to be carried out in 2021 and the first half of 2022.

Despite the difficulties in the market, **all vessels** of the Group are chartered.

Ship building and ship repair

At the beginning of 2020, it was expected an increased volume of ship repairs compared to the previous year, especially in connection with the implementation of the new requirements to vessels. However, the global spread of COVID-19 and countries' restrictions have blocked the opportunities for ship repair services in recent months. The planned class repairs of the vessels were postponed, and the registration certificates, allowing them to sail, were automatically extended by several months due to the impossibility of movement of the register inspectors and fulfilment of their supervision commitments in the course of repairs. The trend towards gradual lifting of restrictions has put shipowners in a need to quickly seek the opportunity to perform deferred class repairs due to the inability of ships to continue their operations. The latter has led to a recovery in demand and the production program of **Bulyard Shipbuilding Industry** was booked in the short term. In the medium term, the enhanced environmental measures for ships in operation and the legal requirements imposed on them to install ballast water systems, will continue to impact positively on the industry due to the increased volume of ship repairs that will have to be performed.

However, the negative impact of the pandemic on the freight market and the significant uncertainty of the global economy future development have put strong pressure to reduce the construction of new vessels. The trend has severely limited the company's ability to participate in such projects as a subcontractor for parts of the ship (metal structures, etc.), and no recovery of these services is expected by the end of the year.

Ship design

During the last few years, there have been an increased demand for design and ship repair services for retrofitting, refurbishing, converting and adding new equipment to existing ships. 2020 also started well, but countries' restrictions on limiting the spread of COVID-19 have had a negative impact on design services.

In general, the economic environment is highly uncertain and its development is difficult to predict in the coming months.

The market for retrofit services and 3D laser scanning has shrunk due to the inability to physically move people and photograph ships that is a must in order to continue the process of designing changes. These services are expected to recover as soon as the measures are relaxed since such services are sought in view of the new ecological requirements imposed on the industry to mount ballast systems. Shipowners cannot postpone these projects and demand for retrofit services is expected to rise in the short term to overcome the delays of recent months.

There is also a decline in the cruise ship market. The resumption of recreational trips by sea depends on the moment when the spread of the virus is put under control. The behaviour of shipowners in this situation is different. Those, who have the opportunity to finance or can ensure access to financing, take advantage of the market situation and continue their investment projects in order to realise potential opportunities when demand is recovered. Others are postponing their projects to build new ships until uncertainty about future development is reduced. There are also cases of cancelling construction contracts at an early stage.

The fall in oil prices has narrowed the price gap between heavy and light diesel fuel, and reduced the cost-effectiveness for owners to supply their ships' engines with scrubber systems that will allow them to continue to use heavy fuel. The recovery of this type of service directly depends on the oil prices. The low freight market has intensified negative effects. The effect of these factors makes economic agents rather cautious in their decisions.

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The fact that **IHB Shipdesign** is well positioned, the variety of services it offers (such as types of design services and types of ships) and the wide customer diversification enable the company to keep most of its staff and to work profitably, despite the volatility in markets. In the short term, the company expects growth in its retrofit services and cruise ship projects stemming from its customers' desire to compensate for the temporary suspension of their orders due to the pandemic.

Classification and certification

The decline in the freight market and restrictions imposed to overcome the spread of COVID-19 had a negative impact on the activities of the **Bulgarian Ship Register (BRS)** as well. There is a tendency to reduce the inquiries and requests for inspections of ships and, if possible, their postponement by shipowners. The inability to physically move people also impacted negatively on BRS, so the company is looking for ways to provide classification and certification services remotely or through agents and subcontractors, where possible.

The unexpected change in business environment, which affected the way all economic agents operate worldwide, has led to postponement of the procedure for recognising the BSR by the Honduras Administration. The expected start of the procedures for obtaining approval from the Administrations of Panama and Sierra Leone is also postponed.

The market is expected to grow after easing the restrictions, but uncertainty in the industry is still high.

Port operations

The development of the Bulgarian ports depends to a much greater extent on the economic situation in Bulgaria and in the countries of the Mediterranean and Black Sea regions than on the change in economic activities in other parts of the world.

The ports of **KRZ Port Burgas** and **Odessos PBM** are of regional importance and their workload is directly related to the development of the sectors of construction, agriculture, aggregates, and infrastructure projects. Their activity also depends on the seasonality of some types of cargo.

The spread of the COVID-19 pandemic and measures taken to limit it have a different impact on shippers depending on their cargo.

For cereals, of which Bulgaria is a traditional exporter, the demand for port services and freight flows have been affected differently depending on the final destination of unloading. For some of the goods destined for countries with more extreme restrictive measures, there were cases of rejected orders by customers; however, demand has remained relatively stable overall. There is a tendency to direct investment efforts of the ports in the region of Varna and Burgas towards building new storage facilities and warehouses aiming at improving and speeding up handling processes, which strengthens the competitive environment in which Odessos PBM and KRZ Port Burgas operate. The increase in the import cargo flows of crops has had a positive impact as a result of investments in the construction of additional processing capacities already completed by producers in the North-Eastern region of the country. The Group's investment intentions to expand the two ports depend mostly on grain cargo due to its large volume and stable demand for port services in times of crisis. However, in view of the unclear and still highly risky business environment, the Group has currently frozen these projects.

The temporarily suspended activity of some shippers (of glass, wood chips, etc.) has significantly reduced the volume of cargo, which is expected to gradually recover after measures against the spread of the virus are relaxed.

Metal and scrap cargo also shrank due to the reduced activity of economic agents. Their recovery will be directly dependent on the restart of the economy and investment activity in infrastructure and construction projects, which at this stage is difficult to predict.

In general, the Group's two ports' diversification of cargo and their approbated market position enable the ports to continue their activities without their profitability being significantly affected by the market developments and changes in the business environment.

Bulport Logistics offers services in the field of small and mid-sized vessels and yachts mooring, ships docking for repairs, as well as the rental of office premises and areas for storage and production activities. Restrictions at the

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government level imposed in relation to the pandemic in recent months affected negatively mainly the demand for office space and repairs of small vessels, due to shrinking economic activity of potential customers as a result of uncertainty in the business environment. Currently, there is a tendency to resume demand and the company's expectations are to gradually lease out vacant office spaces in the medium term.

Machine building

In the first three months of 2020, the demand for metal-cutting machines offered by the Group increased compared to the same period in 2019. After the end of March, the restrictions taken by many countries around the world to limit the spread of COVID-19 and high uncertainty in the business environment, negatively affected the investment activity of the clients of both **ZMM Bulgaria Holding** and its **subsidiaries**, as a result of which there was a decrease in the volume of orders and revenue. The negative effect is exacerbated by partial delays and difficulties in the shipment of finished products and delivery of raw materials.

Along with the gradual easing of measures to overcome the pandemic, demand is expected to gradually recover in the short term. In the medium term, the uncertainty about the development of the automotive industry worldwide will continue to have a negative effect.

The active marketing policy of ZMM Bulgaria Holding in the last few years, the change in the pricing processes and product development, and the increased online presence begin to bear fruits - there is a tendency to increase inquiries from end customers with very wide geographical diversification, which in the long run is expected to lead to sustainable market positions for companies operating in the machine building sector.

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INFORMATION PURSUANT TO APPENDIX 9 TO ORDINANCE 2 ON THE PROSPECTUSES TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET AND ON DISCLOSURE OF INFORMATION

Change in individuals exercising control over the company

There were no changes in the persons exercising control over the Company at 31 March 2019.

As at 31 March 2019, Industrial Holding Bulgaria PLC had information about the following shareholders holding more than 5% of the votes at the General Meeting, as follows:

1. Venside Enterprises Limited

Number of voting shares and their share of the votes at the General Meeting of Shareholders of the company:

As at 31 March 2019: 7,089,320 shares representing 06.60 % of votes held directly

2. BULLS AD

Number of voting shares and their share of the votes at the General Meeting of Shareholders of the company:

As at 31 March 2019: 37,608,121 shares representing 35.02% of votes held directly

Bulls AD owns 100% from the capital of Venside Enterprises Ltd and controls its shares.

3. DZH AD

Number of voting shares and their share of the votes at the General Meeting of Shareholders of the company:

As at 31 March 2019: 8,957,874 shares representing 8.34% of votes held directly.

4. Daneta Angelova Zheleva

Number of voting shares and their share of the votes at the General Meeting of Shareholders of the company:

As at 31 March 2019: 41,044 shares held directly, representing 0.03% of votes, directly and through related parties: a total of 8,999,564 shares representing 8.37% of votes.

5. Dimitar Georgiev Zhelev

Number of voting shares and their share of the votes at the General Meeting of Shareholders of the company:

As at 31 December 2019: 646 shares held directly, representing 0.0006% of votes, directly and through related parties - a total of 8,999,564 shares representing 8.37% of votes, and controlled through Venside Enterprises Ltd and Bulls AD: a total of 44,697,441 shares, representing 41.62% of votes

Dimitar Georgiev Zhelev controls Bulls AD and Venside Enterprises Limited and the votes directly held by these entities.

Dimitar Zhelev and Daneta Zheleva are spouses.

The shares of the other shareholders, in view of the scattered shareholding structure of Industrial Holding Bulgaria PLC as a former privatisation fund (with more than 50,000 shareholders) and the quorums at the General Meeting of Shareholders over the last two years, have allowed that a majority vote and de facto control within the meaning of IAS 24 is exercised by Bulls AD and Venside Enterprises Limited at the GMS of Industrial Holding Bulgaria PLC.

As at 31 March 2020, IHB held 7,700,836 redeemed treasury shares representing 7.17 % of the Company's capital; pursuant to article 187a, paragraph 3 of the Commercial Act, the voting right attached to these shares has been suspended until their transfer.

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Initiation of bankruptcy proceedings in respect of the Company or its subsidiary and all significant stages relating to the proceedings

There is no such circumstance.

Conclusion or performance of significant transactions

N/A

Decision for conclusion, termination and cancellation of a joint venture contract

There is no such circumstance.

Change in the Company's auditors and reasons for the change

There is no such circumstance.

Initiation or termination of court or arbitration proceedings relating to liabilities or receivables of the Company or its subsidiary with a price of the claim of at least 10 per cent of the Company's equity

N/A

Purchase of, sale of or pledge imposed on shares of commercial companies by the issuer or its subsidiary

There has been no such circumstance during the past quarter.

Other circumstances deemed by the Company as being of importance to the investors in taking a decision to acquire or to continue to hold publicly offered securities

N/A

This notes have been prepared in accordance with the requirements of Art. 100o¹, par. 4 with reference to par. 2 of POSA.

Daneta Zheleva
Chief Executive Officer
Industrial Holding Bulgaria PLC

Ivan Rashkov
Chief Accountant

Vladislava Zgureva
Investors Relations Director